



Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4<sup>th</sup> Floor  
Toronto Ontario Canada M5V 3H2

September 21, 2011

Dear Madame/Sir

**IFAC International Accounting Education Standards Board (IAESB) – Proposed International Education Standard (IES) 1, *Entry Requirements to Professional Accounting Education (revised and redrafted)***

We appreciate the opportunity to respond to the IAESB's Exposure Draft on the proposed changes to IES 1: Entry Requirements to Professional Accounting Education. This response is made on behalf of PricewaterhouseCoopers. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We recognize that IES 1 is intended to serve the public interest in establishing standards to better ensure the competence of professional accountants. We welcome the redrafting of this standard as part of the IAESB project to revise and redraft IESs 1 – 8, building on the concepts and principles of the *Framework for International Education Standards for Professional Accountants (the Framework)* and the *IAESB Drafting Conventions (the Drafting Conventions)* and aiming to ensure consistent application by reducing ambiguity about the requirements imposed on an IFAC member body. We also recognize that in redrafting the standards the IAESB intends to clarify issues arising from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.

We believe that the redrafted IES 1 appropriately focuses on the responsibilities of IFAC member bodies. Subject to our comments about the redrafted requirements below, we believe that the requirements of this standard serve the public interest.

We note that the requirements in the Exposure Draft provide greater flexibility in setting entry requirements to professional accounting education compared to extant IES 1. We believe that the most important issue to consider in finalizing redrafted IES 1 is whether the principles-based approach for setting entry requirements presented in the redrafted standard will encourage differences rather than consistency between IFAC member bodies.

We note that there are two new requirements in redrafted IES 1 regarding explaining the rationale for entry requirements and making information available to help individuals assess their chances of success. We support these new requirements.

We respond below to the questions raised in the Response for Comments section of the Exposure Draft and provide a few other comments to consider in finalizing the standard. All paragraph references (Para XX) are to the IES 1 Exposure Draft unless otherwise indicated.

---

*PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW*  
T: +44 (0) 161 245 2000, F: +44 (0) 161 245 2910, [www.pwc.co.uk](http://www.pwc.co.uk)

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.



## **Our response to the seven questions posed in the Request for Specific Comments section of the Exposure Draft**

### **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?**

We do not believe that the concept of "a reasonable chance of successfully completing" is sufficiently clear. We note that the phrase is not explained in the standard other than to indicate factors which can be considered (Para A6). Accordingly, it is predictable that member bodies with widely varying current results in successful completion will conclude that they are meeting the requirement of "a reasonable chance of success". For clarity, therefore, some indication of what "reasonable chance" means (better than 40 - 60 - 80%?) is desirable.

We do not believe that the concept of "excessive barriers to entry" is sufficiently clear and note that it is not supported by any explanatory material. Redrafted IES 1 does provide examples of acceptable entry requirements (i.e. barriers to entry), such as "qualifications, courses, entry tests, or experience and/or ...the assessment of one (or a combination) of qualifications, experience, aptitude, knowledge, skills, ethics, or other requirements" (Para A9). Without any further explanation or guidance, how would a member body determine whether their entry requirements constitute *excessive* barriers to entry? It may have been the intent of the IAESB that a member body should evaluate the potential educational, economic, or social barriers *unintentionally* embedded in entry requirements and move to eliminate them if they are within the control of the member body. If so, this should be made clear.

These two concepts of "reasonable chance" and "excessive barriers" are central to the intent of the standard. Further explanation, guidance and examples, where appropriate, would direct member bodies to better focus on the desired end result while still allowing appropriate flexibility in their determination of entry requirements. Without such explanation, it is predictable that member bodies will easily conclude that they currently meet the requirements of the standard.

Paragraph 4 of the *Framework for International Education Standards for Professional Accountants* lists desirable outcomes from developing and implementing IESs including, “reduction in international differences in the requirements to qualify and work as a professional accountant” and, “provision of international benchmarks against which IFAC member bodies can measure themselves”. The vague terminology in redrafted IES 1 may result, rather, in more international differences and less international benchmarking in setting entry requirements to professional accounting education. If so, this will detract from the other desirable outcome mentioned in the Framework: “facilitation of the global mobility of professional accountants”.

We accept with reservation the IAESB removing the requirement that the entry requirement to professional accounting education be at least equivalent to that for admission into a recognized university degree program or its equivalent as we understand that this requirement has led to some confusion and difficulty in practical application. We note, however, that this concept, which was the standard in existing IES 1, is completely absent from redrafted IES 1. Para A8 provides examples of entry requirements which can range from very little (literacy and numeracy) to a high standard (university degree already completed). We strongly encourage the IAESB to retain the spirit of extant IES 1 by adding in the explanatory material that equivalence to university level *entrance requirements* remains a valuable benchmark for entry to professional accounting education in most circumstances. We believe that the IESs should continue to be a catalyst for those member bodies with low education



standards to rise towards a global minimum benchmark. It is difficult for a standard based on vague principles to be such a catalyst.

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

The requirements of IES 1 do not apply to firms and so compliance is not an issue for our organization. For IFAC member bodies, the requirement in Para 7 is sufficiently broad that difficulties in compliance seem unlikely. The difficulty would more likely be in assessing compliance. The requirements in Para 8 and 9 (to explain the rationale for entrance requirements and to make relevant information available to help individuals assess their chance of success) are clear and actionable.

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

While there is no direct impact to our organization, the requirements for entry to the profession determine the pool of individuals from which we recruit. Should the proposed changes to IES 1 cause member bodies to relax existing entry requirements for professional accounting education, then all firms will likely experience erosion in the quality of personnel seeking to join the accounting profession in that country. Further, such erosion could harm the reputation of the accounting profession in that country, making the profession less attractive to the best quality candidates.

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

As mentioned in response to Question 1, directional guidance on determining "reasonable chance" and "excessive barriers" would be helpful.

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

The Objective section of redrafted IES 1 states,

"The objective of this IES is to protect the public interest by establishing fair and proportionate entry requirements that help individuals considering professional accounting education make appropriate career decisions."

This objective is not appropriate in that (1) it appears to focus solely on the career decision of the individual and (2) it introduces the terms "fair" and "proportionate" which do not appear anywhere else in the standard and are not defined.

For consistency with the other redrafted IESs, we recommend that the Objective of IES 1 be stated as an objective of the member body, not as an objective of the IES. We suggest something like the following:

The objective of a member body is to serve the public interest by setting requirements which restrict entry to professional accounting education to those more likely to have the abilities and competences to successfully complete IPD and to then competently serve as professional accountants. A member body also seeks, where possible, to remove biases in access to professional accounting education for those with such abilities and competences and to provide information to help individuals considering professional accounting education make informed career decisions.



**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?**

We believe that, subject to our comments above, the requirements in the IES 1 Exposure Draft do meet the three criteria specified by the IAESB for a requirement to be specified in a standard. That is, that

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all situations to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

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

If the terms "proportionate" and "fair" (Para 6) remain in the final standard, we believe that they should be explained or defined. Note our response to Question 5 suggesting a rewording of this paragraph which avoids the use of these terms.

If not supported by better guidance in the explanatory material, we believe that the terms "reasonable chance", "excessive barriers" (Para 7) should be defined.

**Developing Nations**

Subject to our comments above regarding the recommendations in redrafted IES 1, we believe that the requirements of this standard are appropriate for developing nations. As noted in our comments below regarding Effective Date, some developing nations may not be able to implement the new requirements in the proposed time frame.

We restate here our concern that the exposure draft accommodates such a range of practices that it will not challenge IFAC member bodies with lower education standards to raise them over time.

**Translation**

The term "proportionate" in Para 6 may not be translated consistently. Hence the need to provide guidance or definitions as recommended in our response to Question 7 or to reword Para 6 as recommended in our response to Question 5.

**Effective Date**

We believe that member bodies who currently comply with the requirements of IES 1 would not need to change their entry requirements to professional accounting education under redrafted IES 1 and so from that perspective the proposed implementation period of 12 – 15 months appears adequate.

However, the proposed implementation period may not be adequate to implement the new requirements in redrafted IES 1. If member bodies determine that there is economic or social bias in their entry requirements which it is within their power to address, they may not be able to implement their planned response within the proposed time frame. For example, if a member body administers proficiency tests as part of its entry requirements and determines that such tests should be more accessible in poorer or more remote areas of their country, implementation could depend on obtaining



member body governing approval, determination of costs and then implementation subject to the budget cycle and resources of the member body. Such actions may take longer than 12 - 15 months. Or, to meet the requirement in Para 9, a member body may need to start collecting data on IPD pass rates broken down by meaningful criteria and will not be able to summarize such information for public use until it has accumulated sufficient data over an appropriate period.

### ***Comments on Other Matters***

We support the IAESB's decision to drop the notes at the end of extant IES 1 regarding sources of information on equivalence of university entrance requirements.

We support the new requirements that member bodies explain the rationale for their entry requirements and that they make relevant information publicly available to help individuals assess their chances of success.

We support the proposed changes to the definitions of Professional Accounting Education and IPD in the IAESB Glossary.

Para 1 sets out the overall purpose of IES 1. The scope might be more accurately stated as, "This IES prescribes the principles to be used when setting *and communicating* entry requirements for professional accounting education."

Para A8 mentions "professional accounting education for auditors". We believe that this phrase is potentially confusing and recommend that IES 1 not refer to auditors since all aspects of professional education for auditors are covered by IES 8 and because IES 1 is about entry to professional accounting education.

Extant IES 1 contains observations regarding the impact of member bodies setting different levels of entry requirements:

- "Ultimately, the quality of the profession depends on the quality of the candidates it can attract. Entry requirements are the first step in this process." (Para 3 – extant IES 1).
- "The lower the requirement at the point of entry, the more the program of professional accounting education has to cover." (Para 8 – extant IES 1)

Redrafted IES 1 does not mention these implications for the profession or for professional accounting education. We recognize that the education achievement (including practical experience and as measured by valid assessment) is common to all new professional accountants at the successful completion of IPD. However, it remains true that the average quality of those successfully completing IPD can be increased with higher entry requirements since many individuals achieve more than the minimum required to complete IPD. It is also true that the investment in education by both the individual and those providing professional accounting education may vary directly with the level of entrance requirements. We recommend retaining these observations in the explanatory material for IES 1 as they are relevant factors in determining entry requirements and in serving the public interest. We agree that entry requirements at any level should be free, as far as reasonable, from bias.



**Closing remarks**

We commend the IAESB for issuing this Exposure Draft of redrafted IES 1.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Christine Adshead, Global Assurance Learning and Education Partner on (44(0) 161 245 2529).

Yours faithfully,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP