

10 December 2014

Mr. David McPeak  
Senior Technical Manager  
International Accounting Education Standards Board  
277 Wellington Street West, 4<sup>th</sup> Floor  
Toronto, Ontario  
M5V 3H2 Canada

Dear Mr. McPeak:

### **Proposed Framework for International Education Standards (Revised)**

Ernst & Young Global Limited, the central entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the proposed Framework for International Education Standards (the Framework), issued by the International Accounting Education Standards Board (the Board).

### **Overall Comments**

We support the efforts of the Board to update the Framework to align with the concepts in the International Education Standards (IESs). Overall, we believe that the updates provide clarity and conciseness to the Framework and align it to the clarified IESs.

Responses to the specific questions on which the Board is seeking feedback are set out in Section 1 below. Our other comments, including general editorial comments, are set out in section 2.

### **1. Specific questions related to the proposed Framework**

**Question 1: The IAESB is proposing to include the following definition of professional accountant in the updated Framework. A professional accountant is an individual who achieves, demonstrates, and maintains professional competence in accountancy and who is bound by a code of ethics. Is the definition of a professional accountant appropriate for users of the IESs? If not, please explain.**

No. In our view, the definition of a professional accountant needs to be revised. The definition is self-fulfilling by stating that an accountant is an individual who achieves, demonstrates, and maintains professional competence in accountancy. Although there is a description of the accountancy profession in paragraph 2 of the Framework, the proposed Framework does not define “accountancy” as a basis for the use of the term in the definition of a professional accountant. We believe that accountancy should be defined in the Framework. Additionally, we believe the definition of the accountancy profession should be expanded to better reflect all the roles that professional accountants can have (e.g., tax, etc.). The current definition of the

accountancy profession is very limiting. Finally, the reference to advisory services in the last bullet of paragraph 2 makes this definition broad and unclear as to whether consulting work is included in the definition.

We are also concerned about the Board developing a definition of a professional accountant separately from other IFAC standard setting boards. The definition of a professional accountant needs to be consistent across IFAC standard setting boards. In other words, the definition needs to be at the IFAC level instead of within the Framework for the IESs. Accordingly, we believe the definition should be jointly developed by the IFAC standard setting boards.

**Question 2: The IAESB is proposing to include the following definition of general education in the updated Framework. General education is a broad-based education through which fundamental knowledge, skills, and attitudes are developed. Is the definition of general education appropriate for users of the IESs? If not, please explain.**

Yes, the definition of general education is appropriate for users of the IESs. However, we believe that “fundamental” should be changed to “foundational” because the latter term better describes the basis on which general education helps to build knowledge, skill and attitudes. As a result, we suggest the following revision to paragraph 26: General education is a broad-based education through which ~~fundamental~~ foundational knowledge, skills, and attitudes are developed.

**Question 3: As indicated in the IAESB’s Terms of Reference, the Board’s authoritative documents are those pronouncements that are subject to due process for their development (See DUE PROCESS AND WORKING PROCEDURES—March 2010 for IAESB’s due process). The extant Framework is an authoritative pronouncement, meaning it establishes requirements for which IFAC member bodies must comply. Because the proposed draft of the Framework does not include any requirements and its primary purpose is to describe the learning concepts underpinning the IESs, the IAESB is proposing the revised Framework be non-authoritative. Do you agree with this change? If not, why?**

Yes, it is appropriate for the Board to change the authoritative status of the Framework and make it a non-authoritative document. We believe the non-authoritative status is appropriate because the purpose of the Framework is to describe fundamental concepts and provide a foundation for the development of the IESs.

**Question 4: Is the updated Framework clear and easy to understand? If not, please explain.**

Yes, in terms of readability and style, the Framework is clear, concise and easy to read. However, we believe that the concepts related to education and learning and development and their relationships are not clear. The Framework needs to clearly articulate the relationships between these concepts. Throughout the Framework the terms education and learning and development are not consistently used. The Framework implies that education includes all

forms of learning and development. However in paragraph 23, education is described as a subset of learning and development. We suggest that the Board review how learning and development and education are used throughout the Framework and use the terms consistently. Additionally, the Board should consider a graphical representation to clarify how the elements of the learning and development process fit together in the Framework and the IESs.

**Question 5: Does the updated Framework appropriately align with the recently revised IESs (See <https://www.ifac.org/sites/default/files/publications/files/Handbook-of-International-Education-Pronouncements-2014.pdf>)? If not, what gaps or differences should be addressed?**

Yes, the updated Framework aligns with the recently revised IESs.

**Question 6: Are there any other terms within the Framework which require further clarification? If so, please explain the nature of the deficiencies.**

We believe the following terms within the Framework require further clarification:

- The description of practical experience can be clarified by not referring to “workplace.” Because practical experience can be gained from other situations and sources, the use of “workplace” in the practical experience description suggests a physical location rather than a work-related activity. In other words, workplace implies that someone working virtually may not be able to get practical experience. Therefore, we suggest that this paragraph refer to “on the job”. As a result, we suggest the following revision to paragraph 23 and 30: Practical experience refers to workplace on the job activities that are relevant to developing professional competence.
- The terms professional accounting education and training are inconsistently used between paragraphs 23 and 30. Paragraph 30 refers to training as a subset of professional accounting education. Paragraph 23 describes training as a separate element of learning and development. We suggest that the Board review how professional accounting education and training are referred to throughout the Framework.

**Question 7: Are there any other learning concepts relevant to the IESs that should be added to the Framework? If yes, please describe the concepts that should be added.**

Yes, there are other learning concepts relevant to the IESs that should be added to the Framework.

First, the discussion of ongoing or continuous learning in the Framework is very limited. Professional accountants need continuous learning to actively pursue the training, knowledge and skills they need to anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, etc. We believe the Framework needs to describe the elements of continuous learning and how continuous learning fits into the IESs.

## 2. Other comments

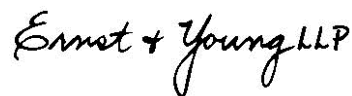
- We believe that removing the target audience from the name of the title of the Framework makes it incomplete. We believe that leaving the “for Professional Accountants” in the title implies relevance to professional accountants and aspiring professional accountants and should be retained in the title.
- We suggest that paragraph 10 be moved to follow paragraph 8. We believe this will improve the flow of the Framework by discussing the intended benefits of the Framework, before mentioning the other users of the Framework.
- In our IES 8 comment letter, we suggested that the term learning outcome be changed to development outcome, observable outcome or performance outcome. We believe this change will reflect the fact that learning outcomes will not always be obtained in a traditional classroom setting. If this term cannot be changed, because it is embedded in the IESs, then we believe that the Framework needs to define how learning outcomes can be obtained since they can be obtained in other ways besides traditional learning settings.
- We suggest that “informal learning” be added as a fourth category of learning and development in paragraph 23. Alternatively, the Framework could reference commonly used learning and development constructs such as the 70/20/10 concept. This concept suggests that approximately 70% of learning and development occurs from real life and on-the-job experiences, tasks and problem solving, 20% from feedback and coaching and 10% from formal training.
- We suggest the following revision to paragraph 29: IPD is learning and development through which aspiring professional accountants first develop professional competences ~~leading to performing the role of a professional accountant~~.
- Paragraph 30 breaks down initial professional development (IPD) in a different way than learning and development in paragraph 23. Paragraph 23 describes the primary types of learning and development as education, practical experience and training. Paragraph 30 describes IPD as professional accounting education, practical experience and assessment. The Framework needs be consistent in this regard. Therefore, for clarity, we propose stating in paragraph 23 that IPD contains all elements of learning and development, plus assessment.
- We suggest that changes due to regulation be added to paragraph 34. Additionally, we believe that the last sentence in this paragraph is not necessary because it is implicit in paragraph 33 that continuing professional development (CPD) is learning and development which includes practical experience. Therefore, we suggest the following revisions to paragraph 34: Change is a significant characteristic of the environment in which professional accountants work, requiring them to develop and maintain their professional competence throughout their careers. Pressures for change come from many sources, including (a) public expectations, (b) globalization, (c) advances in technology, (d) business complexity, (e) societal changes, (f) regulation and (fg) the expansion of stakeholder groups, including regulators and oversight bodies. CPD is the process by which professional competence gained during IPD is continually developed and maintained. ~~CPD includes practical experience.~~

- Learning and development can also be obtained from observing and working with role models and through self-directed learning (personal reading, research etc.), and therefore suggest the following revisions to paragraph 36: Practical experience is integral to CPD because it provides individuals with the opportunity to develop their professional competence within the work environment. As a professional accountant's career progresses, emphasis often shifts from structured learning activities to practical experience and informal learning.
- If the title of the Framework is changed as proposed, then the title of the Statement of Membership Obligation 2, International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB also needs to be revised to remove reference to professional accountants.
- Appendix 2 contains descriptions of levels of proficiency. We have the following comments on this Appendix:
  - The foundation proficiency level indicates that learning outcomes in this level focus on recognizing the importance of professional values, ethics and attitudes in performing assigned tasks. We believe that at the foundational level this should be stronger than recognizing the importance of professional values, ethics and attitudes. We believe that aspiring professional accountants and professional accountants must comply and apply professional values, ethics and attitudes at any level.
  - The line in the middle of the intermediate proficiency level should be removed.
  - We suggest that complex problem solving, with supervision be added as a focus area for the intermediate proficiency level.

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We would be pleased to discuss our comments with members of the International Accounting Education Standards Board or its staff. If you wish to do so, please contact Karen Golz (+1 212 773 8001).

Yours sincerely,



Ernst & Young Global Limited