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Ref.: QMA/PRJ/HOL/PWE

Dear Mr McPeak,

Re: FEE Comments on the IAESB Consultation Paper on the Proposed IES 1 (Revised) Entry Requirements to Professional Accounting Education

FEE (the Federation of European Accountants) is pleased to provide you below with its comments on the Proposed IES 1 (Revised) Entry Requirements to Professional Accounting Education.

FEE supports the IAESB's project to improve the clarity of its standards including the proposed IAESB revision of IES 1 issued in June 2011. This revision is the opportunity to introduce an output-based standard founded on the concept of "reasonable chance of success. The proposed flexibility is fully justified by the need to take into consideration the concept of "life long learning".

However, the concepts of "output-based approach" or "flexibility" should not be understood as a substantial reduction in the level of requirement. Principles-based standards should not lead to substantial differences in the level of quality compared to rules-based standards. The purpose is to cover more adequately situations that may vary over the world while maintaining an equivalent level of outcomes. Some provisions in the Explanatory Material, mainly paragraphs A6 and A8 are unclear in that respect and, as explained in our responses to the questions, should be revisited.

We acknowledge that the title "Entry Requirements to Professional Accounting Education" is sufficiently clear, however, to avoid any misunderstandings it might be helpful to add a short reference in the introduction of the standard (maybe after paragraph 1) highlighting that there is a significant difference between "Professional Accounting Education Programs" (IES 2) and the entry requirements to such programs (IES 1).

For further information on this letter, please contact Ms Petra Weymüller from the FEE Secretariat (email: petra.weymuller@fee.be, Tel.: +32 2 285 40 75).

Yours sincerely,

Philip Johnson
President

Appendix: Responses to questions raised in the IAESB Exposure Draft on IES 1 (revised)

Question 1 – Is the requirement in Paragraph 7 clear, particularly the concept of “a reasonable chance of successfully completing” balanced with “not putting in place excessive barriers to entry”? If not, what changes would you suggest?

FEE agrees with the requirements in paragraph 7. We emphasise that both elements in the statement are equally important. The flexibility cannot be a justification for practices that would be perceived either as a pure business approach to education or as a wish to restrict the access to the profession for competitive or other reasons.

The concept of reasonable chance to successfully complete the education programme is briefly addressed in the Explanatory Material of the standard. The concept of excessive barriers is not. Although these barriers can appear at different stages in education, it could be useful to provide some comment in the explanatory material. The expression “unnecessary restriction to entry” in paragraph A4 could be developed.

It could also be useful to highlight the relationship with public interest and clarify that the requirement means to help potential entrants to understand and assess their chances.

Question 2 – Do you envisage any difficulties in complying with the requirements of IES 1? If so, how would you propose addressing them?

The entry to an education programme is obviously not comparable to the completion of the full education programme of an accountant leading to membership of a Professional Body. However, the standard should avoid that a too wide diversity at the outset would lead to an even wider difference in quality at a later stage.

We see a risk that paragraph A6 would have a negative impact on the equivalence of entry requirements and ultimately on the quality of accounting education across the world. We wonder whether it is really true that the concept of reasonable chance would differ when the local economy is less complex. Does IAESB intend to adopt a similar approach at a later stage in the education? That would contradict paragraph 4 of the Framework that recognises the objective of facilitating the global mobility of professional accountants.

If our understanding is correct, we would encourage IAESB to clarify that the objective of flexibility in the entry level is not intended to create different categories of professionals; it is assumed that differences if any will be gradually removed during the education programme.

However, paragraph A8 has some potential to create misunderstandings. It refers to different entry requirements for different levels, type or content of education. This paragraph cannot interpret the concept of flexible access to professional accounting education (paragraph 2) or the concept of reasonable chance of successfully completing their professional accounting education (paragraph 7). There is an acknowledged difference in the output which would be justified by *different professional accounting education*. FEE does not believe that this is in line with the Framework. We are not opposed to opening a debate on the issue but it would not be acceptable to take the conclusions of such debate for granted. It would be unadvisable to give this impression in the Explanatory Material of an education standard.

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Question 3 – What is the impact in implementing the requirements of IES 1 to your organization?

We do not expect any direct impact of the amendment on FEE and most of its member bodies.

Question 4 – Are the Explanatory Materials sufficiently clear and comprehensive? If not, what changes do you suggest?

Additionally to comments provided above concerning other paragraphs in the Explanatory Material (A6, A8), we would draw IAESB attention to A10. We agree with the substance of the paragraph but we question the argument to explain the different pathways. The first sentence seems a bit odd in a standard dealing with entry requirements. The road after this step remains long before an individual can “have developed” professional knowledge, skills, values, ethics and attitudes. Cases will remain exceptional when individuals are able to acquire such qualities before starting professional education.

A7 seems very general, the IAESB could consider being slightly more precise in the wording. While IFAC member bodies might be convinced that it is self-evident that they consider whether the competences needed to successfully complete the education are appropriate, it might be worth highlighting that this is – though not a requirement in the standard itself – still of major importance.

Question 5 – Is the objective to be achieved by a member body, stated in the proposed revised IES 1, appropriate?

In some countries, IFAC member bodies have shared responsibilities in education with government authorities or educational organisations. Paragraph A2 in the Explanatory Materials reflects these situations. Is it fully appropriate to reduce the scope of the obligation only at the level of the Explanatory Material? As an alternative, it could be possible to provide guidance on how far the member bodies have to monitor the part of education which is placed under the responsibility of others.

Question 6: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?

Yes.

Question 7: Are there any terms within the proposed IES 1 which require further clarification? If so, please explain the nature of the deficiencies.

1. FEE wants to express some doubts about the proposed concept and definition of “Professional Accounting Education”.

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We recognise that the Framework establishes a difference between the “Accountancy Profession” and “Professional Accounting Education”. However we also note that the glossary does not provide any definition of accountancy neither with a reference to the profession (most cases in the framework) nor to refer to activities as paragraph 8 of the Framework does (“...many different areas of accountancy, including auditing, financial accounting, management accounting and tax accounting).

If IAESB decides to work on definitions, we recommend to consider whether “Professional Accounting Education” does not provide a too narrow view of the purpose of the standards and/or to complete the glossary by appropriate definitions of “Accountancy”.

Another clarification may be required in A 1, where professional accounting education is described as “education *and training*”. It is not sufficiently clear, whether “training” is used in the sense of “practical experience”, which would mean that the explanation of professional accounting education would cover both education and practical experience. This interpretation would however not be in line with A 2 of IES 5, where IPD is explained as including general education, professional accounting education, practical experience and assessment – meaning that practical experience is not part of the professional accounting education.

2. In the second sentence of paragraph 2, “In addition, this IES will be helpful to...and any other stakeholders who deliver and support the delivery of professional accounting education”, we question whether this standard is useful for such large range of stakeholders. IAESB needs to avoid drafting standards which would go beyond its responsibility. Therefore, we suggest amending the sentence as follows: “However, this IES might be helpful to educational organisations, employers, regulators and government authorities who deliver and support the delivery of professional accounting education.”

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