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Dear Sir,

**Proposed Revised International Education Standard (IES) 2, *Initial Professional Development - Technical Competence (Revised)***

BDO is pleased to have the opportunity to comment on the above exposure draft issued by the International Accounting Education Standards Board (IAESB). We set out below our responses to the IAESB's questions in the explanatory memorandum accompanying the exposure draft.

We support the IAESB's project to redraft and revise where appropriate all of the IES's in accordance with the clarity drafting conventions as set out in the Framework for International Education Standards for Professional Accountants.

**Responses to Specific Questions**

- 1. Do the 11 competence areas listed in Paragraph 7 of the proposed IES 2 (Revised) capture the breadth of areas over which aspiring professional accountants need to acquire technical competence? If not, what do you suggest?**

Yes, we believe that IES 2 covers all those areas over which an aspiring professional accountant needs to acquire technical competence. We do, however, note that it may be more appropriate to integrate the Information Technology competencies (currently considered separately) into the other stated competencies, as appropriate. Information technology is an integral part of business that permeates all areas and should not be considered in isolation.

We also consider that certain competencies should be further expanded, for example, under Finance and Financial Management we believe that aspiring professional accountants should also have an understanding of valuation methodologies; otherwise we are at risk of developing professional accountants who may be able to talk about fair value at a superficial level but lack the understanding to articulate anything further. We also feel that the use of the term 'capital budgeting techniques' within this competence is too constraining on its own and should be supplemented with other terms which consider corporate investment strategy or investment appraisal techniques overall.

We believe that the competence for Economics is valuable; however we feel that this should not be limited to economic indicators and structures but expanded to include more commercial knowledge of the marketplace as it currently stands as well as trends so as to be more applicable to today's aspiring professional accountant.

It is our opinion that clarification is required in the Audit and Assurance competence as it relates to learning outcome (iii). The use of the phrase 'in performing an audit' could be misinterpreted to imply that those completing initial professional

development (IPD) only need to know about the obtaining audit evidence phase of an audit instead of the audit as a whole. As such, we believe it should be amended to 'describe the stages involved in an audit...' to be clear that it goes from client acceptance to reporting. In addition, the IES discusses 'key elements' of assurance service engagements; however it is unclear whether that is an awareness of what takes place within an assurance engagement and how to perform those tasks and activities or the only the general nature of those tasks and activities.

We felt that within Governance, Risk Management and Internal Control, learning outcome (i) is confusing. We believe the outcome could be better stated as, for example, 'Explain the principles of good governance, including the rights and responsibilities of those charged with governance of an entity, and the external reporting requirements'. In relation to learning outcome (iii) we believe that the use of 'opportunities' may not be the most appropriate language as it is suggestive of indentifying external factors and then exploiting those factors identified. Our suggested rephrasing would be to replace 'risks and opportunities' with 'strengths and weaknesses', which is more suggestive of an internal focus.

- 2. Do the learning outcomes listed in Paragraph 7 of the proposed IES 2 (Revised) capture adequately the minimum levels of proficiency to be achieved by an aspiring professional accountant by the end of IPD? If not, what do you suggest?**

We believe that the level of proficiency for business law and economics should be raised to the intermediate level. Professional accountants invariably work in an environment in which these competency areas are used regularly. Keeping these proficiency levels at the foundation level may ultimately limit competence.

In addition, while we understand the importance of the competency of Financial Accounting and Reporting, we do not believe that their understanding of this at the end of IPD is advanced due to the large amount of guidance and reporting challenges that are possible and, therefore, we recommend that the minimum level of proficiency be changed to intermediate. We do however believe that this should be the best understood competency at the end of IPD.

- 3. Does the Appendix provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 7 of the proposed IES 2 (Revised)? If not, what changes do you suggest?**

Yes, we believe that the Appendix provides adequate clarification to assist in the interpretation of the learning outcomes.

- 4. Overall are the Requirements paragraphs 7, 8 and 9 of the proposed IES 2 (Revised) appropriate for ensuring that aspiring professional accountants achieve the appropriate level of technical competence by the end of IPD? If not what changes do you suggest?**

Yes we believe the requirements of paragraphs 7, 8 and 9 are appropriate; however as there is a lack of explanatory material in respect of what 'regularly review' means in practice for an IFAC member body, this may not be particularly meaningful. We believe that there should be more guidance as to an appropriate frequency for such a review.

Also we note that in comparison to IES 3 in particular, the exposure draft appears to be missing a paragraph (IES 3, paragraph A11) 'Professional accounting education program are designed to...'

5. **Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in the proposed IES 2 (Revised)?**

No, we do not see any implications for our organization, or other organizations with which we are familiar, in implementing the new requirements. We do note that the clarified IES content will be useful for firms when identifying and developing competence areas for their own curricula.

6. **Is the objective to be achieved by a member body, stated in the proposed revised IES 2, appropriate?**

Yes, we believe that the objective is appropriate.

7. **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, we believe so.

8. **Are there any terms within the proposed IES 2 (Revised) which require further clarification? If so, please explain the nature of the deficiencies.**

As noted in question 4, above, we believe that the term 'regularly reviewed' should be further clarified in terms of required frequency.

#### **Comments on other matters**

As noted in our previous comment letters, we would support the development of an electronically integrated set of IESs which when linked directly to the glossary would enable the user (online or offline) to navigate successfully the suite of IESs. This would remove the need for the placing of occasional definitions in the text of each IES and would also enable the user of each IES to have an immediate source of information rather than having to seek a glossary.

We would also support continuing efforts to improve the availability of translations in respect of exposure drafts and final pronouncements.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,  
BDO International Limited

Wayne Kolins  
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