

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

1 November 2012

Dear Mr. McPeak:

Proposed Revised International Education Standard 2 – Initial Professional Development – Technical Competence (Revised)

Ernst & Young Global Limited, the central entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the proposed Revised International Education Standard 2 (the Standard), issued by the International Accounting Education Standards Board (the Board).

Overall Comments

We support the efforts of the Board to set Initial Professional Development (IPD) requirements for IFAC member bodies to impose on their members before they qualify as professional accountants. In addition, we support the focus on learning outcomes instead of subject areas.

We are in general agreement with the proposed Standard. However, our preference is to create one IPD standard to more broadly address the whole spectrum of technical and non-technical skills that are required of aspiring professional accountants. We find it artificial to separate IPD into three standards as it results in duplicative paragraphs across IES 2, 3, and 4 and is confusing to the user to have IPD requirements in three standards. Therefore, we believe the content that is contained in IES 2, 3, and 4 should be combined into one IPD standard.

If IES 2 remains a standalone standard, we believe the title of IES 2 should be revised to better align with IES 3 and IES 4. We suggest the title be changed to Initial Professional Development – Professional Knowledge (Revised).

We also believe the objective of the standard should be revised. See Question 6 below for additional details.

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 revisions to the Standard

Question 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 the competence areas listed cover the breadth of areas in which an aspiring professional accountant needs to acquire professional knowledge. However, we suggest that the competence areas in Proposed IES 2 be reconciled to Proposed IES 8 for consistency and

we believe the emphasis is too strong on some of the proposed competence areas (see answer to question 2 below).

We also believe that the list of competence areas should be aligned between IES 2 and IES 8. Our preference would be to use the competence areas in IES 8 since these are less detailed.

Question 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 changes do you suggest?

We believe that there are a disproportionate number of learning outcomes in general business areas such as business and organization environment, economics, and business management. We believe learning outcomes are needed for these competence areas; however, they should be reduced or consolidated to better balance and reflect the required professional knowledge required of aspiring professional accountants.

While we agree with the required minimum level of proficiency, we disagree with some of the proposed learning outcomes as they suggest higher minimum proficiency levels than the one stated. This relates to (b) Management accounting and (c) Finance and financial management. The use of the verbs “integrate” in (b) (ii) and “evaluate” in (b) (iv) indicates the minimum level of proficiency should be advanced for the competence area management accounting. The use of the verb “evaluate” in (c) (iv) indicates that the minimum level of proficiency should be advanced for finance and financial management.

We believe that (a) (vi) Interpret specialized reports including sustainability reports and integrated reports should be revised to Understand the objectives of and requirements for specialized reports, including sustainability reports and integrated reports.

We believe with the increasing need to apply valuation techniques that there should be a specific learning outcome included that relates to business valuations and other valuation techniques.

Question 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, Appendix 1 of the proposed IES 2 provides clarification to assist in the interpretation of the learning outcomes listed in paragraph 7. However, we believe the sentence describing that the learning outcomes relate to work situations that are characterized by... in the description section for each level of proficiency should be removed. We believe inclusion of this sentence creates confusion. In addition, the Advanced and Mastery level both indicate that learning outcomes at these levels relate to situations that are characterized by high levels of ambiguity, complexity, and uncertainty. The learning outcomes at the Advanced and Mastery levels are expected to be different and therefore having the same statement for both levels of proficiency is confusing.

Question 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, the requirements of Paragraphs 7, 8, and 9 are appropriate for ensuring that aspiring professional accountants achieve the appropriate level of professional knowledge.

Question 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 this proposed IES 2 (Revised)?

No. We are not a member body so the requirements in this IES are not directly applicable to our Firm. However, the requirements, as drafted, will be useful to provide input as we are designing, delivering, and assessing education for professional accountants within our Firm, although we do not expect major changes to the content of such education programs. We do not anticipate any implications to organizations with which we are familiar in implementing the new requirements included in proposed IES 2. We believe the effective date should coincide with the effective date of IES 3, IES 4, and IES 8.

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

No. We believe the objective of the standard should be revised. We question if the IFAC member body is providing aspiring professional accountants with the professional knowledge or if they are responsible for incorporating the essential elements of the learning outcomes into education and professional development programs for the accountancy profession. In our view, the IFAC member body is providing the opportunity or the environment to acquire professional knowledge and to assess that the level achieved matches the requirements of the revised IES 2, but does not provide the professional knowledge by itself. We suggest the objective paragraph be revised as follows: The objective of an IFAC member body is to incorporate the essential elements of professional knowledge into IPD to ensure members have the opportunity to obtain the professional competencies required to perform a role of a professional accountant.

Question 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. The requirements, supported by relevant application material, clearly articulate the key principles of IPD requirements related to professional knowledge for aspiring professional accountants and have been applied appropriately and consistently.

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

We have not identified any such terms.

2. Other comments

We offer the following drafting suggestions for your consideration:

- Paragraph 7 of the proposed standard refers to professional competence. We suggest changing this to professional knowledge.
- Paragraph A1: We would change ...IPD lays the base for...to IPD lays the foundation for...
- Paragraph A5: Although we understand the fact that the word “including” suggests that the enumeration is not necessarily exhaustive, the selection made inevitably raises the

question “why these ones?”. We would suggest to delete this enumeration and refer to Table A to avoid giving the impression that some competence areas are more important than others. In addition, Table A describes the competence area as governance, risk management and internal control and paragraph A5 describes it as governance and risk management.

- Paragraph A6: The content of this paragraph does not provide much explanation in enumerating a selection of competence areas for each of the proposed revised IESs 2, 3 and 4. In addition, inclusion of this paragraph provides additional support for the need to consolidate the content from the three IPD IESs into one IES. This also suggests that a definition of the three components of professional competence (professional knowledge, professional skills and professional values, ethics and attitudes) should be provided. If the Board decides to keep these enumerations, then a complete listing of the competence areas should be provided to avoid giving the impression that some competence areas are more important than others.

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 (+ 212 773 8001) or Dan Montgomery (+1 216 583 2949).

Yours sincerely,

Ernst & Young Global Limited