



**The Japanese Institute of
Certified Public Accountants**

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Mr. David McPeak

IAESB Technical Manager

International Accounting Education Standards Board

International Federation of Accountants

529 Fifth Avenue 6th Floor New York, NY 10017

Dear Mr. McPeak :

***Comments on Consultation Paper, “Meeting Future Expectations of Professional
Competence: A Consultation on the IAESB’s Future Strategy and Priorities”***

The Japanese Institute of Certified Public Accountants (subsequently referred to as “we”, “our”, and “JICPA”) is grateful for the opportunity to comment on the Consultation Paper (CP), *Meeting Future Expectations of Professional Competence: A Consultation on the IAESB’s Future Strategy and Priorities*.

As we see more and more professional standards surrounding the accounting profession become increasingly internationalized, we recognize the crucial importance of the efforts to develop and implement the International Education Standards (IESs) that are designed to develop professionals who can appropriately apply and implement these international standards.

Thanks to the efforts of members of the IAESB, the IESs underwent significant revision to transform them into principles-based standards. Given these significant changes, we believe that ensuring appropriate adoption and implementation of these standards is the foremost importance to the IAESB going forward, and that we believe the IAESB should dedicate its activities to adoption and implementation support. In light of the optimum use of the limited resources of the IAESB, and how we can best achieve the

appropriate adoption and implementation of the revised IESs, we believe that the IAESB should carefully consider whether enhancing existing standards or developing new IESs is really necessary at this point in time. Should the IAESB, as a result of its deliberations, decide to carry out activities other than adoption and implementation support, the rationale for such decision needs to be clearly articulated and the extent to which the IAESB executes such activities would require through deliberations.

Furthermore, in promoting the adoption and implementation of IESs, it would also be necessary to revisit the discussion on the most suitable structure and organization for the IAESB.

Our comments in response to each question are as shown below.

Question 1:

What enhancements, if any, do you feel should be made to the existing International Education Standards (IESs)?

Since the priority should be on promoting the adoption and implementation of the revised IESs, it would require careful deliberations by the IAESB as to whether or not it is necessary to expand the existing IESs.

Question 2:

How can the requirements of IAESB IES 7, Continuing Professional Development (2014) support the learning outcomes approach of the other IESs, including IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)?

The requirements of IES 7, such as the specific numbers of hours stated in Paragraph 15ⁱ, codify good practice in continuing professional development that is already well established in many jurisdictions. IES 7 shows that output-based, input-based, or combination approaches are not inconsistent with a learning outcomes approach, and that all three are valid. In this respect, we believe this requirement has significant value.

The words *output* and *outcome* are similar, so they are easily confused, but they refer to different concepts. There is some tendency to envisage an evolutionary process whereby an initial input-based approach evolves into a combination approach, which then

evolves into an output-based approach. According to this theory, input-based and combination approaches are interpreted as being no more than transitional, and in the end, only an output-based approach should remain. We believe this is incorrect. The IAESB must see the fact that a number of IFAC member bodies use the combination approachⁱⁱ, and it should not revise the standards in a way that is inconsistent with the actual practice.

The learning outcomes approach entails individuals choosing required learning outcomes according to the roles they will perform and making those learning outcomes into their own learning targets. They then undertake learning activities employing a flexible combination of appropriate methods in light of a variety of circumstances, such as combining classroom-based courses with group discussions.

The archetypal example of a learning outcomes approach in terms of measurement is the incorporation of tests into e-learning courses. It is possible to measure the input from e-learning using output in the form of tests. Potentially, therefore, a combination approach could be used so that even if an individual does not spend the recommended number of hours for a specific e-learning course, he or she could be deemed to have undertaken the study equivalent to the recommended number of hours and be granted those hours if he or she scores sufficiently well in the test.

Requiring a specific number of hours may be more rules-based than principles-based, but this stipulation is the cornerstone of continuing professional development. Even if an amendment were made to remove the statement relating to the number of hours, it is unlikely that professional bodies or jurisdictions with their own well-entrenched rules would do away with them. Therefore, even when the IAESB amends IES 7, we request the IAESB not to place too much emphasis on whether the standard looks more like principles-based or rules-based on the surface, but retains the provisions relating to specific numbers of hours in Paragraph 15. It would also be helpful if Paragraph 13 is revised to make it clear that the combination approach is the preferred approach already adopted in many jurisdictions.

Question 3:

What action, if any, should the IAESB take to improve professional competence related to the appropriate exercise of professional skepticism and professional judgment?

To ensure the appropriate exercise of professional skepticism and professional judgment from an educational perspective, the IAESB should amend International Education Practice Statement (IEPS) 1 *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes* to make the guidelines more comprehensive. The IESs stipulate that competence areas within professional values, ethics, and attitudes include professional skepticism and professional judgmentⁱⁱⁱ, yet the IEPS 1 barely mentions these attributes. If their importance is increasing, there is an urgent need to amend the IEPS 1 accordingly.

Furthermore, the IAESB should look into the most effective ways of learning about the professional skepticism and professional judgment and develop appropriate learning tools. It is no use in practice, for instance, if individuals simply memorize the definitions of these terms and reproduce them accurately on a test paper, and it would be very difficult to gain professional experience of a range of scenarios in a systematic and efficient way within the workplace. As we are reminded by the proverb “Fools say they learn from experience; I prefer to learn from the experience of others,” professionals should not rely on their own practical experience alone, but should learn from the experiences of their predecessors. As the IAESB has already addressed professional ethics education with the release of the “Ethics Education Toolkit Videos” and “Ethics Education Toolkit Study Guides,” we believe that similar initiatives can be taken with regard to the professional skepticism and professional judgment.

Question 4:

What new IESs, if any, do you suggest be developed to address emerging matters related to the education of aspiring professional accountants and professional accountants?

As the IAESB should focus on activities related to the adoption and implementation support, there are no specific areas that urgently require the development of a new IESs. If, however, the development of a new IES is deemed necessary in future, an objective and rational decision based on a reasonable evaluation and assessment of the environment surrounding the accounting education and the need for the new standard will be necessary.

Even if there is a strong need to develop a new standard, it would also be essential that the IAESB considers, in full, what would be the proper format to address its need for the

given area, that is, whether it should be addressed by a standard or a guideline. For example, a standard for a specific area should be drafted by a specialist with competence and ample experience in that field, but the more particularized such provisions become, the more likely it is that such provisions be incompatible with the principles-based nature of the IESs, and the frequent revisions may also be required in response to the developments in practice.

Question 5:

What other activities, if any, do you suggest the IAESB prioritize for the period 2017-2021 (for example, implementation support; guidance; communications; thought leadership publications)?

The IAESB should focus on activities to promote the adoption and implementation of the IESs. As part of those activities, it should consider the following items as matters of priority.

- Revision of the IEPS

Revision of the IEPS is included in *2014-2016 IAESB Strategy and Work Plan*, however, it appears that this revision work had not yet been started. Although it is said in the 2015 handbook that “[T]his handbook does not include the 3 International Education Practice Statements (IEPS) because these pronouncements do not align well with concepts and terminology that are being used in the revised IES,” it is not clear whether the IEPS will therefore be abolished, or whether the plan is to amend them to make them consistent with the revised IESs. While the CP cites the importance of IT competence, it would be better to consider amending IEPS 2 *Information Technology for Professional Accountants*, rather than creating a new standard for IT competence. This will enable existing resources to be used effectively to address the importance of IT competence in an efficient manner.

Additionally, as mentioned in our comments to Question 3 above, there is an urgent need to amend IEPS 1 *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes* to make the guidelines relating to professional skepticism and professional judgment more comprehensive. As the IEPSs are important documents that cover specific methodologies for implementing IESs as well as good practice, their revision should be undertaken

as a matter of priority.

- Collection of data relating to accounting education systems

The IAESB continues to gather information on accounting education systems across IFAC member bodies, but the sources of the information tend to be limited to the jurisdictions of the IAESB board members. Information needs to be collected more widely and broadly to build up a resource that can be used when deciding whether it is necessary to make additional revisions or develop new standards in future.

Other Comments:

In the face of the diversifying roles performed by professional accountants and an increasing range of accounting specializations which require distinct forms of learning, it is not enough to simply updating the skills or competence gained during the initial professional development, and professional accountants are now expected to accelerate their efforts to acquire new competence to be able to take on new roles. Since the approach used to update existing competence would be different from the one that will be used to gain new competence, it would be helpful if the contents of the IES 7, for example, are organized into provisions relating to updating existing competence and those for gaining new competence.

We trust you will find our comments of assistance to you.

Sincerely yours,

Kazutomi Asai
Executive Board Member - CPE
The Japanese Institute of Certified Public Accountants

ⁱ 15. IFAC member bodies implementing an input-based approach shall require each professional accountant to:
a. Complete at least 120 hours (or equivalent learning units) of relevant professional development

activity in each rolling three-year period, of which 60 hours (or equivalent learning units) shall be verifiable;

b. Complete at least 20 hours (or equivalent learning units) of relevant professional development activity in each year; and

c. Measure learning activities to meet the above requirements.

ii Paragraph 10 of Handout 3-1 “Issues Paper - Learning Outcomes” of the IAESB meeting in April 2015 stated, “Of those member bodies contacted, the majority indicated they are using a learning outcomes approach with a combined input- and output-based approach to assess professional competence with several using either a fully output- or fully input-based approach.”

iii IES 2, Para. A5; IES 3, Para. A7; IES 4, Para. A10.