



June 29, 2011

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
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Toronto, Ontario M5V 3H2  
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**RE: Exposure Draft IES 4, Professional Values, Ethics and Attitudes**

On behalf of the American Institute of CPAs' Pre-certification Education Executive Committee, please find below our response, comments, and additional questions regarding Exposure Draft IES 4, Professional Values, Ethics, and Attitudes (ED). We appreciate the opportunity to respond to this ED.

Through this document, we address the specific areas on which IAESB seeks comments plus offer additional comments that the AICPA PcEEC believes require further consideration.

**Question 1: Is the proposed requirement for reflective activity in relation to ethics education appropriate?**

We have rather serious reservations about the proposed requirement for reflective activity as proposed in the exposure draft. Our particular concerns are related to potential issues that could arise in connection with professional accountants *documenting ethical dilemmas that occur in the workplace*. Possible issues include:

- *Completeness*: Whether the documentation has included all of the relevant facts and circumstances that were considered in arriving at a decision. This situation can be a particular problem for junior personnel that may not always be apprised of all of the relevant facts and circumstances considered in arriving at a decision.
- *Neutrality*: There is a risk that each of the participants in a decision could introduce personal biases into the documentation, intentionally or otherwise.
- *Privacy of individuals*: Personal privacy issues could arise if individuals are identified or identifiable from information included in the documentation.
- *Confidentiality*: Documentation of ethical dilemmas that arise when working with confidential employer or client information poses issues of potential unauthorized access.

Also, information prepared by clients is generally not considered privileged information in most countries and could be subject to discovery and use by adverse parties in litigation or potential litigation.

Case studies are often employed by educators precisely to ensure that privacy and confidentiality issues do not arise. Thus it is our view that simulations are not merely an acceptable alternative, but rather that simulations will be preferable as teaching tools in virtually all situations. Additionally, we do not agree that the practice of documenting experiences relating to lessons learned from ethical dilemmas and considering what approach may be taken in the future in similar circumstances would be appropriate for professional accountants, especially at the early stages of their careers. Nor do we believe that documentation of real-life situations is desirable or superior to the use of case studies as part of the learning process.

**Question 2: Does this requirement raise implementation issues?**

We address this question in large part in our comments related to Question 1. In addition to the issues noted previously, we believe that documentation of real-life ethical dilemmas would require stringent controls over the production, review, storage, and access to confidential information. Any such documentation also raises the possibility of significant legal risk.

**Question 3: Is the objective to be achieved by a member body, stated in the proposed revised IES 4, appropriate?**

We do not believe the stated objective is uniformly appropriate given the diverse nature of education systems across the spectrum of member bodies. The stated objective appears to focus primarily on Initial Professional Development (IPD), and we would note that this is often not the direct province of professional associations (member bodies) which in many countries might only become involved with the education of accountants subsequent to IPD. We believe that the objective of a member body that performs IPD is to prepare aspiring professional accountants by providing a foundation for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant's career, including the knowledge of the IESBA Code and its application in the workplace. The member body also has a responsibility to ensure that members continue to develop through Continuing Professional Development (CPD) and apply the foundation principles to situations that arise in a dynamic work environment throughout their careers.

**Question 4: 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?**

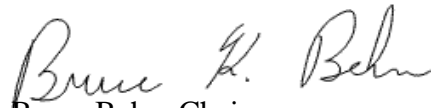
Consistent with our response to Question 3, we do not believe that the requirements in paragraphs seven and eight adequately reflect the objectives of IPD and CPD, and the spectrum of IFAC member bodies' potential roles therein.

Also, as discussed in our responses to Questions 1 and 2, we do not believe that the requirement in paragraph 11 to engage in reflective activity, as proposed (formalized and documented), is necessary to achieve the objective stated in the Standard. As such, paragraphs A16, A17, and A18 in the Explanatory Materials section seem to us inappropriate.

**Question 5: Are there any terms within the proposed IES 4 which require further clarification? If so, please explain the nature of the deficiencies.**

- We are not clear as to what is meant by the term “compare” in paragraph 10 or the objective of the comparison if that is literally what is intended.
- The definition of the term formalized in paragraph 11 is unclear.
- The definition of reflective activity which is to be added to the Glossary is not clear as presently worded.
- We find particularly cogent and useful the items suggested in paragraphs A4, A10, A12, and A14 in the Explanatory Materials section.

Respectfully Submitted,



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Pre-Certification Education Executive Committee



John Hepp, IAESB Response Task Force Chair  
Member, Pre-Certification Education Executive Committee



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