



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Consultation Paper on

Proposed Changes to Practical Experience Framework

January 2018



Contents

| | |
|--|----|
| Executive Summary | 1 |
| Glossary | 8 |
| 1 Overview of the Practical Experience Framework | 11 |
| 2 Enhancing Flexibility in Time Requirements | 16 |
| 3 Strengthening Quality Assurance of the Authorized Employer and Authorized Supervisor System | 19 |
| 4 Improving Transparency and Timeliness of Documentation | 31 |
| 5 Transitional Arrangements | 35 |
| 6 Consultation Process | 36 |

Appendices

- A Key Comparison of the Current and Proposed Practical Experience Framework
- B The Practical Experience Competence Grid
- C Development Commitment Sample
- D Training Records Sample (extract)

Executive Summary

The Qualification Programme ("QP") offers the most direct route and comprehensive training for aspiring accountants to qualify as a Hong Kong Certified Public Accountant ("CPA"). In pursuance of its Sixth Long Range Plan, the Hong Kong Institute of Certified Public Accountants (the "Institute" or "HKICPA") has embarked on the CPA qualifying process reform to ensure professional accountants are trained with the skills, expertise and ethics that can uphold Hong Kong as an international business and financial centre. Along this direction, the Institute issued the *Consultation Paper on Proposed Changes to CPA Qualifying Process* in June 2016, and thereafter released the *Position Paper on New Qualification Programme* in January 2017.

The new QP embraces the competence requirements and learning outcomes for the three tenets of the CPA qualification framework, i.e. pre-entry education, professional programme and practical experience.

With respect to practical experience, the third tenet of the CPA qualification framework, the Institute commissioned the Institute of Chartered Accountants of Scotland and Deloitte Touche Tohmatsu as independent consultants to conduct a comprehensive review of the existing Practical Experience Framework (the "PE Framework") as a continuation and integral part of the CPA qualifying process reform.

Objective of the Review

The overall objective of the review is to ensure the PE Framework aligns with international standards and the best practices of leading accountancy bodies. In particular, the Institute wishes to refine the practical experience process and realise the following key benefits:

- (a) Enhancing the flexibility of the time requirements under the PE Framework to embrace the wide variety of work environments that are suitable for QP students to achieve competences.
- (b) Strengthening the quality assurance of the Authorized Employer ("AE") and Authorized Supervisor ("AS") system so that QP students can acquire competence in a work environment that offers quality learning and development opportunities.
- (c) Promoting communication and improving the transparency and timeliness of documentation related to the PE Framework through a wider use of electronic processes in a practical and user-friendly manner.

Overview of the Practical Experience Framework

Section 1 of this consultation paper gives an overview of the new QP covering all three tenets of pre-entry education, professional programme and practical experience in general, as well as the proposed PE Framework.

Practical experience requirements are a combination of time (input based) and competences (output based). The required period of practical experience remains unchanged at a minimum of three years as present, but both Technical Competences and Enabling Competences have been revised in line with the International Education Standards of the International Federation of Accountants. Six broad areas of Technical Competences for practical experience, each with three elements, have been identified, making a total of 18 elements. QP students are required to satisfy the competence requirements for four out of the 18 elements, one of which must be in the area of Financial Accounting and Reporting.

The tables in **paragraphs 1.14 and 1.15** of this consultation paper provide a recap of the Technical Competences with six core areas and 18 elements as well as the Enabling Competences with two areas and seven elements. The competence requirements have been finalized through the public consultation in June 2016.

Enhancing Flexibility in Time Requirements

Section 2 of this consultation paper summarizes the time requirements under the proposed PE Framework, which have been revised to enhance flexibility and embrace the wide variety of work environments. The minimum time requirement is three years for approved degree holders or graduates from the Associate Level of the new QP, during which the total period of relevant experience is not less than 500 Working Days. There is also a minimum time requirement of 75 Working Days in each of the selected technical elements to ensure adequate depth and coverage of the subject matter. The time requirements, represented by Working Days, are measured based on the following criteria:

- (a) QP students need to gain at least 130 Working Days of practical experience each year. A Working Day is considered to be eight working hours and working hours can be accumulated. The required Working Days allow a maximum of 40 hours of attendance at relevant in-house training courses each year. (Question 1) (see section "Request for Comment" below)
- (b) Relevant experience means real practical work of a financial, business or commercial nature. Practical experience must be attained within 10 years prior to the date the QP student applies for HKICPA membership and must be counted from the effective date of the Development Commitment. (Question 2)

Strengthening Quality Assurance of the Authorized Employer and Authorized Supervisor System

Section 3 of this consultation paper outlines the proposed enhancements to the AE and AS (collectively referred to as "AE/ AS") system in strengthening the quality assurance and effectiveness of the training environment for QP students. The proposed changes aim at ensuring the Institute registers AE/ AS that will offer QP students a work environment with quality learning and development opportunities.

- (a) AE/ AS applicants need to carry out a self-assessment to assess their commitment to comply with the requirements under a strengthened Practical Experience Codes and Guidelines (hereinafter referred to as "Codes and Guidelines") prior to seeking authorization. (Question 3)
- (b) The Institute's Assessors will conduct authorization visits for all new AE/ AS applicants. They will meet with the applicant's representatives and their staff to understand the training and development environment and assess whether the applicant complies with the spirit of the Codes and Guidelines in all material aspects. (Questions 4 and 5)
- (c) The AE/ AS status, once granted, is valid for five years subject to an online annual monitoring. A visit will be conducted on a sampling basis or circumstances require. The AE/ AS needs to be renewed online every five years. Re-authorization visits will be carried out on a sampling basis. The Institute may suspend or withdraw the AE/ AS status if there is any concern over their commitment to the Codes and Guidelines. (Questions 6, 7 and 8)
- (d) Each AE needs to appoint a Member-In-Charge ("MIC") to assume the overall responsibility for supervising the training of QP students and confirm to the Institute that QP students have attained the required competences. The MIC must meet certain qualifications and take up a series of responsibilities. (Question 9)
- (e) Where the number of registered QP students under the AE is large, the MIC can appoint up to a maximum of five deputies. Deputies must meet the same set of criteria as required of a MIC. (Questions 10 and 11)
- (f) The MIC of an AE needs to assign a Counselor to each QP student. The Counselor of an AE must meet certain qualifications and take up a series of responsibilities. (Questions 12 and 14)
- (g) Where an AE is not available, a suitably qualified individual may be authorized by the Institute as an AS. The AS must meet certain qualifications and take up a series of responsibilities similar to a MIC of an AE. (Questions 13 and 14)
- (h) The existing arrangement of QP students trained by External Authorized Supervisors will be abolished. (Question 15)

Improving Transparency and Timeliness of Documentation

Section 4 of this consultation paper describes the proposed changes to the practical experience process with a view to promoting communication between the AE/ AS and QP students and improving the transparency and timeliness of documentation related to the PE Framework.

- (a) At the commencement of the Practical Experience Period, the AE/ AS and the QP student are required to enter into a Development Commitment setting out the expectations and responsibilities of all parties. The overall aim of the Development Commitment is to help nurture a constructive discussion and relationship between the AE/ AS and the QP student. **(Question 16)**
- (b) The QP student needs to maintain online Training Records for the Counselor/ AS to sign off each year. The Training Records should include a Reflective Statement for the QP student to reflect on and improve his/ her learning. **(Question 17)**
- (c) The Counselor/ AS should carry out interim and annual review meetings with the QP student. **(Question 18)**

A table showing a comparison of key features under the current and proposed PE Framework is set out in **Appendix A**.

Transitional Arrangements

To ensure a smooth transition to the proposed PE Framework, a comprehensive set of transitional arrangements has been designed and is set out in **Section 5** of this consultation paper.

- (a) Existing QP students will be given a transitional period of three years to continue to attain the practical experience under the current PE Framework. **(Question 19)**
- (b) Existing AE/ AS will be required to complete a self-assessment and declare their compliance with the Codes and Guidelines in order to retain their AE/ AS status up to the time of re-authorization. They will be given a transitional period of one year to rectify any non-compliance areas identified in the self-assessment. **(Question 20)**

Request for Comment

The proposed changes to the current PE Framework and transitional arrangements are explained in more details in the relevant sections of this consultation paper for comments. They do not represent an adopted policy or position of the Institute's Council. The purpose of this consultation is to elicit responses from all stakeholders before the final CPA qualification framework is adopted and the new QP is launched. The consultation process is set out in **Section 6**.

The closing date for comments on this consultation paper is **4 May 2018**. Please send your comments in writing by post to the following address or by email:

Executive Director
Qualification and Education
Hong Kong Institute of Certified Public Accountants
27/F, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Email: consultation-PEF@hkicpa.org.hk

You may also submit your comments by completing and returning this [online questionnaire](#) which is available at the Institute's website. The list of questions is set out below and will need to be read and considered with the detailed explanation set out in the respective sections of this consultation paper:

Questions

1. Do you agree that the proposed measurement of Working Days is appropriate and practical to be adopted under different work environments and employment modes? If not, what are your concerns and recommendations for improvement?
2. Do you agree that the practical experience of a QP student should be acquired within 10 years prior to the date of HKICPA membership application and should be counted from the effective date of the Development Commitment to ensure relevancy? If not, why not?
3. Do you agree that an applicant for registration as an Authorized Employer or Authorized Supervisor needs to demonstrate commitment to comply with the Practical Experience Codes and Guidelines by means of a self-assessment before application is considered? If not, why not?
4. Do you agree that, in processing the application for registration as an Authorized Employer or Authorized Supervisor, an authorization visit by the Institute's Assessors instead of a desktop review is more effective and beneficial for both the applicant and the Institute? If not, what are your concerns and recommendations for improvement?

5. Without prejudice to your answer to Question 4 above, and assuming you agree with the benefit of an authorization visit, do you agree that meeting with the applicant's staff (i.e. corroborators) can help the Institute's Assessors understand and substantiate the applicant's training and development environment further to ensure the Institute is authorizing suitably qualified organizations or individuals to train QP students? If not, what are your concerns and recommendations for improvement?
6. Do you agree with the online annual monitoring of the five-year status as Authorized Employer or Authorized Supervisor subject to a visit on a sampling basis or circumstances require? If not, what are your concerns and recommendations for the annual monitoring?
7. Do you agree with the online renewal process together with a re-authorization visit on a sampling basis at the end of the five-year status as Authorized Employer or Authorized Supervisor? If not, what are your concerns and recommendations for the renewal process?
8. Do you agree with the criteria leading to suspension or withdrawal of the status as Authorized Employer or Authorized Supervisor? If not, what other factors should be considered and why?
9. Do you agree with the criteria for qualifying as a Member-In-Charge of an Authorized Employer? If not, what other criteria do you recommend?
10. Do you agree with the appointment of deputies to the Member-In-Charge being subject to a maximum of five? If not, what other number do you have in mind and why?
11. Do you agree with the list of responsibilities of a Member-In-Charge under the proposed Practical Experience Framework with the help of deputies? If not, why not?
12. Do you agree with the criteria for qualifying as a Counselor? If not, what other criteria do you recommend?
13. Do you agree with the criteria for qualifying as an Authorized Supervisor? If not, what other criteria do you recommend?
14. Do you agree with the list of responsibilities of a Counselor or an Authorized Supervisor under the proposed Practical Experience Framework? If not, why not?
15. Do you agree that the existing arrangement of approving QP students to be trained by External Authorized Supervisors who are not in the same organization as QP students should be abolished? If not, why not?
16. Do you agree that a Development Commitment set up between the Authorized Employer or Authorized Supervisor and the QP student ensures a clear understanding of the relationships and expectations of both parties at the outset of the Practical Experience Period? If not, what are your concerns and recommendations for improvement?

17. Do you agree that the inclusion of a Reflective Statement in the Training Records for QP students to reflect on their work experiences and achievements is an effective way for them to take responsibility for their own learning and improvement? If not, what are your concerns and recommendations for improvement?
18. Do you agree that interim and annual review meetings between the Counselor or the Authorized Supervisor and the QP student enhance the quality assurance of the practical experience process? If not, what are your concerns and recommended alternatives?
19. Do you agree that the three-year transitional arrangement for existing QP students is sufficient? If not, what are your concerns and how long do you think the transitional period should be?
20. Do you agree that the one-year transitional arrangement for existing Authorized Employers or Authorized Supervisors is sufficient? If not, what are your concerns and how long do you think the transitional period should be?

Should you have any further comments or enquiries, please contact the Education and Training Department of the Institute on (852) 2287-7500 or send email to consultation-PEF@hki CPA.org.hk.

Glossary

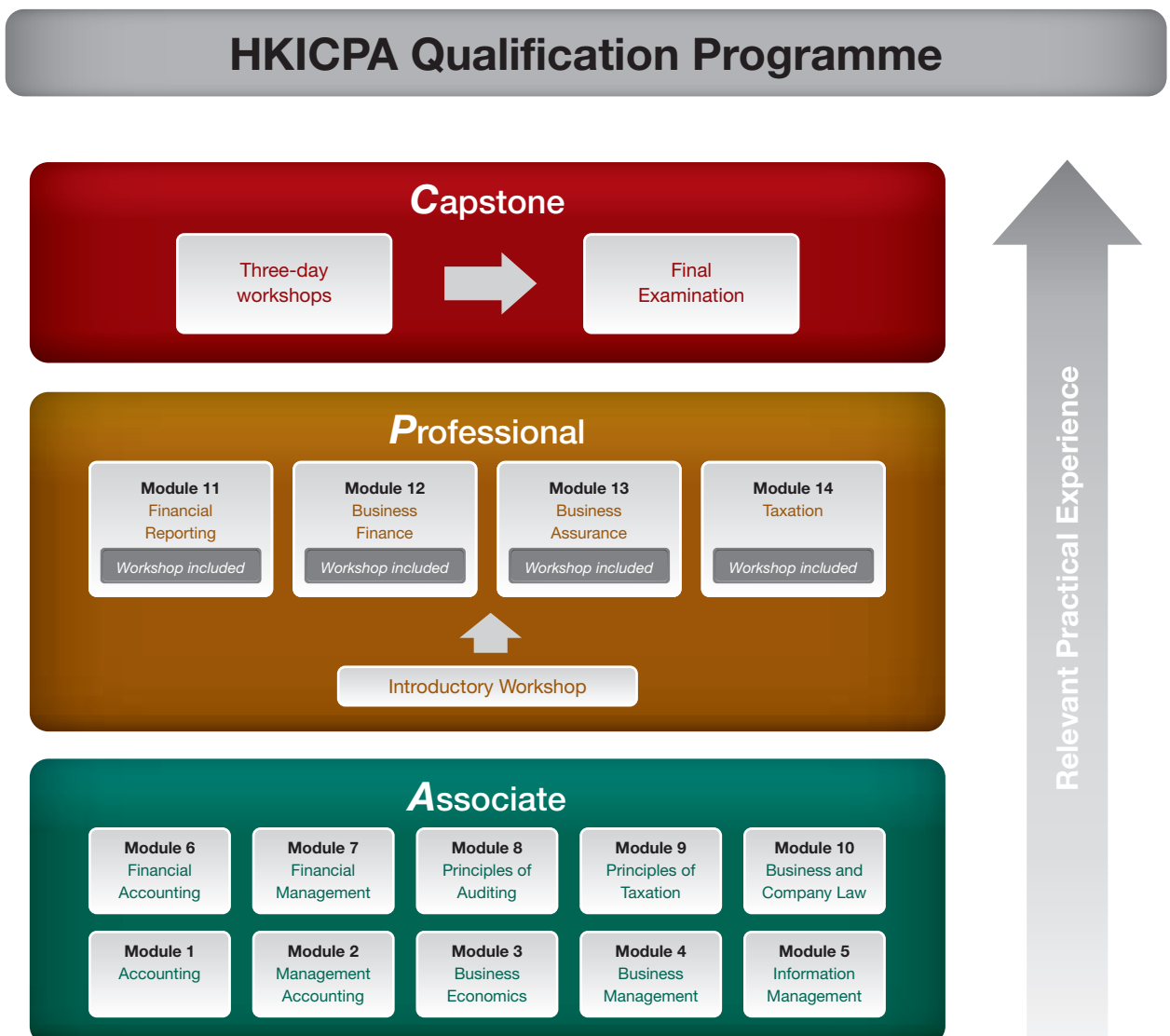
| <u>Term</u> | <u>Definition</u> |
|------------------------|--|
| Authorization Process | The quality assurance process through which the suitability of organizations or individuals seeking to register as the Institute's Authorized Employer or Authorized Supervisor is assessed. |
| Authorized Employer | An organization which has demonstrated willingness and ability to comply with the spirit of the Practical Experience Codes and Guidelines and is authorized by the Institute to take on QP students and provide them with a work environment to acquire relevant practical experience satisfying the Institute's prescribed Technical and Enabling Competences for HKICPA membership admission. The Authorized Employer discharges its commitments and responsibilities through the appointment of Member-In-Charge (and Deputy(ies) if needed) and Counselor(s). |
| Authorized Supervisor | An individual who has demonstrated willingness and ability to comply with the spirit of the Practical Experience Codes and Guidelines and has obtained support from his/ her employer to take on QP students and provide them with a work environment to acquire relevant practical experience satisfying the Institute's prescribed Technical and Enabling Competences for HKICPA membership admission. The individual is authorized by the Institute to train QP students under his/ her charge. The Authorized Supervisor takes on roles and responsibilities similar to a Member-In-Charge and a Counselor under the Authorized Employer scheme. |
| Counselor | A person assigned by the Member-In-Charge under the Authorized Employer scheme and is delegated with the responsibilities to review and verify the QP students' Training Records. |
| Development Commitment | A written agreement to be entered into between the Authorized Employer or Authorized Supervisor and the QP student within three months of commencement of the Practical Experience Period setting out the parties' understanding, commitments and responsibilities in relation to the practical experience training provided to the QP student. |
| Enabling Competences | Professional skills, values, ethics and attitudes required to be developed by a QP student during the Practical Experience Period in accordance with the International Education Standards 3 and 4 of the International Federation of Accountants. |

| <u>Term</u> | <u>Definition</u> |
|---|---|
| External Authorized Supervisor | An Authorized Supervisor assigned by the Institute to train QP students who are not working in the same organization and whose employer or supervisor is not an Authorized Employer or Authorized Supervisor. |
| Member-In-Charge | A person appointed by the Authorized Employer to assume the overall responsibility for supervising the training of QP students and to confirm to the Institute that QP students have attained the required competence. A Member-In-Charge may also be a Counselor. |
| Member-In-Charge Deputy | A person appointed by the Member-In-Charge under the Authorized Employer scheme to perform some of the responsibilities of the Member-In-Charge. |
| Practical Experience Codes and Guidelines | The fundamental attributes of an Authorized Employer or Authorized Supervisor in the provision of quality learning and development opportunities for QP students they employ, and are relied on by the Institute in assessing and evaluating the suitability of organizations and individuals seeking to register as an Authorized Employer or Authorized Supervisor. |
| Practical Experience Framework | The competency-based system of practical experience supervision and guidance that defines the types of skills that a QP student should acquire during the Practical Experience Period before becoming a member of the Institute. The Practical Experience Framework has become mandatory for all QP students on 1 January 2005, and is proposed to be revised in line with international standards and the best practices of leading accountancy bodies. Details of the proposed changes are outlined in this Consultation Paper. |
| Practical Experience Period | A period of time through which a QP student attains relevant experience under supervision of an Authorized Employer or Authorized Supervisor for HKICPA membership application. The total required Practical Experience Period is at a minimum of three years. |
| Recency Rule | A rule for determining the relevancy of the practical experience acquired by a QP student, which requires the practical experience to be attained within 10 years prior to the date the QP student applies for HKICPA membership and be counted from the effective date of the Development Commitment. |

| <u>Term</u> | <u>Definition</u> |
|-----------------------|--|
| Reflective Statement | A record of self-assessment on competences acquired during the Practical Experience Period by a QP student with a view to identifying improvement areas and future development needs. The Reflective Statement forms part of the Training Records. |
| Technical Competences | Professional knowledge and skills required to be developed by a QP student during the Practical Experience Period in accordance with the International Education Standard 2 of the International Federation of Accountants. |
| Training Records | A record of time input and competences acquired during the Practical Experience Period to be prepared by a QP student and signed off by an Authorized Employer or Authorized Supervisor as evidence of achieving the practical experience requirements for admission to HKICPA membership. |
| Working Days | In the context of measuring time input during the Practical Experience Period, a Working Day is defined as eight working hours per day. Working hours can be accumulated. |

1 Overview of the Practical Experience Framework

- 1.1 The QP offers the most direct route and comprehensive training for aspiring accountants to qualify as a Hong Kong CPA. In pursuance of its Sixth Long Range Plan, the Institute has embarked on the CPA qualifying process reform to ensure professional accountants are trained with the skills, expertise and ethics that can uphold Hong Kong as an international business and financial centre. Along this direction, the Institute issued the *Consultation Paper on Proposed Changes to CPA Qualifying Process* in June 2016, and thereafter released the *Position Paper on New Qualification Programme* in January 2017.
- 1.2 The new QP comprises three progressive levels with 14 modules and a Capstone, i.e. Associate Level (10 modules), Professional Level (four modules) and Capstone Level. It is designed to ensure that upon completion, the newly qualified CPAs will be equipped with the necessary technical knowledge, professional skills, values and ethics, and relevant practical experience to meet the needs of employers in today's work environment.
- 1.3 The following diagram illustrates the structure of the new QP:



- 1.4 To complete the new QP, students need to:
- (a) Satisfy the academic prerequisites for QP admission;
 - (b) Study for and complete the assessments of relevant module(s), culminating in the Capstone; and
 - (c) Complete at least three years of relevant practical experience under the supervision of the Institute's AE or AS.
- 1.5 The new QP embraces the three tenets of the CPA qualification framework, i.e. pre-entry education, professional programme and practical experience. More details of the above three-pronged tenets of the new QP can be found in the *Position Paper on New Qualification Programme* issued by the Institute in January 2017.

Review of Practical Experience

- 1.6 With respect to practical experience, the third tenet of the CPA qualification framework, it is crucial to ensure the PE Framework is in line with international standards and the best practices of leading accountancy bodies. With this in mind, the Institute commissioned the Institute of Chartered Accountants of Scotland, a member body of the Global Accounting Alliance, and Deloitte Touche Tohmatsu as independent consultants to review the existing CPA qualifying process and propose improvements.
- 1.7 Practical experience requirements are a combination of time (input based) and competences (output based). On the output side, i.e. competences, the Institute plans to enhance the flexibility of the requirements under the PE Framework to embrace the wide variety of work environments that are suitable for QP students to achieve competences. To facilitate this, both Technical Competences and Enabling Competences have been revised. More details of the enhanced Technical and Enabling Competence grids are depicted in **paragraphs 1.14 and 1.15** below. Likewise, on the input side, i.e. time requirements and the measurement of Working Days, they have been refined to allow more flexibilities and embrace different work environments. Details of the proposed changes are set out in **paragraphs 2.1 to 2.6**.
- 1.8 The practical experience process continues to be a tripartite relationship between QP students, their AE/ AS and the Institute. The Institute plans to strengthen the quality assurance of the AE/ AS system in the interest of QP students, employers and the community at large. The proposed process for registering and monitoring AE/ AS is designed to ensure QP students are working in a professional and ethical environment with adequate opportunities for them to develop the competences required by the Institute. More details are provided in **paragraphs 3.1 to 3.37**.

- 1.9 Whilst it is crucial to enhance the PE Framework in line with the highest quality standard expected of leading accountancy bodies, the improved process should also be practical and beneficial to the stakeholders, including AE, AS and QP students at large. It is also important to promote communication and improve the transparency and timeliness of documentation and Training Records related to the PE Framework. The proposed key changes are described in paragraphs 4.1 to 4.16.

A table showing a comparison of key features under the current and proposed PE Framework is set out in Appendix A.

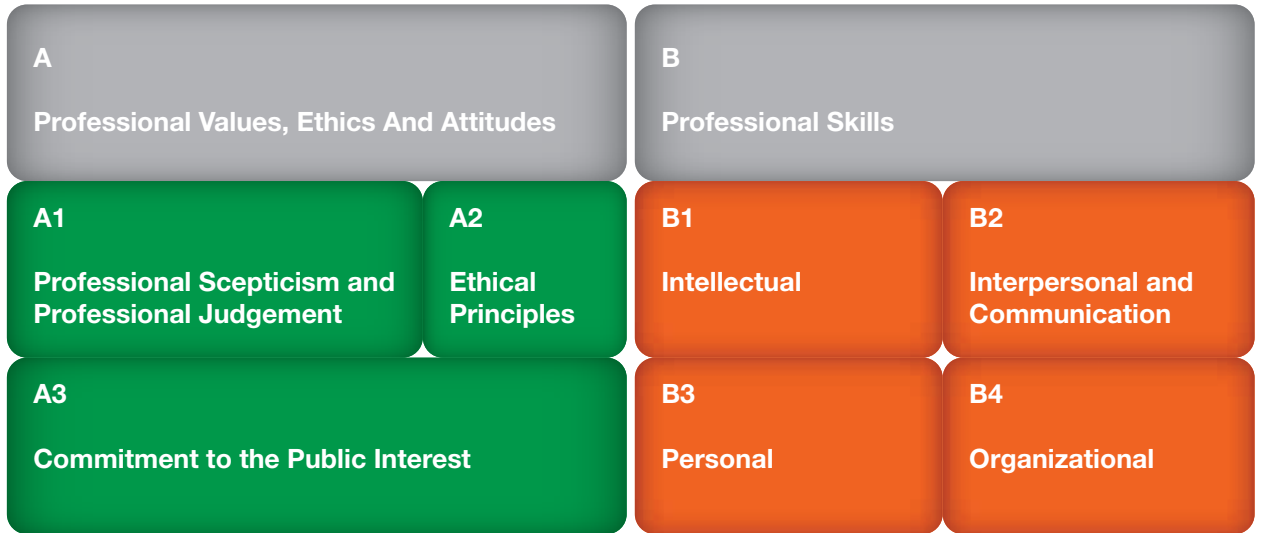
Practical Experience Competences

- 1.10 The required period of practical experience remains unchanged at a minimum of three years as present, but both Technical Competences and Enabling Competences have been revised in line with the International Education Standards of the International Federation of Accountants and the feedback from employers and practitioners during the consultation process. More details of the enhanced Technical and Enabling Competence grids are depicted in paragraphs 1.14 and 1.15 below.
- 1.11 The Institute recognizes and embraces the wide variety of work environments that are suitable for QP students to achieve competences. QP students will demonstrate different Technical Competences depending on their role in the work environment. To facilitate this, six broad areas of Technical Competence for practical experience have been identified. Each of the six broad areas has three elements, making a total of 18 elements. QP students will be required to satisfy the competence requirements for four out of the 18 technical elements.
- 1.12 Provision is made for a wider range of eligible practical experience, while retaining a common core in Financial Accounting and Reporting which is essential to becoming a professional accountant. QP students will be required to demonstrate competence in a total of four technical elements, one of which must be in the area of Financial Accounting and Reporting. In other words, at least one compulsory element must come from Financial Accounting and Reporting and the other three elements can be chosen from the remaining 17 elements.
- 1.13 Practical experience requirements also include Enabling Competences, which are compulsory. QP students will be required to demonstrate skills in all Enabling Competences, which underpin the roles and behaviours required of the professional accountants in any accounting-related role or position.

1.14 The following table shows the Technical Competences of practical experience with six core areas and 18 elements:

| | | |
|---|---|--|
| Financial Accounting and Reporting ("FAR") | Audit and Assurance ("AA") | Taxation ("T") |
| FAR1 Accounting for Transactions | AA1 Planning an Engagement | T1 Tax Computations |
| FAR2 Preparing Financial Reports | AA2 Performing an Audit Engagement | T2 Tax Compliance |
| FAR3 Analysing Financial Reports | AA3 Audit Review and Reporting | T3 Tax Planning |
| Management Accounting, Finance and Financial Management ("MF") | Governance, Risk Management and Internal Control ("GRI") | Information Technology, Business Strategy and Management, and Insolvency and Reconstruction ("IBR") |
| MF1 Cost Management and Evaluation | GRI1 Identifying and Managing Risk | IBR1 Information Technology |
| MF2 Cash Management, Planning and Budgetary Control, and Treasury | GRI2 Designing Internal Controls | IBR2 Business Strategy and Management |
| MF3 Appraising Investments | GRI3 Monitoring Performance and Accountability | IBR3 Insolvency and Reconstruction |

1.15 The following table shows the Enabling Competences of practical experience with two areas and seven elements:



1.16 The Technical and Enabling Competence areas mentioned above are covered by the professional programme and practical experience of the new QP with specified learning outcomes that QP students need to achieve at the point of qualification. The competence requirements and learning outcomes of practical experience form part of the CPA Competence Blueprint which has been finalized through the public consultation and illustrated in the *Position Paper on New Qualification Programme*.

Full details of the Practical Experience Competence Grid is set out in **Appendix B**.

2 Enhancing Flexibility in Time Requirements

- 2.1 In addition to refining the competence requirements (see paragraphs 1.10 to 1.16), the Institute proposes changes to how requirements in time input are measured with a view to enhancing flexibility and embracing a wider variety of work environments for QP students to acquire the necessary competence.

Measurement of Time Input

- 2.2 Under the proposed PE Framework, the time requirements for practical experience for HKICPA membership are:
- (a) Three years for approved degree holders or QP students graduated from the Associate Level of the new QP, during which the total period of relevant experience is not less than 500 Working Days.
 - (b) Four years for approved accountancy diploma holders, during which the total period of relevant experience is not less than 670 Working Days.
 - (c) Five years for holders of other academic qualifications, during which the total period of relevant experience is not less than 830 Working Days.
- 2.3 The time requirements, represented by Working Days, are measured based on the following criteria which aim at providing flexibility and embracing different work environments:
- (a) QP students are required to gain at least 130 Working Days of practical experience each year of their training;
 - (b) QP students are required to achieve at least 75 Working Days of practical experience in each of the selected technical elements;
 - (c) A Working Day is considered to be eight working hours and working hours can be accumulated;
 - (d) The required Working Days allow a maximum of 40 hours of attendance at relevant in-house training courses each year; and
 - (e) Relevant experience means real practical work of a financial, business or commercial nature.

2.4 A comparison of the Working Days requirement under the current and proposed PE Framework is set out below:

| Current PE Framework | Proposed PE Framework |
|--|---|
| Minimum 600 Working Days (<i>note</i>) (i.e. 4,200 working hours) over three years with a maximum of four employments. | Minimum 500 Working Days (<i>note</i>) (i.e. 4,000 working hours) over three years with a maximum of three employments. |
| Two employments can be less than 12 months. | One employment can be less than 12 months. |
| Minimum 150 Working Days per year. | Minimum 130 Working Days per year. |
| Minimum 100 Working Days in each of the selected technical elements. | Minimum 75 Working Days in each of the selected technical elements. |
| Allow holidays and relevant in-house training courses. | Allow maximum 40 hours of attendance at relevant in-house training courses per year. |

(*note*) A "Working Day" is defined as seven working hours per day under the current PE Framework and eight working hours per day under the proposed PE Framework. Working hours can be accumulated.

Question 1: Do you agree that the proposed measurement of Working Days is appropriate and practical to be adopted under different work environments and employment modes? If not, what are your concerns and recommendations for improvement?

Relevancy of Practical Experience

2.5 Under the current PE Framework, practical experience must be acquired within 10 years after the registration as a QP student of the Institute. This definition of relevant practical experience may, in extreme cases, result in the recognition of experience acquired many years prior to application for admission as a member of the Institute, and hence the relevancy is questionable.

2.6 Under the proposed PE Framework, the Recency Rule requires the practical experience of a QP student must be attained within 10 years prior to the date of the QP student applying for HKICPA membership and must be counted from the effective date of the Development Commitment (see paragraphs 4.3 to 4.9 below for more details). Practical experience which is not attained within 10 years prior to the date of HKICPA membership application and from the effective date of the Development Commitment will not be recognized.

Question 2: Do you agree that the practical experience of a QP student should be acquired within 10 years prior to the date of HKICPA membership application and should be counted from the effective date of the Development Commitment to ensure relevancy? If not, why not?

3 Strengthening Quality Assurance of the Authorized Employer and Authorized Supervisor System

- 3.1 The quality and contribution of practical experience can be substantially influenced by the nature and standard of supervision received by QP students. It is imperative for the success of the PE Framework that the Institute registers eligible AE/ AS that will offer QP students a work environment with quality learning and development opportunities. In this regard, the Institute proposes enhancements to strengthen the quality assurance of the AE/ AS system.
- 3.2 The proposed enhancements include a strengthened and elaborated set of Codes and Guidelines, a better-defined process for authorization, renewal and monitoring of AE/ AS including an authorization visit by the Institute's Assessor with new applicants, and a set of modified requirements on the qualifications and responsibilities of Member-In-Charge, Counselor and AS.

Codes and Guidelines

- 3.3 The following Codes are considered as fundamental attributes of an AE/ AS:
- (a) The AE/ AS exhibits professional and ethical practices;
 - (b) The AE/ AS is committed to and identifies the training and development needs of QP students; and
 - (c) The AE/ AS provides development opportunities for QP students and monitors and reviews development activities.
- 3.4 To ensure the AE/ AS offer QP students a work environment with quality learning and development opportunities, the Codes and Guidelines are strengthened and elaborated based upon the fundamental attributes expected of them. These attributes crystallize into three Codes supported by 15 Guidelines as shown below:

CODE 1

The AE/ AS exhibits professional and ethical practices.

1. The AE/ AS's employing organization meets its regulatory and ethical requirements in its country of residence.
2. The AE/ AS or the individuals involved in training have no ongoing ethical or professional issues.

CODE 2

The AE/ AS is committed to and identifies the training and development needs of QP students.

3. The AE/ AS identifies and provides adequate resources to train QP students.
4. The AE identifies and assigns qualified accountants with suitable experience as Counselors and provides resources to enable them to fulfil their role. The AS should be a qualified accountant with suitable experience and ensure appropriate resources are provided by the AS's employing organization to enable the AS to fulfil his/ her role.
5. The Member-in-Charge, Counselors, AS, and QP students understand their roles and responsibilities for training and development.
6. The AE/ AS sets the QP students' objectives as part of a performance review.
7. The AE/ AS identifies opportunities for QP students to obtain appropriate practical experience.
8. The AE/ AS ensures QP students understand how they contribute to the organizational or departmental objectives.
9. The AE/ AS agrees Development Commitment with QP students which is relevant to their current roles or their future career aspirations.

CODE 3

The AE/ AS provides development opportunities for QP students and monitors and reviews development activities.

10. The AE/ AS provides appropriate practical experience to QP students.
11. The AE/ AS provides training and development opportunities to QP students to achieve their objectives and explains the nature and extent of these opportunities to them.
12. The AE/ AS monitors and evaluates the QP students' progress towards fully meeting the practical experience requirements, and identifies and takes appropriate action as a result of reviews with QP students.
13. The AE/ AS ensures the QP students' time is documented and can be counted towards the practical experience requirements.
14. The AE/ AS reviews the QP students' ethical and professional behaviour throughout the Practical Experience Period.
15. The AE/ AS evaluates and monitors QP students to undertake development activities.

- 3.5 The Codes and Guidelines are the basis of a self-assessment by applicants prior to seeking authorization as AE/ AS to consider their commitment to comply with the requirements (see **paragraph 3.8** below). The self-assessment provides an early indication whether the existing or prospective AE/ AS can fulfil the new criteria for authorization, and defines the scope of the authorization or re-authorization process for the AE/ AS applicants.
- 3.6 The Codes and Guidelines are also the guiding principles for the Institute's Assessors to assess the suitability of authorizing organizations or individuals seeking to register as AE/ AS (see **paragraph 3.10** below).

Authorization Process

- 3.7 There are five stages in processing the application of an organization or an individual to be registered as AE/ AS:

Stage 1: Preparation
Stage 2: Authorization visit
Stage 3: Determination of authorization status
Stage 4: Report and records
Stage 5: Notification

- 3.8 Stage 1: Preparation

- (a) The applicants need to carry out a review of their commitment to comply with the Codes and Guidelines, and complete a self-assessment before applying for registration as AE/ AS.
- (b) The organizations or the individuals may be required to gather documentary evidence of their commitment or choose to provide evidence through discussion during the site visit by the Institute's Assessors.

Question 3: Do you agree that an applicant for registration as an Authorized Employer or Authorized Supervisor needs to demonstrate commitment to comply with the Practical Experience Codes and Guidelines by means of a self-assessment before application is considered? If not, why not?

- 3.9 Stage 2: Authorization Visit

- (a) At present, the AE/ AS registration and Authorization Process is a desktop review. As long as the applicants' submitted paperwork meets the Institute's requirements, they will be registered as AE/ AS. Site visits will be conducted after the application based on a sampling approach.

- (b) Under the proposed PE Framework, initial authorization visits will be conducted by the Institute's Assessors for all new AE/ AS applicants during which the application will be considered.
- (c) At the visit, the Institute's Assessors will meet with employer representatives to discuss the compliance with the Codes and Guidelines and review the evidence provided by the organization to determine whether or not it is suitable for training QP students.
- (d) The overall aim of the visit is to determine whether or not the AE/ AS applicants comply with the spirit of the Codes and Guidelines in all material aspects.
- (e) In addition, the Institute's Assessors will meet with existing staff (i.e. corroborators) of the AE/ AS applicants to understand the organization's training and development environment further. The corroborators may be QP students (if any) and persons participating in the activities that the Institute's Assessors are seeking to substantiate (e.g. human resources personnel, Counselors, etc.).

The Institute believes assessment through an authorization visit will enhance communication with AE/ AS in complying with the spirit of the Codes and Guidelines. The visit will also be an effective means for the Institute to determine the suitability of the applicant's work environment to offer quality training to QP students. The Institute's Assessors can efficiently review evidence, ask questions interactively and corroborate evidence to form a balanced view.

Question 4: Do you agree that, in processing the application for registration as an Authorized Employer or Authorized Supervisor, an authorization visit by the Institute's Assessors instead of a desktop review is more effective and beneficial for both the applicant and the Institute? If not, what are your concerns and recommendations for improvement?

Question 5: Without prejudice to your answer to Question 4 above, and assuming you agree with the benefit of an authorization visit, do you agree that meeting with the applicant's staff (i.e. corroborators) can help the Institute's Assessors understand and substantiate the applicant's training and development environment further to ensure the Institute is authorizing suitably qualified organizations or individuals to train QP students? If not, what are your concerns and recommendations for improvement?

3.10 Stage 3: Determination of Authorization Status

- (a) The AE/ AS assessment should be conducted by the Institute's Assessors based upon their professional judgment with due consideration of the facts and circumstances available during the authorization visit.
- (b) Where an applicant complies with the spirit of the Codes and Guidelines in all material aspects, authorization can be granted.

3.11 Stage 4: Report and Records

After determining the authorization status, the Institute will maintain records of applications, visits and decisions.

3.12 Stage 5: Notification

The Institute will notify the applicants of the outcome of the application. For successful applicants, the authorized status will last for five years unless there is a substantial change which warrants reassessment. For unsuccessful applicants, the Institute's Assessors will carefully document the reasons as well as recommendations on conditions to be met or actions to be taken by the applicants before authorization can be granted. The reasons and recommendations will be provided to the applicants.

Annual Monitoring

3.13 If an application is successful, the authorized status is granted for a five-year period, subject to an annual monitoring process. Annual monitoring is aimed at ensuring that there is no substantial change to the training of QP students, that the Institute's records of the AE/ AS are up-to-date and that any recommendations made at the initial or renewal visit have been implemented. Annual monitoring involves completion of an online questionnaire (i.e. self-compliance checklist) by the AE/ AS and normally a desktop review by the Institute's Assessors.

3.14 As a continuance of existing practice, visits will be conducted based on a sampling basis. Additional visits may be carried out as part of the annual monitoring if, inter alia, the following circumstances exist:

- (a) Past unsatisfactory self-assessment results;
- (b) Counselor/ AS with disciplinary cases; or
- (c) Any concerns brought to the attention of the Institute.

Question 6: Do you agree with the online annual monitoring of the five-year status as Authorized Employer or Authorized Supervisor subject to a visit on a sampling basis or circumstances require? If not, what are your concerns and recommendations for the annual monitoring?

Renewal of Authorization

- 3.15 At the end of the five-year authorization period, when an AE/ AS is due for review, the Institute will contact the AE/ AS for an online renewal. The AE/ AS will be requested to complete and sign on the renewal form electronically as well as to complete the self-compliance checklist to demonstrate continual commitment to the Codes and Guidelines. Re-authorization visit will be conducted based on a sampling basis. The procedures of the re-authorization visit will be the same as an initial authorization visit as mentioned above.

Question 7: Do you agree with the online renewal process together with a re-authorization visit on a sampling basis at the end of the five-year status as Authorized Employer or Authorized Supervisor? If not, what are your concerns and recommendations for the renewal process?

Withdrawal of Authorization

- 3.16 If at any time the Institute has concerns over the suitability of an AE/ AS and its commitment to the Codes and Guidelines, it can reassess the AE/ AS status. The Institute may suspend or withdraw the AE/ AS status for:
- (a) Any material failure to comply with the Codes and Guidelines, including disciplinary proceedings;
 - (b) Any failure to comply with the Institute's monitoring procedures including failure to submit timely and accurate information;
 - (c) Any actions by the AE/ AS/ employer of the AS deemed by the Institute to be sufficient grounds for withdrawal of authorization; or
 - (d) QP students' or members' complaints that are found to be justified.

Question 8: Do you agree with the criteria leading to suspension or withdrawal of the status as Authorized Employer or Authorized Supervisor? If not, what other factors should be considered and why?

Appeals

- 3.17 The Institute has a formal grievance process that allows AE/ AS applicants to appeal against decision of authorization made by the Institute. The Institute will carry out an independent review of the evidence submitted and will inform the review result to the aggrieved AE/ AS.
- 3.18 AE/ AS applicants who are not satisfied with the decision of authorization may request for review to the Director of Education and Training within 30 days upon receipt of the authorization result. The appeal case will be brought to the Qualification and Examinations Board of the Institute for deliberation. The Board's decision on the review is final and conclusive.

Appointment of Member-In-Charge by Authorized Employer

- 3.19 Under the proposed PE Framework, each AE needs to appoint a MIC to assume the overall responsibility for supervising the training of QP students and to confirm to the Institute that QP students have attained the required competences.
- 3.20 To qualify as a MIC of an AE, the person must:
- (a) Be a member of the Institute;
 - (b) Have a minimum of five years of post-professional qualification experience; and
 - (c) Be prepared to undertake the Institute's training course for MIC.

Question 9: Do you agree with the criteria for qualifying as a Member-In-Charge of an Authorized Employer? If not, what other criteria do you recommend?

- 3.21 The MIC is responsible for:
- (a) Complying with and maintaining the authorized status;
 - (b) Meeting with the Institute's Assessors during the authorization visit (*note i*);
 - (c) Acting as the first point of contact with the Institute in matters relating to the PE Framework;
 - (d) Overseeing the QP students' training within the organization;
 - (e) Ensuring that there are appropriate resources to support the QP students' training;

- (f) Agreeing the Development Commitment with QP students online within three months of commencement of the Practical Experience Period (*notes i and ii*);
- (g) Confirming to the Institute the QP students' completion of practical experience requirements by endorsing the completed online Training Records (see **paragraphs 4.10 to 4.13** below for more details) (*notes i and ii*);
- (h) Approving and assigning Counselors to QP students; and
- (i) Advising the Institute of any material change in the organization that may affect the authorized status.

(*note i*) These are new responsibilities under the proposed PE Framework.

(*note ii*) These can be performed by deputies (see **paragraph 3.22** below).

3.22 Where the number of registered QP students is large, the MIC may appoint deputies to help perform some of the responsibilities undertaken by the MIC, i.e. **paragraphs 3.21(f) and 3.21(g)**.

3.23 The number of deputies to be appointed is at the discretion of the MIC, subject to a maximum of five. MIC Deputies must meet the same set of criteria as required of a MIC (see **paragraph 3.20** above).

Question 10: Do you agree with the appointment of deputies to the Member-In-Charge being subject to a maximum of five? If not, what other number do you have in mind and why?

Question 11: Do you agree with the list of responsibilities of a Member-In-Charge under the proposed Practical Experience Framework with the help of deputies? If not, why not?

Assignment of Counselors by Member-In-Charge

3.24 Under the AE scheme, the MIC assigns a Counselor to each QP student and is responsible for ensuring that the Counselor has the necessary qualifications and experience. The MIC delegates responsibility to the Counselor for reviewing and verifying the QP students' Training Records. The MIC or MIC Deputies may also be a Counselor.

- 3.25 To qualify as a Counselor, the person must:
- (a) Be a member of the Institute or a professional accountancy body that is recognized by the Institute;
 - (b) Have a minimum of three years of post-professional qualification experience; and
 - (c) Be prepared to undertake the Institute's training course for Counselor.

Question 12: Do you agree with the criteria for qualifying as a Counselor? If not, what other criteria do you recommend?

- 3.26 The Counselor is responsible for:
- (a) Developing QP students and discussing training issues;
 - (b) Performing interim and annual review meetings with assigned QP students and signing the online Training Records on an annual basis (*note*); and
 - (c) Discussing the following areas during the review meetings with QP students:
 - Time spent on practical experience;
 - Progress in achieving competences required for HKICPA membership;
 - Reflective Statements (see paragraphs 4.11 to 4.12 below for more details) (*note*);
 - Professional development;
 - Ethical issues and training;
 - Career development; and
 - Any other issues affecting the QP students' ability to satisfy the requirements of becoming a professional accountant (e.g. modules and study progress).

(*note*) These are new responsibilities under the proposed PE Framework.

- 3.27 The Counselor does not necessarily have to be the QP students' direct supervisor, but must have access to the line manager and work undertaken by QP students to ensure compliance with the practical experience requirements.
- 3.28 Each Counselor should not be responsible for more than eight QP students in order to ensure that adequate advice and counselling is given to each QP student on personal and professional development.

Requirements of Authorized Supervisors

- 3.29 Under the AS scheme, QP students who are not working for an organization authorized by the Institute as an AE could gain their practical experience under the supervision of an AS who has the necessary qualifications and experience as required by the Institute. Although taking on the role as an individual, the AS still has to comply with the Codes and Guidelines and obtain support from the employer so as to be able to offer QP students a work environment with quality learning and development opportunities. As such, the authorization of an AS will be based on requirements similar to an AE to ensure quality of the work environment under which the QP students' competence is trained.
- 3.30 To qualify as an AS, the person must:
- (a) Be a member of the Institute or a professional accountancy body that is recognized by the Institute;
 - (b) Have a minimum of five years of post-professional qualification experience; and
 - (c) Be prepared to undertake the Institute's training course for AS.

Question 13: Do you agree with the criteria for qualifying as an Authorized Supervisor? If not, what other criteria do you recommend?

- 3.31 The AS is required to perform similar responsibilities as a MIC and has the same responsibilities as a Counselor.
- 3.32 The AS is responsible for:
- (a) Complying with and maintaining the authorized status;
 - (b) Meeting with the Institute's Assessors during the authorization visit (*note*);
 - (c) Acting as the first point of contact with the Institute in matters relating to the PE Framework;
 - (d) Overseeing the QP students' training within the organization;
 - (e) Ensuring that there are appropriate resources to support the QP students' training;
 - (f) Agreeing the Development Commitment with QP students online within three months of commencement of the Practical Experience Period (*note*);

- (g) Confirming to the Institute the QP students' completion of practical experience requirements by endorsing the completed online Training Records (*note*);
- (h) Advising the Institute of any material change that may affect the authorized status;
- (i) Developing QP students and discussing training issues;
- (j) Performing interim and annual review meetings with QP students and signing the online Training Records on an annual basis (*note*); and
- (k) Discussing the following areas during the review meetings with QP students:
 - Time spent on practical experience;
 - Progress in achieving competences required for HKICPA membership;
 - Reflective Statements (*note*);
 - Professional development;
 - Ethical issues and training;
 - Career development; and
 - Any other issues affecting the QP students' ability to satisfy the requirements of becoming a professional accountant (e.g. modules and study progress).

(*note*) These are new responsibilities under the proposed PE Framework.

- 3.33 The AS does not necessarily have to be the QP students' direct supervisor, but must have access to the line manager and work undertaken by QP students to ensure compliance with the practical experience requirements.
- 3.34 The maximum AS to QP student ratio is 1:8 which is same as the requirement for Counselor as mentioned in **paragraph 3.28**.

Question 14: Do you agree with the list of responsibilities of a Counselor or an Authorized Supervisor under the proposed Practical Experience Framework? If not, why not?

External Authorized Supervisors

- 3.35 Under the current PE Framework, there is a minimal number of QP students who are not working under an AE/ AS but are engaged in accounting related duties. Under these circumstances, External Authorized Supervisors who are not in the same organization as QP students may be assigned by the Institute to complete the practical experience requirements.

- 3.36 The Institute believes where QP students are not working under an AE/ AS, it is difficult to ensure the quality assurance over the work environment under which the QP students' competence is trained. With the implementation of the proposed PE Framework, this External Authorized Supervisor scheme will be abolished, but QP students already assigned with an External Authorized Supervisor will be allowed to continue to be trained by the External Authorized Supervisor until the end of the Practical Experience Period.

Question 15: Do you agree that the existing arrangement of approving QP students to be trained by External Authorized Supervisors who are not in the same organization as QP students should be abolished? If not, why not?

Roles and Responsibilities of QP Students

- 3.37 To meet the practical experience requirements, QP students must ensure the following:
- (a) Working for an AE/ AS under a Development Commitment;
 - (b) Working closely with the AE/ AS to acquire the necessary experience to meet both the time and competence requirements;
 - (c) Using the Training Records to document the achievement of competences;
 - (d) Meeting with Counselor/ AS as required by the Institute to discuss progress and sign off the Training Records; and
 - (e) Ensuring that the AE/ AS signs off the Training Records upon completion of the practical experience requirements.

4 Improving Transparency and Timeliness of Documentation

- 4.1 The Institute proposes changes to the practical experience process with a view to promoting communication between the AE/ AS and QP students and improving the transparency and timeliness of documentation related to the PE Framework.
- 4.2 At the commencement of the Practical Experience Period, the AE/ AS and the QP student are required to meet and execute a Development Commitment setting out a clear understanding of both parties' expectations and responsibilities. Interim and annual meetings should also be held to review progress and sign off the Training Records which are designed to track the competence development of QP students. The new Training Records can be completed online and will include a Reflective Statement for QP students' self-improvement and forward planning during the Practical Experience Period.

Development Commitment

- 4.3 Under the current PE Framework, the AE/ AS and the QP student are highly recommended to set up a training plan to ensure that both parties have a clear understanding of what the AE/ AS will provide in terms of support on the QP during the Practical Experience Period.
- 4.4 Under the proposed PE Framework, at the commencement of the Practical Experience Period, the AE/ AS and the QP student are required to enter into a Development Commitment. The Development Commitment is a written agreement between the AE/ AS and the QP student. In essence, the AE/ AS commits to train the QP student for a specified period of time (usually a minimum of three years) and the QP student commits to make a valuable contribution to his/ her employer's business during that time.
- 4.5 The overall aim of the Development Commitment is to help nurture a constructive discussion and relationship between the AE/ AS and the QP student and ensure that the QP student has a clear understanding of what the employer will provide in terms of training support.
- 4.6 The Development Commitment should be signed online by both the AE/ AS and the QP student within three months of commencement of the Practical Experience Period. Failure to sign and submit the Development Commitment online could mean that practical experience may not be counted, and the QP student's admission to HKICPA membership could be delayed.

- 4.7 A sample of Development Commitment is attached as **Appendix C**. An AE/ AS may use this sample or develop their own.

Where a Development Commitment is developed by an AE/ AS, it must ensure there is a clear understanding by all parties about the terms of the QP student's practical experience, and, at the least, should include:

- (a) Names of the AE/ AS, MIC and QP student;
- (b) Date of commencement and term of the Development Commitment;
- (c) Responsibilities of the AE/ AS;
- (d) Responsibilities of the QP student;
- (e) Conditions for termination of the Development Commitment; and
- (f) Signatures of the AE/ AS and QP student and dates.

- 4.8 Where a QP student has not completed the practical experience requirements at the end of the Development Commitment, the AE/ AS and the QP student can agree to an extension. Extension of a Development Commitment would be needed where:

- (a) QP student has not accumulated the required Working Days of relevant experience during the Practical Experience Period; or
- (b) QP student has not met all the competence requirements.

- 4.9 Where a Development Commitment is terminated for any reasons, the Institute should be informed immediately by the QP student. In addition, where QP student recommences practical experience training, the QP student and new AE/ AS should enter into a new Development Commitment.

Question 16: Do you agree that a Development Commitment set up between the Authorized Employer or Authorized Supervisor and the QP student ensures a clear understanding of the relationships and expectations of both parties at the outset of the Practical Experience Period? If not, what are your concerns and recommendations for improvement?

Training Records

- 4.10 The Training Records are designed to enable a QP student to record evidence of the practical experience and skills and have these verified by the QP student's AE/ AS. Similar to the current PE Framework, the Training Records under the proposed PE Framework include the components below:

- (a) QP student's practical experience summary and employment record;
- (b) Record of the time input; and
- (c) Record of the relevant practical experience competence output.

4.11 An addition to the new Training Records is the inclusion of a Reflective Statement. The Institute considers the documentation of reflective activity to be undertaken by QP students as an effective way to develop professional competence by reviewing their work experiences with a view to improving their future actions. Regular reflection enables them to take responsibility for their own learning and engage in self-improvement. QP students should write their self-reflective feedbacks and below are examples of what QP students may include:

- (a) The main areas of work and activities undertaken during the Practical Experience Period which should be consistent with the time recorded on the Training Records.
- (b) An evaluation of the particular skills developed with reference to the competence(s) achieved during the Practical Experience Period.
- (c) Identification of improvement areas or further development needs for the forthcoming year and plans to tackle them (e.g. elements of competence(s) planned to be developed and demonstrated).

A sample of Training Records (extract) is set out in **Appendix D**.

4.12 The Reflective Statement completed by QP students should be reviewed and discussed with the Counselor/ AS on an annual basis to track the progress of the overall competence development of QP students. The Counselor/ AS can then evaluate the QP students' competences development and performance against targets, advise on future experience and development needs and provide relevant constructive feedbacks.

4.13 At the completion of the Practical Experience Period, the AE/ AS confirms to the Institute that QP students have attained the required competences by electronic endorsement on the Training Records. Representative (e.g. the company's human resources personnel) of the AE or the employing organization of the AS is required to confirm the employment period of QP students by endorsement on the Training Records. The duly signed Training Records can then be ready for HKICPA membership admission purpose.

Question 17: Do you agree that the inclusion of a Reflective Statement in the Training Records for QP students to reflect on their work experiences and achievements is an effective way for them to take responsibility for their own learning and improvement? If not, what are your concerns and recommendations for improvement?

Interim and Annual Review Meetings

- 4.14 The Counselor/ AS is required to perform an annual review with QP students and sign off on the Training Records on an annual basis.
- 4.15 To enhance the quality assurance, an interim review on the QP students' training progress should be conducted while the QP students' performance and achievement of competences are still fresh in mind. The interim review can take place at any time throughout each training year. To simplify the interim review process, no detailed documentation of the interim review is required except recording the review date on the Training Records.
- 4.16 Failure to conduct an annual sign-off on the Training Records without reasonable causes may result in removal of the AE/ AS status and/ or rejection of the QP students' membership application.

Question 18: Do you agree that interim and annual review meetings between the Counselor or the Authorized Supervisor and the QP student enhance the quality assurance of the practical experience process? If not, what are your concerns and recommended alternatives?

5 Transitional Arrangements

- 5.1 With the launch of the proposed PE Framework, transitional arrangements will be put in place to ensure a smooth transition with minimal disruption to the existing stakeholders including AE, AS and QP students.

QP Students

- 5.2 A transitional period of three years will be granted to existing QP students who have started accumulating experience to have sufficient time to continue to attain the practical experience under the current PE Framework.
- 5.3 Existing QP students who have completed the QP examinations and practical experience requirement and have applied for HKICPA membership during the three-year transitional period, will not be subject to the new 10-year Recency Rule as mentioned in **paragraph 2.6** above.
- 5.4 Existing QP students who have not attained full practical experience under the current PE Framework during the three-year transitional period, will be required to attain practical experience under the proposed PE Framework to make up for the shortfall on a pro-rata basis.

Question 19: Do you agree that the three-year transitional arrangement for existing QP students is sufficient? If not, what are your concerns and how long do you think the transitional period should be?

Authorized Employers and Authorized Supervisors

- 5.5 Prior to the date of implementation of the proposed PE Framework, existing AE/ AS will be required to complete a self-assessment and declare their compliance with the Codes and Guidelines in order to retain their AE/ AS status up to the time of re-authorization. Any non-compliance areas identified in the self-assessment will need to be rectified within one year upon issuance of the self-assessment in order to retain their AE/ AS status. The process of re-authorization will be the same as mentioned in **paragraph 3.15** above.

Question 20: Do you agree that the one-year transitional arrangement for existing Authorized Employers or Authorized Supervisors is sufficient? If not, what are your concerns and how long do you think the transitional period should be?

6 Consultation Process

- 6.1 The proposals set out in this consultation paper will be subject to a three-month public consultation. Taking into account the respondents' comments, a position paper for the changes on the PE Framework will be issued, which will become effective upon the launch date of the new QP.
- 6.2 The Institute's Council is keen to hear your views on the proposed changes to the PE Framework outlined in this consultation paper before a final decision is made. While the proposals represent the considered view of the Qualification and Examinations Board, endorsed by Council, they are presented to elicit comments from employers, practitioners, members, students and graduates as well as other stakeholders and interested parties.
- 6.3 Please send your comments in writing on or before **4 May 2018** by post to the following address or by email:

Executive Director
Qualification and Education
Hong Kong Institute of Certified Public Accountants
27/F, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Email: consultation-PEF@hki CPA.org.hk

You may also submit your comments by completing and returning this [online questionnaire](#) which is available at the Institute's website.

Should you have any enquiries, please contact the Education and Training Department of the Institute on (852) 2287-7500 or send email to consultation-PEF@hki CPA.org.hk.



Appendix A

Key Comparison of the Current and Proposed Practical Experience Framework

Key Comparison of the Current and Proposed Practical Experience Framework

| | Current PE Framework | Proposed PE Framework |
|---|--|--|
| 1. Practical Experience Competence | <p>Technical Competences</p> <p>Eight technical elements categorised into two levels of competence components, basic and principal:</p> <ul style="list-style-type: none"> • Auditing and internal auditing • Financial accounting and external reporting • Financial management • Fundamentals of accounting • Information management and technology • Insolvency • Management accounting • Taxation | <p>Technical Competences</p> <p>Six core areas of Technical Competences with 18 elements (<i>note</i>):</p> <ul style="list-style-type: none"> • Audit and assurance <ul style="list-style-type: none"> - Planning an engagement - Performing an audit engagement - Audit review and reporting • Financial accounting and reporting <ul style="list-style-type: none"> - Accounting for transactions - Preparing financial reports - Analysing financial reports • Governance, risk management and internal control <ul style="list-style-type: none"> - Identifying and managing risk - Designing internal controls - Monitoring performance and accountability • Information technology, business strategy and management, and insolvency and reconstruction <ul style="list-style-type: none"> - Information technology - Business strategy and management - Insolvency and reconstruction • Management accounting, finance and financial management <ul style="list-style-type: none"> - Cost management and evaluation - Cash management, planning and budgetary control, and treasury - Appraising investments • Taxation <ul style="list-style-type: none"> - Tax computations - Tax compliance - Tax planning |
| | <p>QP students are required to demonstrate competence in at least three competence units in any principal component or in a combination of principal components, with Fundamental of Accounting or Financial Accounting and External Reporting as a compulsory technical element.</p> | <p>QP students are required to demonstrate competence in a total of four technical elements, one of which must be in the area of Financial Accounting and Reporting.</p> |

(*note*) The Technical and Enabling Competence elements have been finalized through a public consultation and illustrated in the *Position Paper on New Qualification Programme*.

Key Comparison of the Current and Proposed Practical Experience Framework

| | Current PE Framework | Proposed PE Framework |
|----|--|--|
| 1. | Practical Experience Competence | |
| | <p>Generic Competences</p> <p>Five elements of Generic Competences:</p> <ul style="list-style-type: none"> • Creative thinking, reasoning and analysis • Communications and interpersonal relationships • Organization-specific competences • Personal and behavioural • Information technology | <p>Enabling Competences</p> <p>Two areas and seven elements of Enabling Competences (<i>note</i>):</p> <ul style="list-style-type: none"> • Professional values, ethics and attitudes <ul style="list-style-type: none"> - Professional scepticism and professional judgement - Ethical principles - Commitment to the public interest • Professional skills <ul style="list-style-type: none"> - Intellectual - Interpersonal and communication - Personal - Organizational |
| | All elements of the Generic Competences are required to be demonstrated. | All elements of the Enabling Competences are required to be demonstrated. |
| 2. | Time Requirements | |
| | The minimum required period of practical experience is three years. | The minimum required period of practical experience remains as three years. |
| | Experience must be attained within 10 years after the registration as a QP student of the Institute. | Experience must be attained within 10 years prior to the date the QP student applies for HKICPA membership and must be counted from the effective date of the Development Commitment. |
| 3. | Working Days Requirements | |
| | <p>A "Working Day" is defined as seven working hours per day. Working hours can be accumulated.</p> <p>The minimum Working Days are 600 days (i.e. 4,200 working hours) over three years with a maximum of four employments. Only two employments can be less than 12 months.</p> <p>There is a minimum requirement of 150 Working Days per annum.</p> <p>There is a minimum requirement of 100 Working Days in each of the selected technical elements.</p> <p>Holidays and relevant in-house training courses are allowed in time calculation.</p> | <p>A "Working Day" is defined as eight working hours per day. Working hours can be accumulated.</p> <p>The minimum Working Days are 500 days (i.e. 4,000 working hours) over three years with a maximum of three employments. Only one employment can be less than 12 months.</p> <p>There is a minimum requirement of 130 Working Days per annum.</p> <p>There is a minimum requirement of 75 Working Days in each of the selected technical elements.</p> <p>A maximum of 40 hours of attendance at relevant in-house training courses per year are allowed in time calculation.</p> |

(note) The Technical and Enabling Competence elements have been finalized through a public consultation and illustrated in the *Position Paper on New Qualification Programme*.

Key Comparison of the Current and Proposed Practical Experience Framework

| Current PE Framework | Proposed PE Framework |
|--|---|
| 4. Authorization Process | |
| | The Codes and Guidelines are strengthened and elaborated to ensure the AE/ AS provides quality learning and development opportunities for QP students. |
| <p>(a) New authorization</p> <p>The applicants are required to submit paperwork for meeting the authorization requirements.</p> <p>Information sessions are organized for the new AE/ AS.</p> | <p>The applicants should complete a self-assessment based on the Codes and Guidelines. Authorization visits are conducted for all new AE/ AS applicants.</p> <p>AE/ AS should complete training courses.</p> |
| <p>(b) Annual monitoring</p> <p>All AE/ AS are required to report changes on their information or records to the Institute if applicable.</p> <p>A visit is conducted on a sampling basis.</p> | <p>All AE/ AS are required to complete an online questionnaire (i.e. self-compliance checklist) annually to ensure that there is no substantial change to the training of QP students, that the Institute's records of the AE/ AS are up-to-date and that any recommendations made at the initial or renewal visit have been implemented.</p> <p>A visit is conducted on a sampling basis or circumstances require.</p> |
| <p>(c) Re-authorization</p> <p>All AE/ AS are required to submit paperwork for re-authorization review process.</p> | <p>All AE/ AS are required to complete and sign on the renewal form electronically as well as the self-compliance checklist for re-authorization review process.</p> <p>Re-authorization visits for AE/ AS are conducted based on a sampling basis.</p> |

Key Comparison of the Current and Proposed Practical Experience Framework

| | Current PE Framework | Proposed PE Framework |
|-----------|---|---|
| 5. | Requirements of Member-In-Charge, Counselor and Authorized Supervisor | |
| | A MIC of an AE is required to be a member of the Institute. | A MIC of an AE is required to be a member of the Institute with a minimum of five years of post-professional qualification experience. Deputies of the MIC are required to meet the same set of criteria as required of a MIC. |
| | A Counselor or an AS is required to be a member of the Institute or a professional accountancy body that is recognized by the Institute with a minimum of three years of post-professional qualification experience. | An AS is required to be a member of the Institute or a professional accountancy body that is recognized by the Institute with a minimum of five years of post-professional qualification experience. The qualification requirements of a Counselor remain unchanged. |
| 6. | Responsibilities of Member-In-Charge, Counselor and Authorized Supervisor | |
| | A MIC is responsible for: <ul style="list-style-type: none"> (a) Complying with and maintaining the authorized status; (b) Acting as the first point of contact with the Institute in matters relating to the PE Framework; (c) Overseeing the QP students' training within the organization; (d) Ensuring that there are appropriate resources to support the QP students' training; (e) Approving and assigning Counselors to QP students; and (f) Advising the Institute of any material change in the organization that may affect the authorized status. | In addition to the existing responsibilities under the current PE Framework, a MIC is responsible for the following new responsibilities: <ul style="list-style-type: none"> (a) Meeting with the Institute's Assessors during the authorization visit; (b) Agreeing the Development Commitment with QP students online within three months of commencement of the Practical Experience Period; and (c) Confirming to the Institute the QP students' completion of practical experience requirements by endorsing the completed Training Records online. <p>Deputies of the MIC may assist to perform (b) and (c) above.</p> |

Key Comparison of the Current and Proposed Practical Experience Framework

| Current PE Framework | Proposed PE Framework |
|---|---|
| 6. Responsibilities of Member-In-Charge, Counselor and Authorized Supervisor | |
| <p>A Counselor or an AS is responsible for:</p> <p>(a) Developing QP students and discussing training issues; and</p> <p>(b) Discussing the following areas during the review meetings with QP students:</p> <ul style="list-style-type: none"> • Time spent on practical experience; • Progress in achieving competences required for HKICPA membership; • Professional development; • Ethical issues and training; • Career development; and • Any other issues affecting QP students' ability to satisfy the requirements of becoming a professional accountant (e.g. modules and study progress). <p>In addition to the above responsibilities, an AS is required to perform similar responsibilities as a MIC above.</p> | <p>In addition to the existing responsibilities under the current PE Framework, a Counselor or an AS is responsible for conducting interim and annual review meetings with QP students, discussing the Reflective Statements with QP students and signing the online Training Records on an annual basis.</p> <p>In addition to the above responsibilities, an AS is required to perform similar responsibilities as a MIC above.</p> |
| <p>A Counselor or an AS does not necessarily have to be the QP students' direct supervisor, but must have access to the line manager and work undertaken by QP students.</p> <p>A Counselor or an AS can be responsible for a maximum of eight QP students.</p> | <p>A Counselor or an AS does not necessarily have to be the QP students' direct supervisor, but must have access to the line manager and work undertaken by QP students.</p> <p>The Counselor or AS to QP student(s) ratio remains unchanged.</p> |
| <p>The External Authorized Supervisor scheme is available under the current PE Framework.</p> | <p>The External Authorized Supervisor scheme will be abolished under the proposed PE Framework. The existing QP students under this current scheme will be allowed to continue to be trained by the External Authorized Supervisor until the end of the Practical Experience Period.</p> |

Key Comparison of the Current and Proposed Practical Experience Framework

| Current PE Framework | Proposed PE Framework |
|---|---|
| 7. Practical Experience Process | |
| <p>(a) Commencement stage</p> <p>At the commencement of the Practical Experience Period, on a voluntary basis, the Counselor/ AS discusses career development and training needs with the QP student and develops a training plan.</p> | <p>At the commencement of the Practical Experience Period, the AE/ AS and the QP student are required to enter into a Development Commitment, which sets out both parties' expectations and responsibilities. The AE/ AS commits to train the QP student for a specified period of time (usually a minimum of three years) and the QP student commits to make a valuable contribution to the employer's business during that time.</p> |
| <p>(b) Development stage</p> <p>QP students are required to record time and competences attained in the paper-based Training Records.</p> <p>The Counselor/ AS should perform annual review with QP students showing the recorded time on eligible work and sign off on the Training Records on an annual basis.</p> | <p>QP students are required to record time and competences attained in the online Training Records. In addition, QP students should include a Reflective Statement in the online Training Records linking the work undertaken to competences achieved for review by the Counselor/ AS on an annual basis.</p> <p>The Counselor/ AS should perform interim and annual reviews with QP students showing the recorded time on eligible work and sign off on the Training Records on an annual basis.</p> |
| <p>(c) Completion stage</p> <p>The Counselor/ AS should endorse the QP students' completed Training Records to confirm QP students have attained the required competences. Representative (e.g. the company's human resources personnel) of the AE or the employing organization of the AS confirms the employment period of QP students by endorsing the Training Records.</p> | <p>The AE/ AS should endorse the QP students' completed online Training Records to confirm QP students have attained the required competences. Representative (e.g. the company's human resources personnel) of the AE or the employing organization of the AS confirms the employment period of QP students by endorsing the Training Records.</p> |



Appendix B

The Practical Experience Competence Grid

Technical Competences

Practical Experience with Six Core Areas and 18 Elements

| | | |
|---|--|---|
| Financial Accounting and Reporting ("FAR") | Audit and Assurance ("AA") | Taxation ("T") |
| FAR1 Accounting for Transactions | AA1 Planning an Engagement | T1 Tax Computations |
| FAR2 Preparing Financial Reports | AA2 Performing an Audit Engagement | T2 Tax Compliance |
| FAR3 Analysing Financial Reports | AA3 Audit Review and Reporting | T3 Tax Planning |
| Management Accounting, Finance and Financial Management ("MF") | Governance, Risk Management and Internal Control ("GRI") | Information Technology, Business Strategy and Management, and Insolvency and Reconstruction ("IBR") |
| MF1 Cost Management and Evaluation | GRI1 Identifying and Managing Risk | IBR1 Information Technology |
| MF2 Cash Management, Planning and Budgetary Control, and Treasury | GRI2 Designing Internal Controls | IBR2 Business Strategy and Management |
| MF3 Appraising Investments | GRI3 Monitoring Performance and Accountability | IBR3 Insolvency and Reconstruction |

Financial Accounting and Reporting

| Practical Experience Competence | | Proficiency Level <i>(note)</i> |
|--|---|---------------------------------|
| FAR1: Accounting for Transactions | | |
| FAR1.1 | Evaluate financial statement information (routine and non-routine) and estimates by reference to the entity's books, records and events | 3 |
| FAR1.2 | Design systems to capture and process accounting data | |
| FAR1.3 | Prepare and/or evaluate reconciliations of financial information | 2 |
| FAR2: Preparing Financial Reports | | |
| FAR2.1 | Determine the appropriate accounting reporting and regulatory framework to be applied in the preparation of an entity's financial statements | 2 |
| FAR2.2 | Prepare the primary financial statements for a single entity and a group: statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement and notes in accordance with relevant accounting framework | |
| FAR2.3 | Prepare or evaluate appropriate note disclosures for inclusion in the financial statements | |
| FAR2.4 | Compare financial information presented in the financial statements to the other contents of an annual report to ensure consistency (e.g. Management Discussion, Director's Report, Corporate Governance Report) | |
| FAR3: Analysing Financial Reports | | |
| FAR3.1 | Evaluate the financial performance, efficiency, liquidity and solvency of an entity by calculating appropriate ratios | 3 |
| FAR3.2 | Evaluate the effect of a change in accounting policy and accounting estimate on the financial statements | |

(note) Levels of proficiency:

Level 1: Foundation (Knowledge and Comprehension)

The QP student is able to remember previously learned materials and demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions and stating main ideas.

Level 2: Intermediate (Application and Analysis)

The QP student is able to use new knowledge and solve problems in new situations by applying acquired knowledge, facts, techniques and rules in a different way. In addition, the QP student is able to examine and break information into parts by identifying motives or causes, make inferences and find evidence to support generalization.

Level 3: Advanced (Integration and Evaluation)

The QP student is able to compile information together in a different way by combining elements in a new pattern or proposing alternative solutions. Moreover, the QP student is able to demonstrate the ability to judge the value of material for a given purpose.

| Practical Experience Competence | | Proficiency Level | |
|--|---|-------------------|---|
| AA1: Planning an Engagement | | | |
| AA1.1 | Evaluate the scope, objective and standards applicable to a particular audit assignment | 3 | |
| AA1.2 | Prepare an engagement letter for an audit assignment | 2 | |
| AA1.3 | Evaluate the business environment including identifying the major classes of balances and transactions (routine and non-routine) | 3 | |
| AA1.4 | Evaluate and document the control environment of an entity including flow charts and other system notes (manual and computerized) | | |
| AA1.5 | Formulate an appropriate level of materiality and performance materiality for an entity by reference to the nature and size of the business and other related matters | | |
| AA1.6 | Evaluate the risk of material misstatements in the financial statements at the account balance and transaction levels | | |
| AA1.7 | Evaluate relevant internal controls which mitigate the likelihood of material misstatements | | |
| AA1.8 | Design appropriate tests of internal controls, substantive test of details and substantive analytical review procedures including the calculation of sample sizes and mode of selection | | |
| AA1.9 | Evaluate compliance with relevant ethical requirements, including independence | | |
| AA1.10 | Develop inquiries regarding fraud and error | | |
| AA2: Performing an Audit Engagement | | | |
| AA2.1 | Evaluate the need for using the work of external experts | | 3 |
| AA2.2 | Evaluate and document the results of tests of controls for effectiveness | | |
| AA2.3 | Evaluate and document the results of substantive test of detail and substantive analytical review | | |
| AA3: Audit Review and Reporting | | | |
| AA3.1 | Prepare the appropriate opinion paragraph in an audit report in accordance with appropriate Auditing Standards | 2 | |
| AA3.2 | Prepare the management representation letter | 3 | |
| AA3.3 | Evaluate the impact of identified misstatements against materiality, audit scope and opinion | | |
| AA3.4 | Analyse the issues to be included in the management representation letter for those charged with governance to cover items required by the appropriate Auditing Standards | 2 | |

| Practical Experience Competence | | Proficiency Level |
|---------------------------------|--|-------------------|
| T1: Tax Computations | | |
| T1.1 | Compute the taxation position for an individual and a legal entity | 2 |
| T1.2 | Produce information from financial records and Inland Revenue Department communications to prepare tax computations | 3 |
| T1.3 | Analyse the impact of recent legislative changes and Board of Review decisions on the determination of the tax computations | 2 |
| T2: Tax Compliance | | |
| T2.1 | Advise the tax filing procedures under the Inland Revenue Ordinance and the consequences of non-compliance | 3 |
| T2.2 | Justify the circumstances where an objection to an assessment or an appeal can be raised | 2 |
| T2.3 | Advise the tax lodgment and assessment payment requirements under the Inland Revenue Ordinance and the consequences of breaches | 3 |
| T3: Tax Planning | | |
| T3.1 | Contrast the differences between tax planning, tax avoidance and tax evasion | 2 |
| T3.2 | Consider recent changes in the Inland Revenue Ordinance, regulatory environment and Board of Review decisions on the determination of tax position | 3 |
| T3.3 | Evaluate the tax implications for proposed future plans of an individual or an entity | |
| T3.4 | Recommend tax mitigation strategies by utilizing incentives and reliefs | |

Management Accounting, Finance and Financial Management

| Practical Experience Competence | | Proficiency Level |
|---|--|-------------------|
| MF1: Cost Management and Evaluation | | |
| MF1.1 | Evaluate appropriate cost classifications and the main types of cost accounting systems including alternative methods of dealing with overhead or common costs and the criteria for their uses | 3 |
| MF1.2 | Analyse the appropriate costing methodologies for an entity's products and services | 2 |
| MF1.3 | Analyse cost behaviours and revenues, actual and forecast, to meet management needs | |
| MF2: Cash Management, Planning and Budgetary Control, and Treasury | | |
| MF2.1 | Advise on the financial implications of an entity's strategies | 3 |
| MF2.2 | Analyse budgets by adopting appropriate assumptions, methodologies and other information inputs in line with an entity's strategies | 2 |
| MF2.3 | Analyse budget variances and determine the likely causes and provide recommendations for improvements (if possible) | |
| MF2.4 | Evaluate appropriate present and future levels of cash (short and long term) and working capital by assessing liability and capital structures, asset structures and liquidity, present and future leverage levels, cash flow and profitability patterns | 3 |
| MF2.5 | Evaluate an entity's needs for additional financing or consider options for projected cash surplus to an entity's requirements (including the evaluation of decisions related to distribution of profits) | |
| MF2.6 | Advise on the appropriate sources and types of finance considering availability of finance, conditions attached to raising finance and tax implications | |
| MF3: Appraising Investments | | |
| MF3.1 | Evaluate the opportunities, risks and implications associated with the replacement of a capital asset or acquisition of a new business/expansion of existing business | 3 |
| MF3.2 | Apply appropriate investment appraisal techniques to determine a range of values for a business or capital asset | 2 |
| MF3.3 | Justify the assumptions made that support the valuation and perform sensitivity analyses to support the range of values | |
| MF3.4 | Analyse the performance of products and business segments with the use of financial or non-financial indicators | |

Governance, Risk Management and Internal Control

| Practical Experience Competence | | Proficiency Level |
|--|---|-------------------|
| GRI1: Identifying and Managing Risk | | |
| GRI1.1 | Evaluate risks (strategic, operational, financial, regulatory and information systems) within an entity | 3 |
| GRI1.2 | Evaluate the entity's business processes and controls which mitigate risks | |
| GRI1.3 | Recommend strategies to manage, transfer, reduce or avoid the identified risks | |
| GRI2: Designing Internal Controls | | |
| GRI2.1 | Analyse the requirements for effective internal control | 2 |
| GRI2.2 | Design and document an effective system of internal control (including the control environment, application and general controls) | 3 |
| GRI2.3 | Design appropriate manual and computerized tests on the system of internal control to assess its effectiveness in preventing or detecting error | |
| GRI2.4 | Recommend improvements to the system of internal control based upon the results of the internal control testing | |
| GRI3: Monitoring Performance and Accountability | | |
| GRI3.1 | Evaluate the governance structure and practices of an entity by reference to the Listing Rules, best practices and other regulatory requirements | 3 |
| GRI3.2 | Analyse the strategic, operational, financial, regulatory and information system risks based on an assessment of the external and internal environment, strategies and processes | 2 |
| GRI3.3 | Analyse the key business processes of an entity for the occurrence of material misstatements together with relevant manual and computerized internal controls that mitigate the misstatements | |

Information Technology, Business Strategy and Management, and Insolvency and Reconstruction

| Practical Experience Competence | | Proficiency Level |
|---|---|-------------------|
| IBR1: Information Technology | | |
| IBR1.1 | Evaluate IT applications (word processing, spreadsheets and email) for communication and collaboration | 3 |
| IBR1.2 | Recommend appropriate applications to obtain, analyse and present information | |
| IBR1.3 | Use the internet as a source of relevant and reliable information | 2 |
| IBR2: Business Strategy and Management | | |
| IBR2.1 | Analyse whether the business strategies are appropriate for an entity | 2 |
| IBR2.2 | Determine the impact of external and internal environments on implementing business strategy by considering the use of appropriate methodologies, such as, (i) Michael Porters model, (ii) Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T) analysis ("SWOT analysis"), (iii) Flexibility (F), Risk (R), Income (I), Control (C), Timing (T), and Other (O) analysis ("FRICTO analysis") and (iv) Political (P), Economic (E), Social (S), Technological (T), Environmental (E) and Legal (L) analysis ("PESTEL analysis") | |
| IBR2.3 | Contrast the different types and levels of risks and advise their likely impact on the business together with a mitigation strategy | |
| IBR3: Insolvency and Reconstruction | | |
| IBR3.1 | Appraise the financial position of an individual or entity using financial and ratio analysis | 3 |
| IBR3.2 | Appraise the competitive position of an entity in terms of its products, services and markets | |
| IBR3.3 | Recommend strategic options for and underperforming or insolvent entity | |
| IBR3.4 | Plan, implement, review and assess a reconstruction plan | 2 |
| IBR3.5 | Categorize how an entity becomes bankrupt and determine the appropriate form of administration | |

Enabling Competences

Practical Experience with Two Areas and Seven Elements



Professional Values, Ethics and Attitudes

| Practical Experience Competence | Elements | Proficiency Level |
|--|----------|-------------------|
| (a) Professional Scepticism and Professional Judgement | | |
| (i) Apply a questioning mindset critically to assess financial information and other relevant data | A1 | 2 |
| (ii) Evaluate and recommend reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances | | 3 |
| (b) Ethical Principles | | |
| (i) Demonstrate the nature of ethics | A2 | 2 |
| (ii) Justify the advantages and disadvantages of rules-based and principles-based approaches to ethics | | |
| (iii) Identify ethical issues using relevant ethical principles, analyse alternative courses of action and determine the ethical consequences of these | | |
| (iv) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour to ethical dilemmas and determine an appropriate approach | | |
| (v) Apply the relevant ethical requirements to professional behaviour in compliance with standards | | |
| (c) Commitment to the Public Interest | | |
| (i) Determine the role of ethics within the profession and in relation to the concept of social responsibility | A3 | 2 |
| (ii) Evaluate the role of ethics in relation to business and good governance | | 3 |
| (iii) Analyse the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest | | 2 |
| (iv) Consider the consequences of unethical behaviour to the individual, the profession, and the public | | 3 |
| (d) Business Ethics and Professional Negligence | | |
| (i) Evaluate the appropriate course of action across a wide range of ethical dilemmas | A3 | 3 |

Professional Skills

| Practical Experience Competence | Elements | Proficiency Level |
|--|----------|-------------------|
| (a) Intellectual | | |
| (i) Evaluate information from a variety of sources and perspectives through research, analysis, and integration | B1 | 3 |
| (ii) Apply professional judgement, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances | | 2 |
| (iii) Justify when it is appropriate to consult with specialists to solve problems and reach conclusions | | 2 |
| (iv) Apply reasoning, critical analysis, and innovative thinking to solve problems | | 2 |
| (v) Recommend solutions to unstructured, multi-faceted problems | | 3 |
| (b) Interpersonal and Communication | | |
| (i) Develop cooperation and teamwork when working towards organizational goals | B2 | 3 |
| (ii) Develop clear and concise communication when presenting, discussing and reporting in formal and informal situations, both in writing and orally | | 2 |
| (iii) Demonstrate awareness of cultural and language differences in all communications | | 2 |
| (iv) Apply active listening and effective interviewing techniques | | 2 |
| (v) Develop negotiation skills to reach solutions and agreements | | 2 |
| (vi) Develop consultative skills to minimize or resolve conflicts, solve problems, and maximize opportunities | | 3 |
| (vii) Use ideas to influence others to provide support and commitment | | 3 |
| (c) Personal | | |
| (i) Develop a commitment to lifelong learning | B3 | 3 |
| (ii) Apply professional scepticism through questioning and critically assessing all information | | 2 |
| (iii) Develop high personal standards of delivery and appraise personal performance, through feedback from others and through reflection | | 2 |
| (iv) Plan time and resources to achieve professional commitments | | 3 |
| (v) Evaluate challenges and plan potential solutions | | 3 |
| (vi) Develop an open mind to new opportunities | | 3 |

Professional Skills

| Practical Experience Competence | Elements | Proficiency Level |
|--|----------|-------------------|
| (d) Organizational | | |
| (i) Plan assignments in accordance with established practices to meet prescribed deadlines | B4 | 3 |
| (ii) Appraise own work and that of others to determine whether they comply with the entity's quality standards | | |
| (iii) Develop people management skills to motivate and develop others | | |
| (iv) Develop delegation skills to deliver assignments | | |
| (v) Consider appropriate tools and technology to increase efficiency and effectiveness and improve decision making | | |
| (vi) Develop time management techniques | | |
| (vii) Develop project management skills | | |
| (viii) Develop problem solving skills | | |
| (e) Team Management and Leadership | | |
| (i) Develop team leadership skills | B2 | 3 |
| (ii) Develop exceptional client service | B4 | |
| (iii) Develop leadership skills to influence others to work towards organizational goals | B2 | |
| (iv) Produce communications appropriate to an informed reader integrating material across a range of areas | B4 | |
| (v) Appraise the management and leadership styles and culture within an entity | B4 | 2 |
| (vi) Apply change management skills | B2 | |
| (vii) Prepare to become a leader | B2 | |



Appendix C

Development Commitment Sample

(Note: The final format of the online Development Commitment will be developed. This sample is prepared for illustration purpose only and may be subject to changes when the online system goes live.)

Development Commitment between the QP student and the Authorized Employer

The sample below illustrates the Development Commitment between the QP student and the Authorized Employer:

This Development Commitment is entered into by Party A and Party B, whose identities appear in more details below, pursuant to the Practical Experience Framework of the Hong Kong Institute of Certified Public Accountants (the "Institute" or "HKICPA") Qualification Programme ("QP").

Party A:

[Full name of QP student; Student Registration No.: (XXXXXX)]
(hereinafter referred to as "QP student")

Party B:

[Full name of the Authorized Employer]
(hereinafter referred to as "AE")

1. The purpose of this Development Commitment is to clarify the practical experience to be provided to the QP student by the AE.
2. The AE is duly authorized by the Institute and hereby agrees to provide training to the QP student pursuant to the Practical Experience Framework of the HKICPA QP.
3. The QP student is employed by AE as **[position]** in **[work location]** and hereby agrees to be trained by the AE.
4. For the avoidance of doubt, both parties understand and acknowledge that this Development Commitment is not a Contract of Employment between the QP student and the AE.

DATE OF COMMENCEMENT AND TERM

5. This Development Commitment begins on **[effective date of commencement]** and continues for a minimum of **[number of months]**, subject to the provisions for earlier termination set out in clause 18.

RESPONSIBILITIES OF THE AUTHORIZED EMPLOYER

6. During the Practical Experience Period of this Development Commitment, the AE will make every effort to:
 - (a) Provide the QP student with appropriate experience to assist in the development of the required competences;
 - (b) Ensure adequate arrangements for guidance, including access to a Counselor and the QP student; and
 - (c) Make suitable arrangements to monitor the QP student's progress.
7. The AE has appointed **[Full name]** [HKICPA Membership No.: **(XXXXXX)**] to be its Member-In-Charge ("MIC").
8. The MIC is the individual responsible for overseeing and discharging the AE commitments under this Development Commitment.
9. The MIC will assign a Counselor (meeting qualifications as required by the Institute) to the QP student.

10. The Counselor will support the QP student throughout the Practical Experience Period and create opportunities for the QP student to gain relevant experience to satisfy the practical experience requirements.
11. The Counselor will make suitable arrangements to monitor the QP student's progress and the review will take place at least twice per year.
12. The Counselor will review and sign off the QP student's Training Records annually.
13. The MIC will endorse the QP student's final Training Records at the completion of the Practical Experience Period.
14. In the event that the AE changes the MIC or the Counselor, the name of the person or persons appointed will be given to the QP student.

RESPONSIBILITIES OF THE QP STUDENT

15. During the Practical Experience Period of this Development Commitment, the QP student will make every effort to:
 - (a) Achieve success in all the module workshops, examinations and appropriate practical experience requirements;
 - (b) Behave ethically;
 - (c) Be proactive and take responsibility for self-development and training direction;
 - (d) Maintain and update the online Training Records at least twice per year so as to be prepared to review the practical experience progress and discuss with the Counselor; and
 - (e) Contribute to the work of the AE and carry out the required duties faithfully and diligently.
16. The QP student will keep the Training Records to demonstrate achievement of the time input and the competence output, and provide them to the Counselor, MIC and the Institute when requested.
17. The QP student will inform the Institute within 30 days of the date of termination should this Development Commitment be terminated for any reasons.

TERMINATION

18. This Development Commitment will be deemed to have terminated in the event of the following:

- (a) Party A leaving the employment of Party B;
- (b) Party A ceasing to be a QP student under the HKICPA QP;
- (c) Party B ceasing to be an AE under the Practical Experience Framework; and
- (d) Mutual agreement between both parties.

Signed on behalf of the Authorized Employer:

Name: _____

Signature: _____

Position: _____

Membership No.: _____

Date: _____

Signed by the QP student:

Name: _____

Signature: _____

Date: _____

Development Commitment between the QP student and the Authorized Supervisor

The sample below illustrates the Development Commitment between the QP student and the Authorized Supervisor:

This Development Commitment is entered into by Party A and Party B, whose identities appear in more details below, pursuant to the Practical Experience Framework of the Hong Kong Institute of Certified Public Accountants (the "Institute" or "HKICPA") Qualification Programme ("QP").

Party A:

[Full name of QP student; Student Registration No.: (XXXXXX)]
(hereinafter referred to as "QP student")

Party B:

[Full name of the Authorized Supervisor]
(hereinafter referred to as "AS")

1. The purpose of this Development Commitment is to clarify the practical experience to be provided to the QP student by the AS.
2. The AS is duly authorized by the Institute and hereby agrees to provide training to the QP student pursuant to the Practical Experience Framework of the HKICPA QP.
3. The AS and the QP student are employed by [full name of employer] which has expressed its willingness to support the AS in the provision of training to the QP student pursuant to the Practical Experience Framework.
4. The QP student is employed as [position] in [work location] and hereby agrees to be trained by the AS.
5. For the avoidance of doubt, both parties understand and acknowledge that this Development Commitment is not a Contract of Employment between the QP student and the AS.

DATE OF COMMENCEMENT AND TERM

6. This Development Commitment begins on [effective date of commencement] and continues for a minimum of [number of months], subject to the provisions for earlier termination set out in clause 16.

RESPONSIBILITIES OF THE AUTHORIZED SUPERVISOR

7. During the Practical Experience Period of this Development Commitment, the AS will make every effort to:
 - (a) Provide the QP student with appropriate experience to assist in the development of the required competences;
 - (b) Ensure adequate arrangements for guidance to the QP student; and
 - (c) Make suitable arrangements to monitor the QP student's progress.
8. The AS will support the QP student throughout Practical Experience Period and create opportunities for the QP student to gain relevant experience to satisfy the practical experience requirements.
9. The AS will make suitable arrangements to monitor the QP student's progress and the review will take place at least twice per year.
10. The AS will review and sign off the QP student's Training Records annually.
11. The AS will endorse the QP student's final Training Records at the completion of the Practical Experience Period.

RESPONSIBILITIES OF THE QP STUDENT

12. During the Practical Experience Period of this Development Commitment, the QP student will make every effort to:
- (a) Achieve success in all the module workshops, examinations and appropriate practical experience requirements;
 - (b) Behave ethically;
 - (c) Be proactive and take responsibility for self-development and training direction;
 - (d) Maintain and update the online Training Records at least twice per year so as to be prepared to review the practical experience progress and discuss with the AS; and
 - (e) Contribute to the work of the employer and carry out the required duties faithfully and diligently.
13. The QP student will keep the Training Records to demonstrate achievement of the time input and the competence output, and provide them to the AS and the Institute when requested.
14. The QP student will inform the Institute within 30 days of the date of termination should this Development Commitment be terminated for any reasons.
15. In case of a change in AS, the Development Commitment signed with the original AS should be terminated and the QP student will ensure a new Development Commitment to be signed with the new AS.

TERMINATION

16. This Development Commitment will be deemed to have terminated in the event of the following:
- (a) Either Party A or Party B leaving the employment of the employer as named in clause 3 above;
 - (b) Party A ceasing to be a QP student under the HKICPA QP;
 - (c) Party B ceasing to be an AS under the Practical Experience Framework; and
 - (d) Mutual agreement between both parties.

Signed by the Authorized Supervisor:

Name: _____

Signature: _____

Position: _____

Membership No.: _____

Date: _____

Signed by the QP student:

Name: _____

Signature: _____

Date: _____



Appendix D

Training Records Sample (extract)

(Note: The final format of the online Training Records will be developed. This sample is prepared for illustration purpose only and may be subject to changes when the online system goes live.)

Training Records Sample (extract)

Technical Competence

| FAR | Financial Accounting and Reporting | Competences demonstrated <i>(note)</i> | Year of Training | | |
|--|---|--|------------------------------|--------|--------|
| | | | Year 1 | Year 2 | Year 3 |
| | | | Please check "✓" if achieved | | |
| FAR1: Accounting for Transactions | | | | | |
| FAR1.1 | Evaluate financial statement information (routine and non-routine) and estimates by reference to the entity's books, records and events | | | | |
| FAR1.2 | Design systems to capture and process accounting data | | | | |
| FAR1.3 | Prepare and/ or evaluate reconciliations of financial information | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |
| FAR2: Preparing Financial Reports | | | | | |
| FAR2.1 | Determine the appropriate accounting reporting and regulatory framework to be applied in the preparation of an entity's financial statements | | | | |
| FAR2.2 | Prepare the primary financial statements for a single entity and a group: statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement and notes in accordance with relevant accounting framework | | | | |
| FAR2.3 | Prepare or evaluate appropriate note disclosures for inclusion in the financial statements | | | | |
| FAR2.4 | Compare financial information presented in the financial statements to the other contents of an annual report to ensure consistency (e.g. Management Discussion, Director's Report, Corporate Governance Report) | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |
| FAR3: Analysing Financial Reports | | | | | |
| FAR3.1 | Evaluate the financial performance, efficiency, liquidity and solvency of an entity by calculating appropriate ratios | | | | |
| FAR3.2 | Evaluate the effect of a change in accounting policy and accounting estimate on the financial statements | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |

(note) A list of suggested examples of behaviours will be provided for selection. QP students may specify any relevant behaviours other than those in the list provided.

Training Records Sample (extract)

Technical Competence

| T | Taxation | Competences demonstrated | Year of Training | | |
|--|---|--------------------------|------------------------------|--------|--------|
| | | | Year 1 | Year 2 | Year 3 |
| | | | Please check "✓" if achieved | | |
| T1: | Tax Computations | | | | |
| T1.1 | Compute the taxation position for an individual and a legal entity | | | | |
| T1.2 | Produce information from financial records and Inland Revenue Department communications to prepare tax computations | | | | |
| T1.3 | Analyse the impact of recent legislative changes and Board of Review decisions on the determination of the tax computations | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |
| T2: | Tax Compliance | | | | |
| T2.1 | Advise the tax filing procedures under the Inland Revenue Ordinance ("IRO") and the consequences of non-compliance | | | | |
| T2.2 | Justify the circumstances where an objection to an assessment or an appeal can be raised | | | | |
| T2.3 | Advise the tax lodgement and assessment payment requirements under the IRO and the consequences of breaches | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |
| T3: | Tax Planning | | | | |
| T3.1 | Contrast the differences between tax planning, tax avoidance and tax evasion | | | | |
| T3.2 | Consider recent changes in the IRO, regulatory environment and Board of Review decisions on the determination of tax position | | | | |
| T3.3 | Evaluate the tax implications for proposed future plans of an individual or an entity | | | | |
| T3.4 | Recommend tax mitigation strategies by utilizing incentives and reliefs | | | | |
| No. of Working Days attained for the year: | | | | | |
| Counselor/ Authorized Supervisor's initial: | | | | | |
| Date of review: | | | | | |
| Total no. of Working Days: | | | | | |

Training Records Sample (extract)

Enabling Competence

| A | Professional Values, Ethics and Attitudes | Competences demonstrated | Please check "✓" if achieved |
|--|---|--------------------------|------------------------------|
| A1: Professional Scepticism and Professional Judgement A1.1 Apply a questioning mindset critically to assess financial information and other relevant data A1.2 Evaluate and recommend reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances | | | |
| A2: Ethical Principles A2.1 Demonstrate the nature of ethics A2.2 Justify the advantages and disadvantages of rules-based and principles-based approaches to ethics A2.3 Identify ethical issues using relevant ethical principles, analyse alternative courses of action and determine the ethical consequences of these A2.4 Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour to ethical dilemmas and determine an appropriate approach A2.5 Apply the relevant ethical requirements to professional behaviour in compliance with standards | | | |
| A3: Commitment to the Public Interest A3.1 Determine the role of ethics within the profession and in relation to the concept of social responsibility A3.2 Evaluate the role of ethics in relation to business and good governance A3.3 Analyse the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest A3.4 Consider the consequences of unethical behaviour to the individual, the profession, and the public A3.5 Evaluate the appropriate course of action across a wide range of ethical dilemmas | | | |

Counselor/ Authorized Supervisor's initial:
Date of review:

Training Records Sample (extract)

Reflective Statement

Year 1/ Year 2/ Year 3

The main areas of work and activities undertaken during the Practical Experience Period.

An evaluation of the particular skills developed with reference to the competence(s) achieved during the Practical Experience Period.

Identification of improvement areas or further development needs for the forthcoming year and plans to tackle them (e.g. elements of competence(s) planned to be developed and demonstrated).



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