

**International Accounting  
Education Standards Board™**

**Handbook of International  
Education Pronouncements**

*2015 Edition*

**IES™**

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This publication was published by the International Federation of Accountants (IFAC®). Its mission is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

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**INTERNATIONAL EDUCATION STANDARDS**

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# HANDBOOK OF INTERNATIONAL EDUCATION PRONOUNCEMENTS

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## CHANGES OF SUBSTANCE FROM THE 2014 EDITION OF THE HANDBOOK AND RECENT DEVELOPMENTS

This handbook replaces the 2014 edition of the *Handbook of International Education Pronouncements*. The organization of this handbook supports the International Education Standards (IES) by presenting the underlying concepts and definitions in the newly revised *Framework for International Education Standards for Professional Accountants and for Aspiring Professional Accountants (2015)* [the Framework], and the *IAESB Glossary of Terms (2015)*. The primary focus of this handbook, however, is the suite of eight IESs. More specifically, this handbook contains the newly revised and re-drafted IESs 1-6, the re-drafted *IES 7, Continuing Professional Development (2014)*, and *IES 8, Competence Requirements for Audit Professionals (2008)*. Because the IAESB is transitioning from the extant IES 8 to the newly revised IES 8 in July 2016, this handbook contains support materials for the extant IES 8; including the *Framework for International Education Standards for Professional Accountants (2009)*, the *IAESB Glossary of Terms (2014)*, and the original IES 1-5. This handbook concludes with a section that provides the newly revised standard, *IES 8, Professional Competence for Engagements Partners for Audits of Financial Statements (Revised)*. This handbook does not include the 3 International Education Practice Statements (IEPS) because these pronouncements do not align well with concepts and terminology that are being used in the revised IES. The IAESB will decide during its current work plan whether to revise IEPS to ensure that they align with the revised IES or replace the IEPS with non-authoritative guidance materials.

The IAESB has developed Interpretation Guidance materials to support the understanding of the revised IES which can be found in the [Clarity Center](#) of the IAESB website. Interpretation Guidance materials include: [Basis of Conclusions documents](#) for the revised IES; a [Bridging Document](#) that provides an overview of the changes resulting from the revision project; a [Staff Answered Questions document \(2015\)](#) that explains the standard-setting process, the responsibility of IFAC member bodies in implementing the IES, the due process activities followed by the IAESB in establishing the revised IES; and staff prepared slides and speaking notes that explain the key principles of, and major changes to, each of the revised IES.

The IAESB is currently working to support the adoption and implementation of the revised IES. Guidance projects include the development of implementation guidance for both *IES 1, Entry Requirements to Professional Accounting Education Programs (2014)*, and *IES 8, Professional Competence for Engagements Partners Responsible for Audits of Financial Statements (Revised)*. In addition, The IAESB has issued a [Staff Questions and Answers publication](#) to support those implementing a learning outcomes approach in accordance with the requirements of the revised IES. A learning outcomes approach integrates desired learning outcomes, program design

CHANGES OF SUBSTANCE FROM THE 2014 EDITION OF  
THE HANDBOOK AND RECENT DEVELOPMENTS

and assessment activities, as well as a governance process driving continuous improvement.



## INTRODUCTION TO THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

The IAESB is an independent standard-setting body that develops education standards, guidance, and information papers for use by IFAC member bodies and other interested stakeholders in professional accounting education, such as: universities and education providers, employers, regulators, government authorities, accountants, and prospective accountants. Under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAESB, and the IAESB Consultative Advisory Group, which provides public interest input, the IAESB develops its standards and guidance. IFAC provides financial, operational, and administrative support to the IAESB. This arrangement enables the highly qualified volunteers serving on the IAESB to focus purely on its standard-setting activities.

The objective of the IAESB, as outlined in its *Terms of Reference*, is to serve the public interest by: Establishing a series of high-quality standards and other publications reflecting good practice in the education, development, and assessment of professional accountants; Promoting the adoption and implementation of the IES; Developing education benchmarks for measuring the implementation of the IES; and Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

The IAESB's membership consists of 18 volunteer board members from around the world. The 18 members include 9 practitioners and 9 individuals who are not members or employees of an audit firm ("non-practitioners").<sup>1</sup> At least three of the non-practitioners are public members: individuals who are expected to reflect, and are seen to reflect, the wider public interest.

All board members are required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities as a member of the IAESB. Members are appointed by the IFAC Board, based on recommendations from the IFAC Nominating Committee and with the approval of the PIOB.

In developing its standards, independently, the IAESB is required to be transparent in its activities, and to adhere to due process as approved by the PIOB. Board meetings, including meetings by teleconference, are open to the public, and agenda papers are available at [www.iaesb.org/meetings](http://www.iaesb.org/meetings).

For further information on IAESB pronouncements and activities, visit the Board's website at [www.iaesb.org](http://www.iaesb.org).

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<sup>1</sup> A non-practitioner is an individual who is not a member or employee of an audit practice firm and, in respect to individuals who have been members or employees of such firms, are normally subject to a cooling-off period of three years.

## **THE INTERNATIONAL FEDERATION OF ACCOUNTANTS' ROLE**

The International Federation of Accountants (IFAC) serves the public interest by contributing to the development of strong and sustainable organizations, markets, and economies. It advocates for transparency, accountability, and comparability of financial reporting; helps develop the accountancy profession; and communicates the importance and value of accountants to the global financial infrastructure. Founded in 1977, IFAC is currently comprised of 175 members and associates in 130 countries and jurisdictions, representing approximately 2.84 million accountants in public practice, education, government service, industry, and commerce.

As part of its public interest mandate, IFAC contributes to the development, adoption, and implementation of high-quality International Education Standards, primarily through its support of the International Accounting Education Standards Board (IAESB). IFAC provides human resources, facilities management, communications support, and funding to this independent standard-setting board, and facilitates the nominations and selection process for board members.

The IAESB sets its own agendas and approves its publications in accordance with its due process and without IFAC's involvement. IFAC has no ability to influence the agendas or publications. IFAC publishes the handbooks, standards, and other publications and owns the copyrights.

The IAESB's independence is safeguarded in a number of ways:

- formal, independent public interest oversight for standard setting by the PIOB (see <http://www.ipiob.org/> for more information), which includes a rigorous due process involving public consultation;
- a public call for nominations, and formal, independent oversight of the nominations/selection process by the PIOB;
- full transparency, both in terms of due process for standard setting, as well as public access to agenda materials, meetings, and a published basis for conclusions with each final standard;
- the involvement of a Consultative Advisory Group and observers in the standard-setting process; and
- the requirement that IAESB members, as well as nominating/employing organizations, commit to the board's independence, integrity, and public interest mission.

Visit the IFAC website at [www.ifac.org](http://www.ifac.org) for further information.

**FRAMEWORK FOR INTERNATIONAL EDUCATION  
STANDARDS FOR PROFESSIONAL ACCOUNTANTS AND  
ASPIRING PROFESSIONAL ACCOUNTANTS (2015)**

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## PART ONE—INTRODUCTION, PURPOSE, AND SCOPE

### Introduction

1. This *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) [the “Framework”] establishes the concepts that the International Accounting Education Standards Board (“IAESB”) uses in its publications. The Framework also provides an introduction to the IAESB publications and related obligations of International Federation of Accountants (“IFAC”) member bodies.
2. The IAESB acts in the public interest to raise the level of confidence and trust of stakeholders in the work of professional accountants.
3. The IAESB’s mission is to serve the public interest by strengthening the worldwide accountancy profession through the development and enhancement of professional accounting education. The IAESB seeks to achieve its mission through the development, adoption, and implementation of International Education Standards (“IES”). The IES improve the quality of professional accounting education worldwide by prescribing requirements for:
  - Entry to professional accounting education programs;
  - Initial Professional Development (IPD) of aspiring professional accountants; and
  - Continuing Professional Development (CPD) of professional accountants.
4. The accountancy profession includes, but is not limited to:
  - Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
  - Partnering in decision making, and in formulating and implementing organizational strategies;
  - Auditing financial and non-financial information, and providing other assurance and advisory services; and
  - Preparing and analyzing relevant tax information.
5. The accountancy profession serves the financial and, in some circumstances, the non-financial information needs of a broad range of decision makers including, but not limited to (a) the public, (b) present and potential investors, (c) management and employees within organizations, (d) suppliers and creditors, (e) customers, and (f) government authorities.

The accountancy profession's ability to satisfy users' information needs contributes to an efficient economy that creates value to society.

6. Development, adoption, and implementation of IES provide an effective approach to developing professional competence. Other desirable outcomes include:
  - Reducing international differences in the requirements to perform a role as a professional accountant;
  - Facilitating the global mobility of professional accountants; and
  - Providing international benchmarks of good practice for professional accounting education.
7. Terminology in accounting education is not universal; the same term might be used in different ways in various jurisdictions. Definitions and explanations of the key terms used in the Framework and IES are set out in the *IAESB Glossary of Terms*.

## **Purpose of the Framework**

8. The Framework provides a conceptual base for the IAESB to continue developing and supporting adoption and implementation of the IES. The Framework assists IFAC member bodies in their activities related to the learning and development of professional accountants and aspiring professional accountants.
9. The Framework is also useful to other stakeholders who support the learning and development of professional accountants and aspiring professional accountants. These other stakeholders include:
  - Universities, employers, and other stakeholders who play a part in the design, development, delivery, and assessment of professional accounting education programs for professional accountants and aspiring professional accountants;
  - Regulators who are responsible for oversight of the accountancy profession;
  - Government authorities with responsibility for legal and regulatory requirements related to professional accounting education;
  - Professional accountants and aspiring professional accountants who manage their own learning and development; and
  - Any other stakeholders interested in the work of the IAESB and its approach to developing publications on professional accounting education.
10. The benefits of the Framework include:

- An efficient and effective standard-setting process by providing a conceptual base for the IAESB's publications;
- IES that are consistent, because they are based on a common set of concepts relevant to professional accounting education; and
- Increased transparency and accountability of the IAESB for its decisions, because the concepts underlying the IAESB's decisions are included in the Framework.

## Scope of the Framework

11. The Framework describes the learning concepts underpinning the IES; however, the Framework does not establish requirements that apply to IFAC member bodies. The IAESB applies the concepts set out in the Framework when developing the IES. The concepts in this Framework may also be applied to other aspects of professional accounting education not covered by a specific IES.
12. For the purposes of the IES and other IAESB publications, the IAESB defines a professional accountant as an individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.
13. Professional accountancy organizations include, but are not limited to, IFAC member bodies. When a professional accountancy organization or a licensing authority is not an IFAC member body, the IES serve as an international benchmark of good practice.
14. A code of ethics establishes a set of ethical principles for professional accountants. A code of ethics will ordinarily comprise the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), whether in its entirety or used as a basis for a locally developed code of ethics such that the standards therein are no less stringent than those stated in the IESBA Code.
15. The IAESB defines an aspiring professional accountant as an individual who has commenced a professional accounting education program as part of IPD.
16. The IAESB may also establish requirements for roles that are widely practiced by professional accountants in the accountancy profession or that are a matter of public interest.

## PART TWO—EDUCATIONAL CONCEPTS

### Professional Competence

17. The overall objectives of professional accounting education are to (a) develop the professional competence of aspiring professional accountants, and (b) develop and maintain the professional competence of professional accountants.
18. Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

### Learning Outcomes, Competence Areas, and Proficiency Levels

19. A number of the IES include learning outcomes that establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.
20. An example of a learning outcome for the technical competence of a professional accountant working in a financial accounting role is to “prepare financial statements, including consolidated financial statements, in accordance with International Financial Reporting Standards (“IFRSs”) or other relevant standards”. Achieving this learning outcome requires knowledge of the IFRSs, the ability to assess their relevance to the situation, and the ability to apply the requirements of the relevant IFRSs.
21. The IES include competence areas that are categories for which a set of related learning outcomes can be specified. Examples include *Financial accounting and reporting* and *Management accounting*.
22. Within IPD, a competence area is assigned a level of proficiency that describes the context in which the relevant learning outcomes are expected to be achieved. The level of proficiency for a competence area is based on consideration of the ambiguity, complexity, and uncertainty of the environment. Appendix 2 provides details of the foundation, intermediate, and advanced levels of proficiency. These levels describe the typical progression that occurs in the development of professional competence throughout the career of a professional accountant. The IES prescribe the level of proficiency for competence areas to be achieved by the end of IPD.
23. An IFAC member body may (a) include additional competence areas; (b) increase the level of proficiency for competence areas; or (c) develop additional learning outcomes. For example, these changes may be necessary

when an IFAC member body prepares professional accountants or aspiring professional accountants to work within a particular industry sector or for a particular role.

## Learning and Development

24. Learning and development is an ongoing process of developing and maintaining professional competence throughout the career of a professional accountant. The IAESB defines primary types of learning and development as follows:

### *Education*<sup>1</sup>

Education is a structured and systematic process aimed at developing knowledge, skills, and other capabilities; a process that is typically but not exclusively conducted in academic environments.

### *Training*

Training describes learning and development activities that complement education and practical experience. Training emphasizes practical application, and is usually conducted in the workplace or a simulated work environment.

### *Practical experience*

Practical experience refers to workplace activities that are relevant to developing professional competence.

25. In addition to education, training, and practical experience, learning and development activities can include informal learning such as (a) coaching, (b) networking, (c) mentoring, (d) observation, (e) reflection, and (f) self-directed and unstructured gaining of knowledge.
26. The extent to which the different types of learning and development are used may vary. For example, during the initial stages of IPD more emphasis may be placed on education including professional accounting education, than in later stages of learning and development. During CPD the balance may shift more to learning and development through practical experience and training.

## General Education

27. General education (a) develops essential knowledge, skills, and attitudes, (b) helps prepare an individual for entry to a professional accounting education program, and (c) supports lifelong learning and development.

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<sup>1</sup> The IAESB uses the term “education” in its own title and publications; however, its terms of reference include the entire learning and development process.



28. General education helps professional accountants and aspiring professional accountants integrate technical competence, professional skills, and professional values, ethics, and attitudes developed through professional accounting education. It supports the development of decision making skills, judgment, and skepticism. Examples of general education topics include, but are not limited to (a) understanding ideas and events in history, (b) knowledge of different cultures, and (c) awareness of economic, political and social forces in the world.
29. General education may be obtained in a number of different ways and within different settings. General education commences before entry into a professional accounting education program and can continue during IPD and CPD.

## **Initial Professional Development**

30. IPD is the learning and development through which aspiring professional accountants first develop professional competence leading to performing a role of a professional accountant.
31. IPD includes professional accounting education, practical experience, and assessment. The IAESB defines these terms as follows:

### *Professional Accounting Education*

Education and training that build on general education, and develop (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

### *Practical Experience*

Practical experience refers to workplace activities that are relevant to developing professional competence.

### *Assessment*

Measurement of professional competence developed throughout learning and development.

32. IPD continues until aspiring professional accountants can demonstrate the professional competence required for a role as a professional accountant. One result of demonstrating this professional competence may be admission to membership in an IFAC member body.
33. Qualification, licensing or certification (“qualification”) is the formal recognition of an individual having attained a professional designation, or having been admitted to membership in an IFAC member body. Internationally, there are significant legal and regulatory differences that determine the point of qualification of professional accountants and it may occur from very early to very late in a career. Each IFAC member body

can define the appropriate relationship between the end of IPD and the point of qualification for its members.

## **Continuing Professional Development**

34. CPD is the learning and development that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuing development of the learning outcomes for (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes which were achieved during IPD.
35. 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, but not limited to, (a) public expectations, (b) globalization, (c) advances in technology, (d) business complexity, (e) societal changes, and (f) increase in regulation and oversight. As a result, continuous learning is integral to CPD as professional accountants need actively to pursue the education, training, knowledge, and skills which they need to anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, and other areas.
36. Professional competence requirements may change as professional accountants take on new roles during their careers. For example, a professional accountant in business may wish to become an accounting educator; or an accounting technician may wish to work in an audit role. CPD that includes many of the same elements as IPD also develops the additional breadth and depth of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes which may be necessary when moving into a new role.
37. CPD includes practical experience that provides individuals with the opportunity to develop their professional competence within the workplace. As a professional accountant's career progresses, emphasis tends to shift from structured learning activities to practical experience and informal learning.

## **Assessment, Measurement, and Monitoring**

38. Assessment, measurement, and monitoring are central to demonstrating professional competence and determining that learning and development has been effective.
39. Assessment is used to gather evidence that the individual being assessed has demonstrated the professional competence to perform a role of a professional accountant. In addition, assessment provides valuable

information that may be used to improve the quality of professional accounting education programs. Effective assessment activities achieve high levels of validity, sufficiency, reliability, equity, and transparency. A mix of different assessment activities is often adopted to assess professional competence.

40. Assessment includes the measurement of professional competence. In the context of assessment, measurement includes evaluating, and providing verifiable evidence of the achievement of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
41. Measurement approaches focus on measuring observable outputs (for example, workplace performance, workplace simulations, written examinations, and self-assessment), quantifiable inputs (for example, CPD hours or equivalent learning units), or a combination of both.
42. Monitoring is the systematic process of collecting, reviewing, and confirming the evidence that demonstrates professional competence has been developed or maintained.

## PART THREE—IAESB PUBLICATIONS

### International Education Standards

43. The IES are authoritative and are used by IFAC member bodies when setting education requirements for professional accountants and aspiring professional accountants.
44. The IES establish requirements for (a) entry to professional accounting education programs, (b) IPD of aspiring professional accountants, and (c) CPD of professional accountants.
45. The IAESB is conscious of (a) the diversity of culture and language, educational, legal, and social systems globally, and (b) the variety of roles performed by professional accountants. The IES have been developed as principle-based standards that provide IFAC member bodies flexibility in implementing the IES's requirements. Each IFAC member body needs to determine how best to implement the requirements of the IES and is subject to the *Statements of Membership Obligations* (“SMOs”). The IAESB also recognizes that individual IFAC member bodies may adopt learning and development requirements that go beyond the IES.
46. The process that the IAESB follows in developing its standards is set out in the *IAESB Terms of Reference*.
47. The IES are written in accordance with the *IAESB Drafting Conventions* that are set out in Appendix 1.

### Other IAESB Publications

48. In support of the IES, the IAESB issues other publications and additional support material to assist IFAC member bodies in achieving good practice in learning and development.

## **PART FOUR—IFAC MEMBERSHIP OBLIGATIONS**

### **IFAC Membership Obligations Relating to IES**

49. Individual IFAC member bodies determine the competences and criteria for membership that are appropriate to the professional accountant roles performed by their members. The SMOs set out the obligations of IFAC member bodies and associate bodies. Obligations related to the IES may be found in Statement of Membership Obligations 2, International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB (“SMO 2”).
50. Some IFAC member bodies are subject to the requirements of law or regulation within their jurisdictions. IES cannot legally override educational requirements or restrictions placed on individual IFAC member bodies by such laws or regulations. In cases where IES set a higher requirement than laws or regulations, SMO 2 requires that, where the IFAC member body that has no responsibility or shared responsibility for areas covered by the IES, it uses its best endeavors to comply with the requirements of the IES. In these instances, the IFAC member body would (a) determine its level of responsibility, (b) assume the appropriate set of actions to best meet its obligations under SMO 2, and encourage those responsible to implement the requirements of the IES into relevant laws or regulations.

## Appendix 1

### IAESB DRAFTING CONVENTIONS

#### Language and Structure

In developing the IES, the selection of appropriate wording will be guided, wherever possible, by these *IAESB Drafting Conventions* and the *IAESB Glossary of Terms* (the “Glossary”). Definitions found in the IAESBs pronouncements are included in the Glossary. The Glossary is intended to support translation, interpretation, and application. The definitions are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise.

The structure of the IES shall be organized to include the following as separate sections: Introduction, Objective, Requirements, and Explanatory Material.

#### *Introduction*

The introductory material includes information regarding the scope and effective date that provides context relevant to a proper understanding of each IES.

#### *Objective*

The IES contain a clear statement of the objective of the standard. The objective assists an IFAC member body to understand the overall aim of the standard, and what needs to be accomplished, as well as to decide whether more needs to be done to achieve the objective.

#### *Requirements*

The objective is supported by clearly stated requirements that are necessary to achieve the objective. Requirements are always expressed using the term “shall.”

#### *Explanatory Material*

The explanatory material is intended to explain the scope, objective, and requirements in more detail. The explanatory material assists IFAC member bodies in the application of the requirements and may include examples of how to meet them. The explanatory material does not impose any additional requirements; its purpose is to assist in application.

## Appendix 2

### DESCRIPTION OF LEVELS OF PROFICIENCY

This description of levels of proficiency supports the IAESB’s use of learning outcomes in the IES and other publications. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> </ul>

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>



## IAESB GLOSSARY OF TERMS (APRIL 2015)

1. This glossary comprises a collection of defined terms, many of which have been specifically defined within existing IAESB pronouncements. The IAESB acknowledges that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which member bodies operate. The glossary does not prescribe the use of terms by member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IES and IEIP produced by the IAESB.
2. Words marked with an asterisk (\*) indicate terms that are defined elsewhere in the glossary.

*Aspiring professional accountant*—An individual who has commenced a professional accountancy education program\* as part of Initial Professional Development.\*

\**Assessment*—Measurement of professional competence\* developed throughout learning and development.\*

\**Assessment activity*—Those activities designed to assess specific areas of professional competence.\*

*Combination approach*—A combination approach combines elements of input-based\* and output-based\* approaches.

*Competence area*—A category for which a set of related learning outcomes\* can be specified.

\**Content validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* provides adequate coverage of the particular aspect of professional competence\* being assessed.

*Continuing professional development (CPD)*—Learning and development\* that takes place after initial professional development,\* and that develops and maintains professional competence\* to enable professional accountants\* to continue to perform their roles\* competently.

\**Cooperative education*—A program of education,\* generally leading to a degree, which includes alternating periods (e.g., terms, semesters, trimesters) of academic study and full-time work experience. This will generally result in additional time required to complete degree requirements.

\**Education*—Systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

*Equity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is fair and without bias.

*Face validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is perceived to measure what it is intended to measure.

*Financial statements*—A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time and or of the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial framework, but can also refer to a single financial statement.

The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance.

*Firm*—A sole practitioner, partnership, corporation, or other entity of professional accountants.

*Formal education*—The non-workplace based component of an accounting education program.

*Good practice*—Those elements considered essential to the education\* and development of professional accountants\* and performed at a standard necessary to the achievement of professional competence.\*

*Initial professional development (IPD)*—Learning and development\* through which aspiring professional accountants\* first develop competence leading to performing a role\* in the accountancy profession.

*Input measure*—An input-based measure focuses on the investment made in learning and development,\* for example, the number of hours an individual is expected to attend a course or the subject areas covered.

*Input-based approach*—An approach that establishes an amount of learning activity required for professional accountants\* to develop and maintain professional competence.\*

*Intellectual skills*—Skills relating to the ability of a professional accountant\* to solve problems, to make decisions, and to exercise good judgment.

*Interpersonal and communication skills*—Skills relating to the ability of a professional accountant\* to work and interact effectively with others.

*Learning and Development*—An ongoing process of developing and maintaining professional competence\* throughout the career of a professional.

*Learning outcome*—The content and the depth of knowledge, understanding, and application required for a specified competence area.\*

*Monitoring*—Systematic process of collecting, reviewing, and confirming the evidence that demonstrates professional competence has been developed or maintained.

*Organizational skills*—Skills relating to the ability of a professional accountant\* to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.

*Output measure*—An output-based measure focuses on whether the professional accountant\* has developed the specified competence.

*Output-based approach*—An approach that requires professional accountants\* to demonstrate, by way of achieved learning outcomes,\* that they develop and maintain professional competence.\*

*Personal skills*—Skills relating to the personal attitudes and behavior of a professional accountant.\*

*Practical experience*—Workplace activities that are relevant to developing competence.

*Practical experience supervisor*—A professional accountant\* who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience.\*

*Predictive validity (of assessment)*—In relation to assessment,\* whether the content of the assessment activity\* relates to the particular aspect of professional competence\* that it is intended to assess

*Process measure*—A process-based approach focuses on the design and delivery of learning and development,\* for example, a course curriculum that is regularly reviewed and updated.

*Professional accountant*—An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.\*

*Professional accounting education*—Education and training that builds on general education, and imparts (a) professional knowledge,\* (b) professional skills,\* and (c) professional values, ethics, and attitudes.\*

*Professional accounting education program*—Programs designed to support aspiring professional accountants\* to develop the appropriate professional competence\* by the end of initial professional development.\* They may consist of formal education\* delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training.

*Professional competence*—The ability to perform a role\* to a defined standard.

*Professional judgment*—The application of relevant training, knowledge, and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

*Professional knowledge*—Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.\*

*Professional skepticism*—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.

*Professional skills*—Intellectual, interpersonal and communication, personal, and organizational skills that a professional accountant integrates with technical competence\* and professional values, ethics, and attitudes\* to demonstrate professional competence.\*

*Professional values, ethics, and attitudes*—The professional behavior and characteristics that identify professional accountants\* as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.

*Qualification*—Qualification as a professional accountant\* means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.\*

*Reflective activity*—The iterative process by which professional accountants,\* at all stages of their career, continue to develop their professional competence\* by reviewing their experiences (real or simulated) with a view to improving their future actions.

*Relevant ethical requirements*—Those ethical requirements to which professional accountants\* are subject, which ordinarily comprise the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with any national requirements that are more restrictive.

*Reliability (of assessment)*—In relation to assessment,\* whether an assessment activity\* consistently produces the same result, given the same set of circumstances, quality or state describing whether a measurement approach consistently produces the same result, given the same set of circumstances.

*Role*—A function that has a specific set of expectations attached.

*Specialization*—The formal recognition by a member body of a group of its members possessing distinctive competence in a field, or fields, of activity related to the work of the professional accountant.\*

*Sufficiency (of assessment)*—In relation to assessment,\* whether an assessment activity\* has a balance of depth and breadth, knowledge and application and, combines material from different areas applied to a range of situations and contexts.

*Sufficiency (of practical experience)*—Whether practical experience\* has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.

The breadth of practical experience is affected by factors such as: nature of role; level of proficiency, prior level of formal education,\* national or local laws; requirements of regulatory authorities; and the public’s expectation for professional competence.\*

The depth of practical experience\* is affected by factors such as: the variety and complexity of tasks; level of supervisory and mentoring support.

*Technical competence*—Technical competence is defined as the ability to apply professional knowledge\* to perform a role to a defined standard.

*Training*—Learning and development\* activities that complement education\* and practical experience.\* Training emphasizes practical application, and is usually conducted in the workplace or a simulated work environment.

*Transparency (of assessment)*—In relation to assessment,\* whether details of an assessment activity,\* such as competence areas\* to be assessed and timing of the activity, are disclosed publicly.

*Validity*—Quality or state describing whether a measurement approach measures what needs to be measured.

*Verifiable evidence*—Evidence that is objective, capable of being proven and stored in written or electronic form.

*Work log*—A record maintained by an individual of the nature of the assignments and tasks completed, and of the time incurred in completing those assignments and tasks. A work log might also include documentation of competences developed as a result of completing work assignments.

## **PREFACE**

At its October 2014 meeting, the IAESB completed its IES Revision project by approving IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (Revised), which becomes effective on July 1, 2016. During this transition period the IAESB is supporting the extant IES 8, *Competence Requirements for Audit Professionals*, by including the original versions of IES 1-5, the IAESB *Glossary of Terms* (2014), and the *Framework for International Education Standards for Professional Accountants* (2009) as reference materials in the Section entitled, Support Materials for IES 8 (2008).

**INTERNATIONAL EDUCATION STANDARD 1**  
**ENTRY REQUIREMENTS TO PROFESSIONAL**  
**ACCOUNTING EDUCATION PROGRAMS (2014)**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs, while requirements relating to entry to the profession are covered by:
  - (a) IES 2, *Initial Professional Development – Technical Competence* (2015),
  - (b) IES 3, *Initial Professional Development – Professional Skills* (2015),
  - (c) IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015),
  - (d) IES 5, *Initial Professional Development – Practical Experience* (2015), and
  - (e) IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015).
2. This IES is addressed to IFAC member bodies. IFAC member bodies have responsibility for setting and communicating entry requirements for professional accounting education programs. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who deliver and support delivery of professional accounting education programs.
3. This IES explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member body, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs. This IES explains (a) reasonable chance of successful completion, (b) the suitability of entry requirements, and (c) different forms of entry requirements.
4. This IES recognizes that entry requirements may vary by jurisdiction, due to (a) different pathways through professional accounting education programs, and (b) differences between various jurisdictions in governance and regulatory arrangements. This IES also recognizes that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education program.
5. The definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).



### **Effective date**

6. This IES is effective from July 1, 2014.

### **Objective (Ref: Para. A4–A6)**

7. The objective of an IFAC member body is to establish fair and proportionate educational entry requirements to professional accounting education programs that protect the public interest through the setting and maintenance of high-quality standards.

### **Requirements (Ref: Para. A7–A12)**

8. IFAC member bodies shall specify educational entry requirements for professional accounting education programs that will allow entrance only to those with a reasonable chance of successfully completing the professional accounting education program, while not representing excessive barriers to entry.
9. IFAC member bodies shall explain the rationale for the principles to be used when setting educational entry requirements to stakeholders, including relevant education providers and individuals considering a career as a professional accountant.
10. IFAC member bodies shall make relevant information publicly available to help individuals assess their own chances of successfully completing a professional accounting education program.

## **Explanatory Material**

### *Scope of this Standard (Ref: Para. 1–5)*

- A1. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of Initial Professional Development (IPD). They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A2. IFAC member bodies have varying levels of control over entry requirements to professional accounting education programs. For example, in some jurisdictions entry requirements may be set by universities or governments. There are various pathways into the accountancy profession. For example, (a) traditional degree level entry, (b) gaining experience by working in industry, and (c) entry from the secondary education level. Moreover, different jurisdictions and IFAC member bodies will have different labor market challenges.
- A3. There are a number of steps an IFAC member body may take to seek to meet its membership obligations. For example, this might be illustrated by a situation where a university rather than the IFAC member body sets entry requirements to a professional accounting education program. Here, the IFAC member body might work with the university to explain the purpose of the IES, and communicate that compliance with its requirements would enable students more easily to be considered for membership in the IFAC member body.

### *Objective (Ref: Para. 7)*

- A4. All IES are designed to protect the public interest. This IES does this by dealing with entry requirements to professional accounting education programs, which are important to help individuals considering a career as a professional accountant make informed decisions about their education choices. These entry requirements also provide that access to professional accounting education programs is limited to those likely to succeed. Entry to the accounting profession is safeguarded by IES 2, 3, 4, 5, and 6, which cover technical competence, professional skills, professional values, ethics, and attitudes, practical experience, and assessment, and which are designed to ensure that members of the accountancy profession achieve an appropriate level of professional competence.

- A5. This IES serves the public interest by addressing issues relating to the provision of sufficient numbers of high-quality aspiring professional accountants. It does this by setting out principles for entry requirements for professional accounting education programs that are neither too high (causing unnecessary barriers to entry to the profession), nor too low (causing individuals to believe falsely they have a likelihood of completing the education successfully). Such entry requirements may help with the efficient use of resources and assist individuals considering a career as a professional accountant to make informed career decisions.
- A6. IFAC member bodies can contribute to efficient and effective career decisions by informing individuals considering a career as a professional accountant of the technical competence, professional skills, and professional values, ethics, and attitudes expected of those successfully completing professional accounting education programs. Individuals are only able to make informed decisions when provided with the necessary information. IFAC member bodies may collect and analyze the data on an ongoing basis so that advice to individuals considering a career as a professional accountant can be based on reliable information. The information to be provided by IFAC member bodies may cover:
- (a) Varying entry points to professional accounting education programs;
  - (b) Encouraging individuals considering a career as a professional accountant to commence a professional accounting education program only when they have considered their chances of successful completion;
  - (c) Pass rates relating to the qualification;
  - (d) Transparent information regarding the expectations and costs associated with professional accounting education programs; and
  - (e) Self-diagnostic tools such as competency maps setting out the skills, knowledge, and attitudes to be acquired on successful completion of the professional accounting education program.

*Requirements* (Ref: Para. 8–10)

- A7. Determining a reasonable chance of successful completion is a matter of judgment, depending on number of factors. The intention is to (a) help individuals considering a career as professional accountant be as fully informed as possible when deciding to embark on professional accounting education programs, and to (b) encourage those providing professional accounting education programs to share as much helpful and relevant information as possible. The phrase may be understood differently by each IFAC member body as regards different professional accounting education programs. IFAC member bodies may set out the key factors for reasonable chance of successful completion, such that the entry requirements for any professional accounting education program provide individuals considering a career as a professional accountant with the necessary foundations to enable them to develop the required competence of a professional accountant. This may involve taking into account factors such as (a) the economic, business, and regulatory environment, (b) the prerequisite knowledge required, (c) the expected learning to be acquired, (d) the role of the accountant, and (e) any other relevant factors.
- A8. The entry requirements may be justified with reference to the technical competence, professional skills, and professional values, ethics, and attitudes needed to successfully complete a professional accounting education program. This does not preclude requiring a university degree, or the qualifications needed to commence a university degree. When setting entry requirements, the IFAC member body may consider whether they are appropriate in each case, and are neither excessive nor trivial. An excessive barrier to entry may include prescribing specific subject qualifications from certain institutions, or a minimum length of specific work experience. The purpose of avoiding such excessive barriers is to allow flexibility of access to professional accounting education programs, not to dilute standards either of professional accounting education programs themselves or of the accounting profession. Rather, there is a range of entry and exit routes for professional accounting education programs, and different ways of achieving IPD.
- A9. IFAC member bodies may adopt different entry requirements, because professional accounting education programs vary by jurisdiction and type. For example, some professional accounting education programs may have as entry requirements only a good level of numeracy and literacy. Conversely, the entry requirements of professional accounting education programs for certain specialized roles may specify that an individual must hold a university degree or equivalent.

- A10. Aspiring professional accountants may have developed their (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes through various pathways, including work experience, study, or qualifications. The flexibility of pathways to professional accounting education programs in no way dilutes the rigor of that education, nor of the standards required of aspiring professional accountants to complete IPD. IFAC member bodies may reflect these different pathways by adopting flexible entry requirements that accommodate all those with a reasonable chance of successfully completing a professional accounting education program. The purpose of this flexibility is to allow broad access to professional accounting education programs; it is not intended to create different categories of professional accountant. An example of this flexibility can be found where an IFAC member body specifies a prequalification entry requirement (e.g., a university degree or equivalent), but allows direct entrance to its professional accounting education program for those without a university degree if they have, for example, a period of relevant practical experience.
- A11. An IFAC member body may prescribe specific criteria used to determine that individuals meet the entry requirements to a professional accounting education program. These may include qualifications, courses, entry tests, or experience. Entry requirements may include the assessment of one (or a combination) of qualifications, experience, or other requirements deemed appropriate by the IFAC member body. This information could be made widely available by, for example, publishing it in the brochures for professional accounting education programs; or by including it on the website of the IFAC member body.
- A12. IFAC member bodies can help individuals considering a career as a professional accountant consider their chances of successfully completing a professional accounting education program by encouraging them to consider the content covered, its level, and methods of assessment of the program.

# INTERNATIONAL EDUCATION STANDARD 2

## INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL COMPETENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. This International Education Standard (IES) prescribes the learning outcomes for technical competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD. *IES 3, Initial Professional Development – Professional Skills* (2015), and *IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

5. This IES is effective from July 1, 2015.

### Objective (Ref: Para. A7)

6. The objective of this IES is to establish the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Technical Competence (Ref: Para. A8–A12)

7. IFAC member bodies shall prescribe the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Technical Competence**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Financial accounting and reporting  (Intermediate)	(i) Apply accounting principles to transactions and other events.
	(ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.
	(iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
	(iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.
	(v) Interpret financial statements and related disclosures.
	(vi) Interpret reports that include non-financial data, for example, sustainability reports and integrated reports.
(b) Management accounting  (Intermediate)	(i) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.
	(ii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.
	(iii) Analyze financial and non-financial data to provide relevant information for management

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).



Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
	decision making. (iv) Prepare reports to support management decision making, including reports that focus on planning and budgeting, cost management, quality control, performance measurement, and benchmarking. (v) Evaluate the performance of products and business segments.
(c) Finance and financial management  (Intermediate)	(i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets. (ii) Analyze an organization’s cash flow and working capital requirements. (iii) Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis. (iv) Evaluate the appropriateness of the components used to calculate an organization’s cost of capital. (v) Apply capital budgeting techniques in the evaluation of capital investment decisions. (vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.
(d) Taxation  (Intermediate)	(i) Explain national taxation compliance and filing requirements. (ii) Prepare direct and indirect tax calculations for individuals and organizations. (iii) Analyze the taxation issues associated with non-complex international transactions. (iv) Explain the differences between tax planning,



<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	tax avoidance, and tax evasion.
(e) Audit and assurance  (Intermediate)	(i) Describe the objectives and stages involved in performing an audit of financial statements. (ii) Apply relevant auditing standards (for example, International Standards on Auditing), and applicable laws and regulations to an audit of financial statements. (iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy. (iv) Apply quantitative methods that are used in audit engagements. (v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
(f) Governance, risk management and internal control  (Intermediate)	(i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and explain the role of stakeholders in governance, disclosure, and transparency requirements. (ii) Analyze the components of an organization’s governance framework. (iii) Analyze an organization’s risks and opportunities using a risk management framework. (iv) Analyze the components of internal control related to financial reporting.
(g) Business laws and regulations  (Intermediate)	(i) Explain the laws and regulations that govern the different forms of legal entities. (ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.
(h) Information	(i) Analyze the adequacy of general information technology controls and relevant application

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(Intermediate) technology	controls.
	(ii) Explain how information technology contributes to data analysis and decision making.
	(iii) Use information technology to support decision making through business analytics.
(Intermediate) (i) Business and organizational environment	(i) Describe the environment in which an organization operates, including the main economic, legal, political, social, technical, international, and cultural forces.
	(ii) Analyze aspects of the global environment that affect international trade and finance.
	(iii) Identify the features of globalization, including the role of multinationals, e-commerce, and emerging markets.
(Foundation) (j) Economics	(i) Describe the fundamental principles of microeconomics and macroeconomics.
	(ii) Describe the effect of changes in macroeconomic indicators on business activity.
	(iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.
(Intermediate) (k) Business strategy and management	(i) Explain the various ways that organizations may be designed and structured.
	(ii) Explain the purpose and importance of different types of functional and operational areas within organizations.
	(iii) Analyze the external and internal factors that may influence the strategy of an organization.
	(iv) Explain the processes that may be used to implement the strategy of an organization.
	(v) Explain how theories of organizational behavior may be used to enhance the



<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	performance of the individual, teams, and the organization.

**Review of Professional Accounting Education Programs** (Ref: Para. A13–A14)

8. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

**Assessment of Technical Competence** (Ref: Para. A15–A16)

9. IFAC member bodies shall establish appropriate assessment activities to measure the achievement of the technical competence of aspiring professional accountants.

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## Explanatory Material

### Scope of this Standard (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD includes general education, professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A3. The inclusion of technical competence in IPD lays the base for performing a role as a professional accountant. Further development of technical competence is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2014).
- A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A5. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation and economics; competence areas within professional skills include intellectual and organizational; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A6. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be demonstrated within the context of a work environment or professional accounting education program.

**Objective** (Ref: Para. 6)

- A7. Establishing the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accounting profession.

**Learning Outcomes for Technical Competence** (Ref: Para. 7)

- A8. Table A lists the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or taxation specialist.
- A9. In the design of professional accounting education programs, the 11 competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area may be achieved across more than one course or subject dedicated to that area. For example, the learning outcomes for financial accounting and reporting may be achieved across two or more financial accounting and reporting courses or subjects. The achievement of some learning outcomes may extend across several different courses or subjects, none of which may be devoted solely to that competence area. For example, the learning outcomes within information technology may be achieved through the integration of relevant material within courses that focus on management accounting and/or auditing and assurance. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A. For example, economics is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program.
- A10. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A11. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.

- A12. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

#### **Review of Professional Accounting Education Programs** (Ref: Para. 8)

- A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member bodies.
- A14. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

#### **Assessment of Technical Competence** (Ref: Para. 9)

- A15. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to measure the achievement of technical competence and other elements of professional competence.
- A16. Various assessment activities can be used to measure the achievement of the technical competence of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the evaluation of prior learning leading to the awarding of exemptions from aspects of IPD.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make</li> </ul>



Level of Proficiency	Description
	<p>decisions;</p> <ul style="list-style-type: none"> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

# INTERNATIONAL EDUCATION STANDARD 3

## INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A8)

1. This International Education Standard (IES) prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES specifies the competence areas and learning outcomes that describe the professional skills required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development—Technical Competence* (2015), and IES 4, *Initial Professional Development—Professional Values, Ethics, and Attitudes* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

5. This IES is effective from July 1, 2015.

### Objective (Ref: Para. A9)

6. The objective of this IES is to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Professional Skills (Ref: Para. A10–A15)

7. IFAC member bodies shall prescribe the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Professional Skills**

<b>Competence Area (Level of Proficiency) <sup>1</sup></b>	<b>Learning Outcomes</b>
(a) Intellectual  (Intermediate)	(i) Evaluate information from a variety of sources and perspectives through research, analysis, and integration.
	(ii) Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.
	(iii) Identify when it is appropriate to consult with specialists to solve problems and reach conclusions.
	(iv) Apply reasoning, critical analysis, and innovative thinking to solve problems.
	(v) Recommend solutions to unstructured, multi-faceted problems.
(b) Interpersonal communication and  (Intermediate)	(i) Display cooperation and teamwork when working towards organizational goals.
	(ii) Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.
	(iii) Demonstrate awareness of cultural and language differences in all communication.
	(iv) Apply active listening and effective interviewing techniques.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1)

<b>Competence Area (Level of Proficiency) <sup>1</sup></b>	<b>Learning Outcomes</b>
	(v) Apply negotiation skills to reach solutions and agreements. (vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities. (vii) Present ideas and influence others to provide support and commitment.
(c) Personal  (Intermediate)	(i) Demonstrate a commitment to lifelong learning. (ii) Apply professional skepticism through questioning and critically assessing all information. (iii) Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection. (iv) Manage time and resources to achieve professional commitments. (v) Anticipate challenges and plan potential solutions. (vi) Apply an open mind to new opportunities.
(d) Organizational  (Intermediate)	(i) Undertake assignments in accordance with established practices to meet prescribed deadlines. (ii) Review own work and that of others to determine whether it complies with the organization’s quality standards. (iii) Apply people management skills to motivate and develop others. (iv) Apply delegation skills to deliver assignments. (v) Apply leadership skills to influence others to work towards organizational goals.



<b>Competence Area (Level of Proficiency) <sup>1</sup></b>	<b>Learning Outcomes</b>
	(vi) Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision making.

### **Review of Professional Accounting Education Programs** (Ref: Para. A16–A17)

8. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

### **Assessment of Professional Skills** (Ref: Para. A18–A20)

9. IFAC member bodies shall establish appropriate assessment activities to measure the achievement of the professional skills of aspiring professional accountants.

## **Explanatory Material**

### **Scope of this Standard** (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD includes general education, professional accounting education, practical experience, and assessment.
- A2. General education may help aspiring professional accountants to develop professional skills, by giving them a broader perspective and assisting them to communicate effectively, research, analyze, and apply logical reasoning and critical thinking to problems.
- A3. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

- A5. The inclusion of professional skills in IPD lays the base for performing a role as a professional accountant. Further development of professional skills is a focus of Continuing Professional Development (CPD), which is covered in IES 7 – *Continuing Professional Development* (2014).
- A6. Within this IES, professional skills are categorized into four competence areas:
- (a) *Intellectual* relates to the ability of a professional accountant to solve problems, to make decisions, and to exercise professional judgment;
  - (b) *Interpersonal and communication* relate to the ability of a professional accountant to work and interact effectively with others;
  - (c) *Personal* relates to the personal attitudes and behavior of a professional accountant; and
  - (d) *Organizational* relates to the ability of a professional accountant to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.
- A7. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include financial accounting and reporting, taxation and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A8. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be demonstrated within the context of a work environment or professional accounting education program.

### **Objective (Ref: Para. 6)**

- A9. Establishing the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accounting profession.

## **Requirements**

### **Learning Outcomes for Professional Skills (Ref: Para. 7)**

- A10. Table A lists the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional

accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.

- A11. In the design of professional accounting education programs, the four competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area (for example, organizational) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within intellectual) may extend across several different courses or subjects, none of which may be devoted solely to that competence area.
- A12. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A13. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area, provide information to help IFAC member bodies design their professional accounting education programs.
- A14. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).
- A15. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional skills, taking into consideration the national and cultural environment. An appropriate approach is likely to include a mixture of learning and development activities which combine structured learning programs and practical experience. For example, practical experience supervisors play an important role in helping aspiring professional accountants to develop professional skills within the workplace.

### **Review of Professional Accounting Education Programs (Ref: Para. 8)**

- A16. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal



education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs may involve substantive input from stakeholders other than IFAC member bodies.

- A17. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Assessment of Professional Skills** (Ref: Para. 9)

- A18. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to measure the achievement of professional skills and other elements of professional competence.
- A19. Various assessment activities can be used to measure the achievement of the professional skills of aspiring professional accountants. Work-based simulations or group exercises are examples of activities that enable aspiring professional accountants to develop and demonstrate achievement of learning outcomes related to professional skills, within a professional accounting education program. Practical experience also enables aspiring professional accountants to participate in assessment activities to demonstrate their professional skills. Examples of such activities include (a) keeping a diary, (b) participating in 360 degree assessments, (c) compiling portfolios of evidence of achievement of learning outcomes, or (d) being monitored by a practical experience supervisor.
- A20. Assessment of professional skills in the workplace may require a different approach to that of written examinations in order to achieve high levels of reliability, validity, equity, transparency, and sufficiency. For example, assessment design may include:
- (a) Specification of learning outcomes that are clear and detailed in order to minimize ambiguity and increase the reliability and transparency of the assessment;
  - (b) Training of workplace assessors in order to achieve consistency between assessors and equity between candidates; and
  - (c) Creation of work-based simulations in order to provide sufficient, equitable, and reliable assessments of professional skills.

# Appendix 1

## Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help IFAC member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments</li> </ul>

Level of Proficiency	Description
	<p>and make decisions;</p> <ul style="list-style-type: none"> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work situations that are characterized by high</p>



<b>Level of Proficiency</b>	<b>Description</b>
	levels of ambiguity, complexity, and uncertainty.

# INTERNATIONAL EDUCATION STANDARD 4

## INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES, ETHICS, AND ATTITUDES (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A3–A11)

1. This International Education Standard (IES) prescribes the learning outcomes for professional values, ethics, and attitudes that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Learning and development continue throughout the career of a professional accountant; professional values, ethics, and attitudes achieved during IPD are therefore also relevant to continuing professional development (CPD) as careers of professional accountants change, and professional accountants gain exposure to a wider range of ethical issues.
4. This IES integrates relevant ethical requirements into professional accounting education. These relevant ethical requirements ordinarily set out five fundamental principles of professional ethics: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior.
5. This IES specifies the competence areas and learning outcomes that describe the professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2015), and IES 3, *Initial Professional Development – Professional Skills* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements have also been included in the Explanatory Material.

### Effective Date

7. This IES is effective from July 1, 2015.

**Objective (Ref: Para. A12)**

8. The objective of this IES is to establish the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate by the end of IPD in order to perform a role as a professional accountant.

**Requirements**

**Framework of Professional Values, Ethics, and Attitudes (Ref: Para. A13–A15)**

9. IFAC member bodies shall provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) exercise professional judgment, and (b) act in an ethical manner that is in the public interest.

**Relevant Ethical Requirements (Ref: Para. A16)**

10. IFAC member bodies shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants.

**Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. A17–A31)**

11. IFAC member bodies shall prescribe the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A – Learning Outcomes for Professional Values, Ethics, and Attitudes**

<b>Competence Area (Level of Proficiency)<sup>1</sup></b>	<b>Learning Outcomes</b>
(a) Professional skepticism and professional judgment  (Intermediate)	(i) Apply a questioning mindset critically to assess financial information and other relevant data.
	(ii) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.
(b) Ethical principles	(i) Explain the nature of ethics.
	(ii) Explain the advantages and disadvantages of

<sup>1</sup> The level of proficiency for a competence area identifies the level to be achieved by the end of IPD (as outlined in Appendix 1)



<b>Competence Area (Level of Proficiency)<sup>1</sup></b>	<b>Learning Outcomes</b>
	rules-based and principles-based approaches to ethics.
	(iii) Identify ethical issues and determine when ethical principles apply.
	(iv) Analyze alternative courses of action and determine the ethical consequences of these.
	(v) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate approach.
	(vi) Apply the relevant ethical requirements to professional behavior in compliance with standards <sup>2</sup> .
(c) Commitment to the public interest  (Intermediate)	(i) Explain the role of ethics within the profession and in relation to the concept of social responsibility.
	(ii) Explain the role of ethics in relation to business and good governance.
	(iii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
	(iv) Analyze the consequences of unethical behavior to the individual, the profession, and the public.

**Review of Professional Accounting Education Programs** (Ref: Para. A32–A33)

12. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

<sup>2</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.



**Reflective Activity** (Ref: Para. A34–A38)

13. IFAC member bodies shall design learning and development activities on professional values, ethics, and attitudes for aspiring professional accountants to include reflective activity that is formalized and documented.

**Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. A39–A42)

14. IFAC member bodies shall establish appropriate assessment activities to measure the achievement of the professional values, ethics, and attitudes of aspiring professional accountants.

## Explanatory Material

### References to Definitions Contained within IFAC Pronouncements

- A1. This IES uses the following terms defined within the IAASB *Glossary of Terms*<sup>3</sup> and used within IAASB pronouncements. Table B shows these terms and the current definitions in the IAASB *Glossary of Terms*.

**Table B - IAASB Definitions Adopted in IES 4**

Defined Term	Definition in IAASB <i>Glossary of Terms</i>
Professional Skepticism	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
Professional Judgment	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

- A2. IAASB pronouncements govern audit, review, assurance, and related service engagements that are conducted in accordance with international standards. References in the IAASB's pronouncements regarding 'professional skepticism' and 'professional judgment' are therefore limited to the context of audit, assurance, and related service engagements. Within this IES, however, these terms are to be interpreted as applying to the broader context of a role as a professional accountant.

### Scope of this Standard (Ref: Para. 1–6)

- A3. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD includes general education, professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accounting profession.
- A4. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as

<sup>3</sup> Glossary of Terms, *IAASB Handbook Of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements – 2014 Edition, Volume I*.

members of a profession. These include the ethical principles generally associated with, and considered essential in defining the distinctive characteristics of professional behavior.

- A5. Professional values, ethics, and attitudes include a commitment to (a) technical competence and professional skills, (b) ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g., commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g., awareness and consideration of the public interest).
- A6. Relevant ethical requirements are defined as those ethical requirements to which professional accountants are subject, which ordinarily comprise the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)<sup>4</sup> together with any national requirements that are more restrictive.
- A7. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A8. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A9. The inclusion of professional values, ethics, and attitudes in IPD lays the base for performing a role as a professional accountant. Further development of professional values, ethics, and attitudes is a focus of CPD that is covered in IES 7, *Continuing Professional Development* (2014).
- A10. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.

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<sup>4</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2014 Edition, Volume I*.

A11. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be demonstrated within the context of a work environment or a professional accounting education program.

**Objective** (Ref: Para. 8)

A12. Establishing the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accounting profession.

**Framework of Professional Values, Ethics, and Attitudes** (Ref: Para. 9)

A13. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code<sup>5</sup>.

A14. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Consequently, the actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.

A15. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member bodies promote a commitment for the aspiring professional accountant to act in the public interest. Acting in the public interest includes (a) developing an awareness and concern for impact on the public; (b) developing a sensitivity to social responsibilities; (c) lifelong learning; (d) a predisposition to quality; reliability, responsibility, timeliness, and courtesy; and (e) a respect for laws and regulations. This supports the view that professional accountants contribute to confidence and trust in the functioning of markets and the economy in general.

**Relevant Ethical Requirements** (Ref: Para. 10)

A16. Within a professional accounting education program, professional values, ethics, and attitudes may initially be treated as a separate subject. However, as aspiring professional accountants progress, the integration of professional values, ethics, and attitudes with other subjects, encourages the recognition and consideration of wider ethical implications.

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<sup>5</sup> Introduction and Fundamental Principles, *IESBA Handbook of the Code of Ethics for Professional Accountants*, – 2015 Edition.

**Learning Outcomes for Professional Values, Ethics, and Attitudes** (Ref: Para. 11)

*Developing learning outcomes*

- A17. Table A lists the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A18. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional skepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).
- A19. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A20. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.
- A21. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).



*Selecting learning and development activities*

- A22. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment.
- A23. In determining the approach to achieving the learning outcomes, the mix of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be organized to give aspiring professional accountants an adequate opportunity to experience the application of professional values, ethics, and attitudes in the workplace.
- A24. In establishing learning and development activities, IFAC member bodies, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.
- A25. IFAC member bodies, educators, and other stakeholders may consider using participative approaches that can enhance the development of professional values, ethics, and attitudes. These may include but would not be restricted to:
- (a) Role playing;
  - (b) Discussion of selected readings and online materials;
  - (c) Analysis of case studies that involve business situations involving ethical dilemmas;
  - (d) Discussion of disciplinary pronouncements and findings;
  - (e) Seminars using speakers with experience of corporate or professional decision making; and
  - (f) Use of online forums and discussion boards.
- A26. Participative approaches may lead aspiring professional accountants to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions.

*Professional skepticism and professional judgment*

- A27. Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and development in these areas involves due care and may include

learning methods in which mentoring, reflective activity, time, and experience play a key role.

*Ethical principles and issues*

- A28. Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (a) knowledge and understanding of ethical concepts, ethical theories, and the fundamental principles of professional ethics, and (b) the opportunity to practice their application in a non-workplace setting can help aspiring professional accountants to recognize and address ethical issues.
- A29. Learning and development for aspiring professional accountants on ethical principles and issues may address (a) particular ethical issues likely to be faced by all professional accountants, (b) those ethical issues more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical issues.
- A30. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to (a) identify any apparent ethical implications and conflicts in their work or work environment, (b) form preliminary views on such occurrences, and (c) discuss them with their practical experience supervisors.
- A31. Ethical issues and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member body, where there is doubt about the ethical aspects of a course of action or situation.

**Review of Professional Accounting Education Programs** (Ref: Para. 12)

- A32. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs offered during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A33. The requirement to review and update professional accounting education programs on a regular basis reflects of the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to



undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

**Reflective Activity** (Ref: Para. 13)

- A34. Reflective activity *is the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.*
- A35. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of “real life” experiences, or consideration of relevant cases that are in the public domain may also offer suitable alternatives.
- A36. The documentation of reflective activity may include:
- (a) Records of learning;
  - (b) Reflective records;
  - (c) Personal development portfolios; or
  - (d) Critical incident diaries.
- A37. In providing guidance to aspiring professional accountants and professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member bodies may consider factors, for example confidentiality, legal, and regulatory requirements. For example certain ethical situations could be sensitive and subject to legal or disciplinary actions, and would therefore not be suitable for aspiring professional accountants to document and discuss.
- A38. IFAC member bodies may also consider providing guidance on how to support reflective activity in practice for practical experience supervisors.

**Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. 14)

- A39. IES 6, *Initial Professional Development – Assessment of Professional Competence* provides the principles that apply to the design of assessment activities used to measure the achievement of professional values, ethics, and attitudes and other elements of professional competence.
- A40. Various assessment activities can be used to measure the achievement of professional values, ethics, and attitudes of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the recognition of prior learning.



- A41. In addition to written examinations, there are a number of other means by which assessment within a formal education environment may be carried out, including:
- (a) Creating databanks of case studies and requiring aspiring professional accountants to complete tests based on these case studies;
  - (b) Using a case analysis system that requires aspiring professional accountants to maintain journals and notes on particular public domain cases;
  - (c) Using objective testing of ethical aspects of professional accounting education programs; and
  - (d) Using case study group assignments and workshops to assess ethical analysis and decision-making.
- A42. Workplace assessment differs from, and in many respects is more difficult than, assessment within a formal education environment. The means for assessing the development of professional values, ethics, and attitudes in the workplace may include:
- (a) Discussion and facilitated resolution of ethical dilemmas as they arise in the workplace; and
  - (b) Reviews of ethical decision-making combined with performance reviews and appraisals.

## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

<b>Level of Proficiency</b>	<b>Description</b>
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to</li> </ul>

<b>Level of Proficiency</b>	<b>Description</b>
	<p>work assignments; and</p> <ul style="list-style-type: none"> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on the ability to:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>



# INTERNATIONAL EDUCATION STANDARD 5

## INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. This International Education Standard (IES) prescribes the practical experience required of aspiring professional accountants by the end of Initial Professional Development (IPD).
2. This IES is addressed to IFAC member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements set out in this IES. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the practical experience of aspiring professional accountants.
3. Practical experience refers to workplace and other activities that are relevant to developing professional competence. Practical experience is a component of IPD. IPD is learning and development through which individuals first develop competence to perform a role of a professional accountant.
4. Practical experience during IPD builds on general education and programs of professional accounting education. The public expects professional accountants to apply their experience and knowledge in carrying out their roles. However, the variety of roles that professional accountants perform means that the required practical experience may vary from one IFAC member body to another, and even within an individual IFAC member body that offers different types of membership. IFAC member bodies are able to adapt their practical experience requirements to meet (a) their own needs, (b) the requirements of the relevant regulatory authorities, as well as (c) public expectations that professional accountants are competent.
5. This IES specifies requirements for practical experience during IPD.
6. After the completion of IPD, practical experience may be required to bring professional accountants to a level of competence needed for other roles, such as (a) that of a statutory auditor, (b) other forms of specialization, or (c) those roles that are regulated. In addition, all professional accountants undertake lifelong learning to continue to develop and maintain professional competence (see IES 7, *Continuing Professional Development* (2015)).
7. Practical experience supervisors and employers have important roles in planning and monitoring practical experience gained by aspiring professional accountants.
8. Definitions and explanations of key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *IAESB Glossary of Terms* (2015).

**Effective date**

9. This IES is effective from July 1, 2015.

**Objective** (Ref: Para. A5–A6)

10. The objective of an IFAC member body is that aspiring professional accountants complete sufficient practical experience required to perform a role of a professional accountant.

**Requirements** (Ref: Para. A7–A21)

**Practical Experience** (Ref: Para. A7–A9)

11. IFAC member bodies shall require that aspiring professional accountants complete practical experience by the end of IPD.
12. IFAC member bodies shall require sufficient practical experience to enable aspiring professional accountants to demonstrate that they have gained the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes necessary for performing a role of a professional accountant.
13. IFAC member bodies shall establish their preferred approach to measure practical experience using one of the following three approaches:
- output-based;
  - input-based; or
  - a combination of output-based and input-based approaches.

*Output-Based Approach* (Ref: Para. A10)

14. Those IFAC member bodies implementing an output-based approach shall require aspiring professional accountants to demonstrate, using output measures, that they have obtained practical experience.

*Input-Based Approach* (Ref: Para. A11–A13)

15. Those IFAC member bodies implementing an input-based approach shall require aspiring professional accountants to demonstrate, using input measures, that they have obtained practical experience.

*Combination Approach* (Ref: Para. A14)

16. Those IFAC member bodies implementing a combination of output- and input-based approaches shall comply with the requirements of output- and input-based approaches, as applicable, set out in paragraphs 14 and 15.

**Practical Experience Supervision and Monitoring** (Ref: Para. A15–A21)

17. IFAC member bodies shall require that practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor.
18. IFAC member bodies shall require that practical experience of aspiring professional accountants is recorded in a consistent form prescribed by an IFAC member body or, where applicable, a regulatory body, and is supported by verifiable evidence.
19. IFAC member bodies shall require that the practical experience supervisor undertake a periodic review of the records of practical experience of aspiring professional accountants.
20. IFAC member bodies shall establish appropriate assessment activities to assess that sufficient practical experience has been completed by aspiring professional accountants.

**Explanatory Material****Scope of this Standard** (Ref: Para. 1–8)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. The inclusion of practical experience in IPD lays the base for the ongoing development of professional competence throughout the professional accountant’s career.
- A2. Professional accounting education programs are designed to support aspiring professional accountants develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A3. There are many different ways to describe and categorize professional competence. Within the IES, professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes.
- A4. Practical experience provides a professional environment in which aspiring professional accountants develop competence by:
  - (a) becoming aware of the environment in which services are provided;
  - (b) enhancing their understanding of organizations, how business works, and professional work relationships;

- (c) being able to relate accounting work to other business functions and activities;
- (d) developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4: Initial Professional Development - Professional Values, Ethics, and Attitudes (2015); and
- (e) having an opportunity to develop at progressive levels of responsibility while under appropriate levels of supervision.

**Objective** (Ref: Para. 10)

- A5. Sufficient practical experience has a blend of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. The breadth of practical experience is affected by factors such as: nature of role; level of proficiency; national or local laws; requirements of regulatory authorities; and the public’s expectation for professional competence. The depth of practical experience is affected by factors such as the variety and complexity of tasks as well as the level of supervisory and monitoring support.
- A6. Having aspiring professional accountants complete sufficient practical experience to perform a role of a professional accountant serves several purposes. First, the public interest is protected and the credibility of the profession is enhanced when only those who meet the profession’s competence requirements, are permitted to be professional accountants. Second, member bodies and regulatory authorities have a responsibility to ensure that professional accountants have the competence expected of them by the public, employers, and clients. Third, professional accountants have a continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders receive competent professional service<sup>1</sup>.

**Practical Experience** (Ref: Para. 12–13)

- A7. IPD builds on general education and includes professional accounting education, practical experience, and assessment. The exact combination of these components may vary depending on a range of factors including, for example, the complexity and variety of tasks, special knowledge required, level of autonomy, and the level of judgment required by the role the aspiring professional accountant is expected to undertake at the end of IPD. The combination of practical experience and education might also vary according to (a) rules established by individual IFAC member bodies, (b)

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<sup>1</sup> Introduction and Fundamental Principles, *IESBA Handbook of the Code of Ethics for Professional Accountants*, – 2015 Edition.



national and local laws, (c) the requirements of regulatory authorities, and (d) public expectations.

- A8. In determining what constitutes an appropriate balance between professional accounting education and practical experience, IFAC member bodies may consider the following:
- (a) Some professional accounting education programs that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, may contribute to the practical experience requirement.
  - (b) Study for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, by itself, study does not necessarily demonstrate achievement of the professional competence to perform a role of a professional accountant. Experience gained at work equips aspiring professional accountants with many of the skills needed to become competent professional accountants.
  - (c) Practical experience may be obtained after completion of a professional accounting education program or concurrently with such a program.
- A9. In setting the approach and requirements for practical experience, IFAC member bodies may consider a number of factors, including:
- (a) the public interest, including knowledge of the local environment, public expectations, and any relevant regulatory requirements;
  - (b) the needs of the aspiring professional accountants, including an understanding of the roles that they are expected to undertake upon completion of IPD;
  - (c) the needs of the employer, including efficiency and cost-effectiveness, and whether that employer is in industry, government, or public practice; and
  - (d) the needs of the IFAC member body, including regulatory requirements, efficiency, and cost-effectiveness.

*Output-Based Approach* (Ref: Para. 14)

- A10. The evidence that could be used for assessment purposes in an output-based approach could include
- (a) measurement of learning outcomes achieved in accordance with a competency map;
  - (b) reviews of a research project or reflective essay; and

- (c) work logs compared against an appropriate competency map (a work log is a record maintained by an individual of the nature of the assignments and tasks completed, and of the time incurred in completing those assignments and tasks).

*Input-Based Approach* (Ref: Para. 15)

- A11. Input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification. Input-based approaches have limitations; for example, they do not always directly measure the learning outcomes or competence developed. Traditionally, input-based approaches are based on time, for example, hours spent on relevant activities, or total duration (days, months, or years) of practical experience.
- A12. Evidence that could be used for measurement in an input-based approach includes attendance records, time sheets, workplace diaries, and a work log or journal. IFAC member bodies setting a requirement using an input-based approach may consider the structure and relevance of education programs completed by aspiring professional accountants. Professional accounting education programs that deliver outcomes similar to the outcomes derived from measured work-based experience (such as internships) may contribute to the total requirement for practical experience. Equally, where a substantial professional accounting education program has been completed, such as a Master’s degree in accounting, an IFAC member body may elect to reduce the practical experience component. For example, an IFAC member body choosing the input-based approach might consider three years of practical experience (as preferred and implemented by several IFAC member bodies), or two years with a Master’s degree in accounting or other relevant subject, or a minimum of five years total of combined accounting education and sufficient practical experience.
- A13. Regardless of the balance of the component parts, there is typically an expectation by the public that a professional accountant has completed a professional accounting education program and has obtained sufficient practical experience.

*Combination Approach* (Ref: Para. 16)

- A14. Approaches that combine elements of both output- and input-based approaches might be constructed by the IFAC member body. Input units might be considered as contributing to the professional competences being measured. Achievement of particular competences might either be used to verify input, or in some cases replace a portion of the input requirement.

*Practical Experience Supervision and Monitoring* (Ref: Para. 17–20)

- A15. A practical experience supervisor is a professional accountant who is responsible for directing, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience. Practical experience supervisors can represent an important link between aspiring professional accountants and IFAC member bodies. They may be responsible for planning the practical experience period, and provide guidance to aspiring professional accountants. In some environments practical experience supervisors may also provide mentoring support to aspiring professional accountants. IFAC member bodies may provide training for practical experience supervisors, and put in place both assistance and quality control programs.
- A16. Practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants.
- A17. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form.
- A18. The purpose of the periodic review by the practical experience supervisor of the record of practical experience, supported by verifiable evidence, is to check that requirements set by the IFAC member body or regulatory authority are being met. In addition, this periodic review can also be used to monitor an individual's progress. If the aspiring professional accountant's progress does not match expectations, the practical experience supervisor has an opportunity to review the situation to discover the reasons why and what can be done to improve progress. This periodic monitoring will (a) provide an opportunity for the practical experience supervisor, the employer, and the aspiring professional accountant to review the practical experience obtained to date, and (b) contribute to future development of the aspiring professional accountant.
- A19. In assessing the sufficiency of the practical experience acquired by aspiring professional accountants, IFAC member bodies may consider the following activities:
- (a) Establishing a system, which may take a sampling approach, to monitor and report the practical experience obtained;
  - (b) Providing detailed written guidance for employers, practical experience supervisors, and aspiring professional accountants regarding the program of practical experience and their respective roles and responsibilities;
  - (c) Establishing a mechanism for approving the suitability of employers to provide the appropriate practical experience for aspiring professional accountants;

- (d) Assessing and approving the practical experience environment before commencement of experience. For example, the nature and scope of practical experience and the training arrangements of employers can be reviewed to ensure that aspiring professional accountants would receive appropriate direction, supervision, mentoring, counseling, and evaluation;
- (e) Establishing a system of periodic reporting by employers to cover changes, if any, in the planned nature, scope, and content of practical experience undertaken by aspiring professional accountants;
- (f) Assessing, prior to completion of IPD, the practical experience gained, based on written submissions (possibly supported by oral submissions) made by aspiring professional accountants and practical experience supervisors (see also IES 6, *Initial Professional Development – Assessment of Professional Competence*);
- (g) Encouraging employers to provide feedback to aspiring professional accountants and to practical experience supervisors, and to communicate when competences have been achieved;
- (h) Monitoring previously approved employers and practical experience supervisors. IFAC member bodies may advise on areas for improvement or might recommend withdrawal of approval if conditions have so changed that relevant experience criteria are not being met; and
- (i) Undertaking a periodic and timely study of the competences required by professional accountants to help to ensure that sufficient practical experience is acquired and supported by verifiable evidence, e.g., a work log.

A20. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015) provides the principles that apply to the design of assessment activities used to assess the sufficiency of practical experience.

A21. Various activities can be used to assess the sufficiency of practical experience of aspiring professional accountants. Appropriate assessment activities may include workplace assessments as presented in IES 2, *Initial Professional Development – Technical Competence* (2015), IES 3, *Initial Professional Development – Professional Skills* (2015) and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015) in their respective areas of focus within IPD.

# INTERNATIONAL EDUCATION STANDARD 6

## INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the requirements for the assessment of professional competence of aspiring professional accountants that need to be achieved by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility to assess whether aspiring professional accountants have achieved the appropriate level of professional competence by the end of IPD. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Within the IESs, assessment is the measurement of professional competence developed through learning and development. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role of a professional accountant. Learning and development is, however, an ongoing process of developing and maintaining professional competence throughout the career of a professional accountant, and so continues through Continuing Professional Development (CPD). During IPD the focus is on the achievement of professional competence. During CPD the focus is on the development and maintenance of professional competence.
4. This IES specifies requirements for the assessment of professional competence, while
  - IES 2, *Initial Professional Development – Technical Competence* (2015), IES 3, *Initial Professional Development – Professional Skills* (2015), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015), specify assessment requirements relevant to their areas of focus within IPD; and
  - IES 5, *Initial Professional Development – Practical Experience* (2015), specifies requirements for the assessment of practical experience.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

## Effective Date

6. This IES is effective from July 1, 2015.

## Objective (Ref: Para. A4)

7. The objective of an IFAC member body is to assess whether aspiring professional accountants have achieved an appropriate level of professional competence that is needed to perform a role of a professional accountant.

## Requirements

### *Formal Assessment of Professional Competence* (Ref: Para. A5–A8)

8. IFAC member bodies shall formally assess whether aspiring professional accountants have achieved an appropriate level of professional competence by the end of IPD, drawing on the outcomes of a range of assessment activities that are undertaken during IPD.

### *Principles of Assessment* (Ref: Para. A9–A20)

9. IFAC member bodies shall design assessment activities that have high levels of reliability, validity, equity, transparency, and sufficiency within professional accounting education programs.

### *Verifiable Evidence* (Ref: Para. A21–A22)

10. IFAC member bodies shall base the assessment of the professional competence of aspiring professional accountants on verifiable evidence.

## Explanatory Material

### *Scope of this Standard* (Ref: Para. 1–5)

- A1. There are many different ways to describe and categorize professional competence. Within these IESs, professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes. Each area of professional competence is further described by a set of learning outcomes in the relevant IES.
- A2. During IPD, assessment may be undertaken by a range of stakeholders, including the IFAC member body, employers, regulators, licensing bodies, universities, colleges, and private education providers. Although the assessment of professional competence during IPD is the responsibility of IFAC member bodies, other stakeholders may provide substantive input into assessment activities.
- A3. Professional accountants continue to engage in lifelong learning to develop and maintain professional competence relevant to their role during CPD.

Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, *Continuing Professional Development* (2014).

*Objective* (Ref: Para. 7)

- A4. Assessing whether aspiring professional accountants achieve an appropriate level of professional competence serves several purposes. First, the public interest is protected, and the credibility of the profession is enhanced, when only those who meet the profession's competence requirements are permitted to be professional accountants. Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that professional accountants have the competence expected of them by the public, employers, and clients. Third, professional accountants have a continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders receive competent professional service.<sup>1</sup>

*Formal Assessment of Professional Competence* (Ref: Para. 8)

- A5. To formally assess whether professional competence has been achieved, the IFAC member body may draw on the outcomes of one or more assessment activities that take place during IPD. The configuration of the assessment activities during IPD may vary, and may include, but are not limited to:
- (a) A single multi-disciplinary examination conducted by the end of IPD;
  - (b) A series of examinations that focus on specific areas of professional competence, conducted throughout IPD; or
  - (c) A series of examinations and workplace assessments conducted throughout IPD.
- A6. Assessment activities are those activities designed to assess specific areas of professional competence. During IPD, assessment activities can be selected to match the particular aspect of professional competence being assessed. Examples of assessment activities may include, but are not limited to:
- (a) Written examinations;
  - (b) Oral examinations;
  - (c) Objective testing;
  - (d) Computer-assisted testing;

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<sup>1</sup> Introduction and Fundamental Principles, *IESBA Handbook of the Code of Ethics for Professional Accountants*, – 2015 Edition.



- (e) Workplace assessment of competence by employers; and
  - (f) Review of a portfolio of evidence on completion of workplace activities.
- A7. The types of assessment activities selected may depend on factors specific to each IFAC member body, which may include, but are not limited to:
- (a) The remoteness and spread of geographical locations where aspiring professional accountants are based;
  - (b) Available educational and other resources of the IFAC member body;
  - (c) The number and backgrounds of aspiring professional accountants being assessed; and
  - (d) The availability of learning and development opportunities provided by employers.
- A8. Factors relevant to determining an appropriate level of professional competence to be achieved by professional accountants may include, but are not limited to:
- (a) The complexity and variety of tasks undertaken by professional accountants;
  - (b) The expectations of stakeholders (such as the public, employers, and regulators) relating to the nature and extent of professional competence;
  - (c) Specialized knowledge required by professional accountants working in particular industries;
  - (d) The level of professional judgment required to undertake an assignment or complete a task;
  - (e) The varied roles of professional accountants, such as the preparer of financial statements, tax advisor, or management accountant; and
  - (f) The complexity of the working environment.

*Principles of Assessment* (Ref: Para. 9)

- A9. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.

- A10. The principles of assessment apply to individual assessment activities that are conducted during IPD. However, it may not always be possible to achieve high levels of reliability, validity, equity, transparency, and sufficiency for each individual assessment activity.
- A11. An assessment activity has a high level of reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if the majority of assessors, acting independently, consistently come to the same judgment, given the same set of circumstances.
- A12. There are many ways that assessment activities can be designed to increase reliability. For example:
- (a) The reliability of a written examination may be increased by avoiding the use of ambiguous wording in examination questions or instructions;
  - (b) The reliability of an objective test may be increased by undertaking an internal or external review of the content of the testing before it is finalized; and
  - (c) The reliability of a workplace assessment may be increased by selecting assessors who have comparable high levels of ability, and by providing them with suitable training to enable them to assess the task.
- A13. An assessment activity has a high level of validity if it measures what it was intended to measure. Validity is not an absolute measure, and different assessment activities may have different levels of validity. Validity has multiple forms and includes the following:
- (a) Face validity—An assessment activity has high face validity if the assessment activity is perceived to measure what it is intended to measure;
  - (b) Predictive validity—An assessment activity has high predictive validity if the content of the assessment activity relates to the particular aspect of professional competence that it is intended to assess; and
  - (c) Content validity—An assessment activity has high content validity if the assessment activity provides adequate coverage of the particular aspect of professional competence being assessed.
- A14. There are many ways to design assessment activities to increase validity. For example:

- (a) Face validity may be increased when assessing the competence of aspiring professional accountants to apply a particular accounting standard, if an examination includes a comprehensive and relevant case study rather than a simple case study based on incomplete information;
  - (b) Predictive validity may be increased for assessing competence in leadership, by relying on a workplace assessment of how well an aspiring professional accountant leads a team rather than relying on the outcomes of a written examination; and
  - (c) Content validity may be increased if an examination covers more, rather than a few, aspects of the particular area of professional competence being assessed.
- A15. An assessment activity has a high level of equity if it is fair and without bias. Equity is not an absolute measure, and different assessment activities may differ in their level of equity. Equity can be improved when those who design assessment activities are aware of the possibility of bias.
- A16. There are many ways to design assessment activities to increase equity. For example:
- (a) Equity may be increased by ensuring that assessment activities rely only on computer-based technologies that are available to all aspiring professional accountants; and
  - (b) Equity may be increased by reviewing examination papers to remove assumptions relating to cultural knowledge that are not commonly shared by all aspiring professional accountants.
- A17. An assessment activity has a high level of transparency when details of an assessment activity, such as the competence areas to be assessed and timing of the activity, are disclosed publicly. A high level of transparency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency. Clear and accessible communications to stakeholders may lead to achieving a high level of transparency.
- A18. There are many ways to increase the transparency of assessment activities. For example:
- (a) In relation to the entirety of assessment activities that are undertaken during IPD, transparency may be increased by making publicly available a statement that explains the areas of professional competence to be assessed, the types of assessment activities included, and the timing of those assessment activities during IPD;

- (b) Transparency may be increased in a workplace assessment when employers communicate to employees a clearly defined competency framework against which the employees' competence will be assessed; and
  - (c) Transparency in the setting and conduct of an examination may be increased by making information relating to the development, scoring, and management of the examination publicly available.
- A19. An assessment activity has a high level of sufficiency if it (a) has a balance of depth and breadth, knowledge, and application, and (b) combines material from different areas applied to a range of situations and contexts. A high level of sufficiency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Sufficiency is not an absolute measure, and different assessment activities may differ in their levels of sufficiency.
- A20. There are many ways to design assessment activities to increase sufficiency. For example:
- (a) Sufficiency may be increased across IPD by including assessment activities that assess the required technical competence, professional skills, and professional values, ethics, and attitudes (breadth) at the appropriate level of detail (depth); and
  - (b) Sufficiency in relation to a workplace assessment may be increased by requiring aspiring professional accountants to demonstrate professional competence across a wide range of professional skills, and professional values, ethics, and attitudes that are applied to many different situations.

*Verifiable Evidence* (Ref: Para. 10)

- A21. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form. Basing the assessment of professional competence on verifiable evidence may satisfy the needs of third parties who oversee or regulate an IFAC member body. It will also increase the confidence of stakeholders that aspiring professional accountants have achieved the appropriate level of professional competence by the end of IPD.
- A22. Examples of verifiable evidence include:
- (a) Certificates of successful course completion;
  - (b) Recorded outcomes of successful achievement in examinations; and
  - (c) A record of achievement provided by employers on competence achieved by aspiring professional accountants.

**INTERNATIONAL EDUCATION STANDARD 7**  
**CONTINUING PROFESSIONAL DEVELOPMENT (2014)**  
**CONTENTS**

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. This International Educational Standard (IES) prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession.
2. This IES is addressed to IFAC member bodies. IFAC member bodies have a responsibility for the CPD of professional accountants as set out in the requirements of this IES. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the CPD of professional accountants.
3. Although it is the responsibility of the professional accountant to develop and maintain professional competence by undertaking relevant CPD activities, this IES is addressed to the IFAC member bodies because their role is to:
  - a. Foster a commitment to lifelong learning among professional accountants;
  - b. Facilitate access to CPD opportunities and resources for professional accountants; and
  - c. Adopt prescribed requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures, so as to help professional accountants develop and maintain the professional competence necessary to protect the public interest.
4. CPD is a continuation of Initial Professional Development (IPD), the learning and development through which individuals first develop competence leading to performing the role of a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuing development of the (a) professional knowledge, (b) professional skills, (c) professional values, ethics, and attitudes, and (d) competence achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant. In addition, professional accountants may take on new roles during their careers that require new competences. In such cases, CPD that includes many of the same elements as IPD may be necessary for roles that require additional breadth or depth of knowledge, skills, and values.

5. In addition to education, practical experience, and training, CPD also includes learning and development activities, such as (a) coaching and mentoring, (b) networking, (c) observation, feedback, and reflection, and the (d) self-directed and unstructured gaining of knowledge.
6. Measuring the attainment of CPD can be achieved by three different approaches:
  - a. Output-based approaches—by requiring professional accountants to demonstrate, by way of outcomes, that they have developed and maintained professional competence;
  - b. Input-based approaches—by establishing an amount of learning activity for professional accountants to develop and maintain professional competence; and
  - c. Combination approaches—by combining elements of the input- and output-based approaches, setting the amount of required learning activity, and demonstrating the outcomes achieved, whereby professional accountants develop and maintain professional competence.
7. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the *IAESB Glossary of Terms* (2015).

### **Effective Date**

8. This IES is effective from January 1, 2014.

### **Objective**

9. The objective of an IFAC member body is to have professional accountants develop and maintain their competence subsequent to IPD through the undertaking of CPD that is necessary, in the public interest, to provide high quality services to meet the needs of clients, employers, and other stakeholders.

### **Requirements**

#### **Promotion of CPD (Ref: Para. A5)**

10. IFAC member bodies shall promote the importance of, and a commitment to, CPD and maintenance of professional competence.

**Access to CPD** (Ref: Para. A6–A9)

11. IFAC member bodies shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility for CPD and maintenance of professional competence.

**Mandatory CPD for all Professional Accountants** (Ref: Para. A10–A13)

12. IFAC member bodies shall require all professional accountants to undertake CPD to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.
13. IFAC member bodies shall establish their preferred approach to measuring professional accountants' CPD activity from the three models: output-based, input-based, or combination approaches.

*Output-Based Approach* (Ref: Para. A14–A15)

14. IFAC member bodies implementing an output-based approach shall require each professional accountant to demonstrate the development and maintenance of appropriate professional competence by periodically providing evidence that has been:
  - a. Verified by a competent source; and
  - b. Measured using a valid competence assessment method.

*Input-Based Approach* (Ref: Para. A16–A20)

15. IFAC member bodies implementing an input-based approach shall require each professional accountant to:
  - a. Complete at least 120 hours (or equivalent learning units) of relevant professional development activity in each rolling three-year period, of which 60 hours (or equivalent learning units) shall be verifiable;
  - b. Complete at least 20 hours (or equivalent learning units) of relevant professional development activity in each year; and
  - c. Measure learning activities to meet the above requirements.

*Combination Approach* (Ref: Para. A21)

16. IFAC member bodies implementing a combination of input- and output-based approaches shall comply with the requirements of input- and output-based approaches, as applicable, set out in this IES.



**Monitoring and Enforcement** (Ref: Para. A22–A31)

17. IFAC member bodies shall establish a systematic process to (a) monitor whether professional accountants meet the IFAC member body's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–7)

- A1. The knowledge needed to function effectively as a professional accountant continues to grow. Professional accountants face increased expectations to display professional competence. These pressures apply to professional accountants in all sectors. Continuing development and maintenance of professional competence and lifelong learning are critical if the professional accountant is to meet public expectations. Because the accountancy profession operates in an environment of change, it may be appropriate for IFAC member bodies to periodically review their CPD policies and the application of this IES.
- A2. Undertaking CPD does not, by itself, guarantee that all professional accountants will provide high-quality professional service at all times. The latter requires ethical behavior, professional judgment, an objective attitude, and an appropriate level of supervision. Further, not every professional accountant who participates in a CPD program will obtain the full benefits of that program. This will depend on the professional accountant's commitment and capacity to learn. However, CPD plays an important part in enabling professional accountants to develop and maintain professional competence that is relevant to their role. Therefore, despite some inherent limitations, CPD is an important element in maintaining public confidence and trust.
- A3. A well-established program of CPD that is measured, monitored, and evaluated may form part of an IFAC member body's quality assurance processes. Other quality assurance processes may include quality assurance reviews of (a) professional accountants' work (which may include a review of the CPD undertaken by the professional accountant), (b) investigation, and (c) disciplinary processes for misconduct.
- A4. Lifelong learning represents all learning and development activity, formal or informal, undertaken with the aim of enhancing knowledge, skills, values, ethics, and attitudes from personal, civic, social, and employment-related perspectives. Lifelong learning has relevance to all professional accountants, irrespective of whether they are involved in accounting fields or other areas.

### Promotion of CPD (Ref: Para. 10)

- A5. The following represent examples of activities that may contribute to the promotion of CPD and maintenance of professional competence:
- a. Communicating the value of CPD regularly to professional accountants;

- b. Promoting the variety of CPD opportunities available to professional accountants; and
- c. Working with employers to emphasize the importance of CPD within performance management processes.

**Access to CPD** (Ref: Para. 11)

- A6. IFAC member bodies may directly provide relevant CPD programs for professional accountants and facilitate access to programs offered by others, including employers.
- A7. The following are some examples of learning activities that may be undertaken as part of a planned program of CPD activity:
  - a. Participation in courses, conferences, and seminars;
  - b. Self-directed learning;
  - c. On-the-job training;
  - d. Participation in and work on technical committees;
  - e. Developing or delivering a course or CPD session in an area related to professional responsibilities;
  - f. Formal study related to professional responsibilities;
  - g. Participation as a speaker in conferences, briefing sessions, or discussion groups;
  - h. Writing articles, papers, or books of a technical, professional, or academic nature;
  - i. Research, including reading professional literature or journals, for application in the professional accountant's role;
  - j. Professional re-examination or formal testing;
  - k. Providing professional development support as a mentor or coach; and
  - l. Receiving professional development support from a mentor or coach.

IFAC member bodies may provide guidance to professional accountants on the CPD obtained from a single, repetitive activity (for example, teaching the same introductory accounting course to different audiences).
- A8. IFAC member bodies may provide tools to help professional accountants plan relevant CPD, such as:
  - a. Competency maps, which provide a list of key competences for certain roles or sectors of the profession; and

- b. Learning plan templates, which assist professional accountants to identify learning and development needs and how to meet them.
- A9. IFAC member bodies may consider providing guidance that encourages professional accountants to discuss their CPD with employers, colleagues, and IFAC member bodies to help them identify competency or learning gaps in order to specify relevant learning opportunities to meet those needs.

**Mandatory CPD for all Professional Accountants** (Ref: Para. 12–13)

A10. CPD applies to all professional accountants, regardless of sector or size of the organization in which they operate, because:

- a. All professional accountants have an obligation of due care to their clients, employers, and relevant stakeholders, and are expected to demonstrate their ability to competently discharge this responsibility;
- b. Professional accountants in all sectors are subject to public accountability and the maintenance of public trust;
- c. The public is likely to rely on the designation and professional standing of the professional accountant. Professional accountants carry a professional designation. Lack of competence of a professional accountant has the potential to damage the reputation and standing of the professional accountant, the employer, and the profession as a whole;
- d. Rapidly changing environments may impact upon the relevance of a professional accountant's competence; and
- e. Employers recruiting professional accountants rely, to some extent, on the professional designation as proof of professional competence.

A11. In setting the requirement for CPD, IFAC member bodies are encouraged to consider what is relevant and appropriate for professional accountants in special circumstances, for example:

- a. For individuals on career breaks; and
- b. For individuals who have retired from full-time practice, but who continue to use their professional accountant designation, or continue to do work in some capacity.

A12. IFAC member bodies may choose to develop requirements or guidance on which CPD activities they consider relevant to the professional role(s) and function(s) professional accountants typically have. Alternatively, they may choose to rely on the judgment of professional accountants to make decisions on the relevance of CPD activities. They may also choose to set requirements in certain areas, and allow professional accountants the flexibility to choose relevant CPD activities in others.

- A13. In protecting the public interest, IFAC member bodies may prescribe specific or additional CPD for professional accountants working in specialist areas, specialist roles, or areas of high risk.

*Output-Based Approach* (Ref: Para. 14)

- A14. Reliability of verification in output-based systems is important. IFAC member bodies are encouraged to consider how to incorporate the following key aspects into their approach:

- a. The clear identification of the outcome or competence achieved; and
- b. Use of a competent source that is able to confirm that the outcome or competence has been developed and maintained.

- A15. The following examples represent evidence that could be used for verification purposes in an output-based approach:

- a. Evaluation or assessment of written or published material by a reviewer;
- b. Assessments of learning outcomes achieved;
- c. Publication of a professional article or of the results of a research project;
- d. Periodic re-examination;
- e. Specialist or other qualification;
- f. Records of work performed (work logs) that have been verified against a competency map;
- g. Objective assessments measured against a competency map developed either by the employer or by the professional body to reflect the individual's level of competence;
- h. Independent practice inspections that assess CPD; and
- i. Assessments or sign offs by specialist associations that document enhancements of competences, and assessments by regulators.

*Input-Based Approach* (Ref: Para. 15)

- A16. Input-based systems traditionally have been used to measure development and maintenance of competence because of the ease of measurement and verification. Input-based approaches have limitations; for example, they do not always measure the learning outcomes or competence developed. IFAC member bodies may partially overcome these limitations by communicating the underlying objectives of continuing improvement of professional competence and a commitment to lifelong learning.

- A17. This IES measures input-based CPD activity in terms of hours or equivalent learning units. IFAC member bodies may choose to use other measures that will be understood by professional accountants. Examples of measures of input-based CPD include:
- a. Time spent on learning activity;
  - b. Units allocated to the learning activity by a CPD provider; and
  - c. Units prescribed for learning activity by the IFAC member body.
- A18. This IES is based on the concept that IFAC member bodies expect a proportion of the learning activities that professional accountants undertake to be verifiable. Some learning activities, for example on-the-job training, may be measurable, but may not be able to be verified. These activities also contribute to the development and maintenance of professional competence, but would not be considered to form part of the 60 hours of verifiable CPD in the three-year rolling period.
- A19. IFAC member bodies may consider providing guidance to professional accountants on what proportion of the 20 hours minimum annual requirement should be verifiable. In providing such guidance, IFAC member bodies may consider local legal and regulatory requirements, and the expectations of other stakeholders.
- A20. The following examples represent evidence that could be used for verification in an input-based approach:
- a. Course outlines and teaching materials;
  - b. Confirmation of participation by a provider, instructor, employer, mentor, or tutor; and
  - c. Independent assessments that a learning activity has occurred.

*Combination Approach* (Ref: Para. 16)

- A21. Alternatives for adopting a combination approach to CPD include:
- a. Applying requirements of both input- and output-based systems, whereby inputs contribute to the output competences being measured for a portion of the knowledge areas in a predominantly output-based system;
  - b. Allowing professional accountants who may not meet the input requirement to provide verification that competence has been developed and maintained; or
  - c. Specifying a certain number of hours of input as an indication of likely effort required to achieve competence, and monitoring this,

together with verifying the competence achieved as a result of the learning activities.

**Monitoring and Enforcement** (Ref: Para. 17)

A22. IFAC member bodies may also provide guidance on the evidence to be obtained or created to demonstrate that professional competence was developed or maintained. Guidance may cover the responsibilities of professional accountants for:

- a. Retention of appropriate records and documents related to their CPD; and
- b. Provision, on request, of verifiable evidence to demonstrate their compliance with the CPD requirements of the IFAC member body.

In designing their approach to monitoring, IFAC member bodies may determine which roles involve high risk, or have the greatest responsibility to the public, and adopt more rigorous monitoring accordingly.

A23. A monitoring process could require professional accountants to periodically:

- a. Submit a declaration as to whether they meet their professional obligation to maintain the necessary knowledge and skills to perform competently;
- b. Submit a declaration confirming compliance with any specific CPD requirements imposed by the IFAC member body; or
- c. Provide evidence of learning activities or verification of the competences they have developed and maintained through their chosen CPD activities.

A24. Supplementary monitoring processes could involve:

- a. Auditing a sample of professional accountants to check compliance with CPD requirements;
- b. Reviewing and assessing learning plans or CPD documents as part of quality assurance programs; or
- c. Requiring public practice employers to include CPD programs and effective monitoring systems in their quality assurance programs, and to track CPD activities as part of their time recording systems.

- A25. IFAC member bodies may conduct a set of monitoring processes on a cyclical basis. In determining the duration of a cyclical monitoring process, the IFAC member body may consider what is reasonable in its environment, taking into consideration (a) the public interest, and the (b) expectations of the public, regulators, and other stakeholders. Experience of some IFAC member bodies suggest that cycles of more than five years may not meet these expectations, while cycles of less than one year are likely to be overly burdensome on the IFAC member body and professional accountants.
- A26. A system of mandatory CPD will operate more effectively and in the public interest when professional accountants who fail to meet their CPD obligations are brought into compliance on a timely basis. IFAC member bodies are encouraged to determine the types of sanctions they will impose for non-compliance, after considering the legal and environmental conditions in their jurisdiction.
- A27. The initial steps taken to address non-compliance are likely to focus on bringing the professional accountant into compliance within a reasonable period. IFAC member bodies are encouraged to strike a balance between (a) a sanction that, in substance, amounts to permitting a professional accountant to defer or avoid compliance with the CPD requirement, and (b) one that is excessively punitive.
- A28. Some IFAC member bodies may have the legal authority to expel non-compliant professional accountants or to deny them the right to practice. Expulsion or denial of the right to practice may be applied to professional accountants who have made it clear, through a pattern of non-compliance or through their response to the IFAC member body's inquiries, that they are likely to continue to fail to comply with the CPD requirements. Publication of the names of professional accountants who willfully fail to comply is an option that may be considered. Publication of names can (a) act as a general deterrent for professional accountants, and (b) provide a clear signal to the public of the profession's commitment to maintaining competence.
- A29. Imposing sanctions is not an action to be taken lightly. A professional accountant's willful failure to develop and maintain professional competence is, however, a violation of a professional duty that justifies disciplinary action, in that it diminishes the ability to act in the public interest.
- A30. An effective monitoring and enforcement process requires adequate resources. IFAC member bodies may also consider establishing a board or committee of members to oversee CPD requirements and the monitoring and enforcement process.
- A31. As part of their public interest responsibility, IFAC member bodies are encouraged to report publicly the extent to which their members comply with the CPD requirements set out in this IES.



# INTERNATIONAL EDUCATION STANDARD 8

## COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS (2008)

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## **SECTION 1: GENERAL**

### **Introduction**

1. Auditing is a structured process that:
  - (a) involves the application of analytical skills, professional judgment and professional skepticism;
  - (b) is usually performed by a team of professionals, directed with managerial skills;
  - (c) uses appropriate forms of technology and adheres to a methodology;
  - (d) complies with all relevant technical standards, such as International Standards on Auditing (ISA), International Standards on Quality Control (ISQC), International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and any applicable international, national or local equivalents; and
  - (e) complies with required standards of professional ethics.
2. Auditing is also an integral part of the evolving systems of accountability and responsibilities within organizations and society worldwide. Although audits of historical financial information may be mandated by regulation and laws, they may also be required as a condition of borrowing, a matter of contract, or for other reasons. In addition, organizations may voluntarily undertake audits to evaluate the fairness of financial representations and assertions or to provide a credible report of the financial stewardship of their resources to their stakeholders.
3. Entities subject to audit operate with diverse organizational structures in public, private and not-for-profit sectors. Auditing has to adapt to complex and changing environments. Within an audit assignment, many factors must be understood and evaluated appropriately, including:
  - (a) the entity and its environment;
  - (b) the industry, and regulatory and other external factors; and
  - (c) the applicable financial reporting framework.
4. Globalization of business has dramatically increased the need for consistent and high-quality financial reporting within countries and across borders. This directly affects both accounting and auditing. Many stakeholders in today's global business environment expect compliance with recognized international standards in accounting and auditing. Establishing internationally accepted benchmarks for the competence of audit professionals<sup>1</sup> will help to promote internationally accepted standards in accounting and auditing.

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<sup>1</sup> The term "audit professional" is defined in Paragraph 9.

## Purpose of this Standard

5. This International Education Standard (IES) prescribes competence requirements for audit professionals, including those working in specific environments and industries. IFAC member bodies need to establish policies and procedures that will allow members to satisfy the requirements of this IES before they take on the role of an audit professional. The responsibility for the development and assessment of the required competence is shared by IFAC member bodies, audit organizations, regulatory authorities, and other third parties.
6. A specific IES for audit professionals is necessary not only because of the specialist knowledge and skills required for competent performance in this area, but also because of the reliance the public and other third parties place on the audit of historical financial information.<sup>2</sup> This IES is based on the platform for all professional accountants established by IES 1 to 7.
7. The aim of this IES is to ensure that professional accountants acquire and maintain the specific capabilities required to work as competent audit professionals.

## Definitions

8. Terms used in this IES which have already been defined by either the International Accounting Education Standards Board (IAESB) or other IFAC groups are set out below. Definitions and explanations of other key terms used in this IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

**Capabilities:** The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.

**Explanation:** *Capabilities are the attributes held by individuals that enable them to perform their roles, whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioral skills; intellectual abilities (including professional judgment); and professional values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes.*

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<sup>2</sup> The IAASB distinguishes between engagements reporting on historical financial information and assurance engagements dealing with information other than historical financial information. (*IAASB Terms of Reference*). IES 8 prescribes requirements for professional accountants assuming the role of audit professionals and having responsibility for significant judgments in an audit of historical financial information.

**Competence:** Being able to perform a work role to a defined standard, with reference to real working environments.

***Explanation:** Competence refers to the demonstrated ability to perform relevant roles or tasks to the required standard. Whereas capability refers to the attributes held by individuals that give them the potential to perform, competence refers to the actual demonstration of performance. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self-assessment.*

**Engagement partner** is the partner or other person in the audit organization who is responsible for the engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

***Explanation:** This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).*

**Professional accountant** is a person who is a member of an IFAC member body.

9. The following definition has been created for the purpose of this IES:

**Audit professional** is a professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.

***Explanation:** The engagement partner retains overall responsibility for the audit. The definition of audit professional does not apply to experts who undertake specific tasks within an audit (e.g., taxation, information technology or valuation experts).*

## Effective Date

10. This IES is effective from July 1, 2008 for all audit professionals. Earlier adoption is encouraged.

## Scope of this Standard

11. International Education Standards prescribe standards of generally accepted “good practice” in education and development for professional accountants. They establish the essential elements of the content and process of education and development of professional accountants (e.g. subject matter, skills, ethics and practical applications) at a level that is aimed at gaining international recognition, acceptance and application. Although they cannot override authoritative local pronouncements, they are prescriptive in nature.

12. This IES prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they take on the role of an audit professional.
13. This IES also prescribes the minimum levels of professional knowledge; professional skills; and professional values, ethics and attitudes audit professionals require. It does not address the full range of capabilities and competence needed by the entire audit engagement team. Audit professionals may work as a member of an audit team, or as an individual with sole responsibility in smaller audit assignments. Different levels of responsibility within an audit assignment will demand different levels of competence.
14. Consulting with experts within or outside the audit organization is often required during an audit assignment. Capability and competence requirements for such experts are covered in IAASB standards and guidance and are not addressed in this IES.
15. Section 2 of this IES applies to all audit professionals. Section 3 discusses the competence requirements for engagement partners. Section 4 applies to audit professionals involved in specific environments and industries, including transnational audits.
16. This IES is consistent with the requirements and guidance contained in the various standards and statements in the International Framework for Assurance Engagements developed by the IAASB and through pronouncements such as International Standard on Quality Control 1. These specify the requirements and responsibilities of the organization and professional accountants regarding the competence of engagement teams to perform audit and assurance engagement functions.
17. IFAC member bodies may impose specific requirements for professional accountants working as audit professionals beyond those required in this IES. In particular, IFAC member bodies may consider prescribing specific CPD activities for audit professionals.

### **Professional Accountants and Audit Professionals**

18. Although some professional accountants deliver a wide range of accounting and business-related services, others will choose to specialize in one or more areas. No one professional accountant can master all areas of accountancy. Specialization is necessary to ensure services can be provided by professional accountants having sufficient depth of knowledge and expertise.
19. One area of specialization is in audit of historical financial information. Competence in this area requires a higher level of education and training in audit and related areas than is required of other professional accountants.
20. Audit professionals involved in audits of historical financial information in specific industries may be more specialized. The nature of the industry, and

applicable laws and accounting treatments, may require levels of knowledge and skills beyond those required for other audit professionals.

21. Audit engagements vary in complexity and size, requiring different experience and competence levels. An audit team could include the engagement partner, other audit professionals, other professional accountants, individuals working towards qualification as professional accountants, and other support staff who do not intend to qualify as professional accountants. The engagement partner is responsible for ensuring that the work of all individuals assigned to an audit engagement is appropriately reviewed by other members of the engagement team to provide reasonable assurance that the work meets appropriate standards of quality.

## **Developing and Maintaining Capabilities and Competence**

22. The International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) requires all professional accountants to take steps to ensure that they, and those working under their authority in a professional capacity, have appropriate training and supervision and are competent to undertake the work they perform.
23. To acquire the capabilities and competence required of audit professionals, individuals may need further education and development beyond that needed to qualify as professional accountants. These additional education and development requirements can be met during the education and development program for qualifying as a professional accountant, or after.<sup>24</sup> Education and development for acquiring and maintaining the capabilities of audit professionals can include:
  - (a) advanced professional education pursued at academic institutions or through the programs of professional bodies;
  - (b) on-the-job training and experience programs;
  - (c) off-the-job training; and
  - (d) continuing professional development (CPD) courses and activities.
25. IFAC recognizes that each member body needs to determine not only how best to comply with this IES, but also what emphasis to place on the various parts of the education and development process.
26. In addition to acquiring the necessary knowledge and skills, professional accountants will have to be assessed (as outlined in paragraphs 63 and 64) to demonstrate the capabilities and competence needed to take on responsibility for significant judgments in an audit of historical financial information. The IAESB recognizes that when assessing capabilities measuring output is likely to be superior to measuring inputs. Output-based approaches concentrate on measuring the development and maintenance of competence actually achieved

- through learning, rather than measuring the various learning activities.
27. Audit professionals will need further development to progress, through supervisory and managerial roles, to acting as the engagement partner.
  28. All professional accountants are obliged to engage in lifelong learning to keep up-to-date on developments influencing the profession and the quality of the services they provide, as outlined in IES 7, *Continuing Professional Development* (2014).

## SECTION 2: COMPETENCE REQUIREMENTS FOR AUDIT PROFESSIONALS

### General

29. **Member bodies should require individuals to:**
- (a) **qualify as a professional accountant;**
  - (b) **hold an undergraduate degree, or its equivalent; and**
  - (c) **satisfy all other requirements prescribed in this section before these individuals take on the role of an audit professional.**
30. The appropriate level of education and learning of the intellectual and personal skills necessary to become an audit professional is generally found in a combination of undergraduate degree and professional education programs. Where a member body does not require an undergraduate degree, the member body needs to be able to demonstrate that the intellectual and personal skills have been developed to the required level in other ways.<sup>3</sup>
31. The requirements in paragraph 29 (c) may be met at the same time as the requirements in paragraph 29 (a) and (b), or after.

### Knowledge Content

32. **The knowledge content within the education and development program for audit professionals should include the following subject areas:**
- (a) **audit of historical financial information at an advanced level (refer to paragraph 36);**
  - (b) **financial accounting and reporting at an advanced level (refer to paragraph 38); and**
  - (c) **information technology (refer to paragraph 40).**
33. IES 2, *Content of Professional Accounting Education Programs*, sets out the knowledge requirements for professional accountants. “Advanced level” refers to a level of knowledge that is deeper and broader than what is prescribed for individuals qualifying as professional accountants in IES 2.
34. IFAC member bodies may determine the levels of depth and breadth of knowledge, and the means for gaining that knowledge, as appropriate for their environment.
35. Audit professionals are expected to have sufficient knowledge of current

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<sup>3</sup> The reference to undergraduate degrees in this standard is in line with the principles of the Bologna Declaration, agreed by 29 European countries in 1999. Further details may be found at: [http://ec.europa.eu/education/policies/educ/bologna/bologna\\_en.html](http://ec.europa.eu/education/policies/educ/bologna/bologna_en.html). Reference sources comparing the standard of qualifications throughout the world are listed in the note which forms part of IES 1.



developments in the field of audit of historical financial information to respond to issues in the business environment. It is important, therefore, that education and continuing development programs for audit professionals include coverage of relevant current issues and developments.

36. **The knowledge content of the audit of historical financial information subject area should include the following at an advanced level:**
- (a) **best practices in the audits of historical financial information, including relevant current issues and developments; and**
  - (b) **International Standards on Auditing (ISA) and International Auditing Practice Statements (IAPS); and/or**
  - (c) **any other applicable standards or laws.**
37. In addition to the knowledge listed in paragraph 36, audit professionals may also require knowledge of International Standards on Quality Control (ISQC), International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE), and International Standards on Related Services (ISRS), or local equivalents.
38. **The knowledge content of the financial accounting and reporting subject area should include the following at an advanced level:**
- (a) **financial accounting and reporting processes and practices, including relevant current issues and developments; and**
  - (b) **International Financial Reporting Standards (IFRSs);<sup>4</sup> and/or**
  - (c) **any other applicable standards or laws.**
39. If an audit client is required to prepare financial reports in accordance with standards specific to the public sector, statements equivalent to those listed in paragraph 38 will include International Public Sector Accounting Standards (IPSAS) and any applicable international, national and/or local equivalents of these.
40. **The knowledge content of the information technology subject area should include the following:**
- (a) **information technology systems for financial accounting and reporting, including relevant current issues and developments; and**
  - (b) **frameworks for evaluating controls and assessing risks in accounting and reporting systems as appropriate for the audit of historical financial information.**

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<sup>4</sup> The term “International Financial Reporting Standards” refers to IFRSs, IFRIC Interpretations, IAS and SIC Interpretations.

41. Further information on the information technology knowledge and competences for professional accountants can be found in IES 2, *Content of Professional Accounting Education Programs*.

### **Professional Skills**

42. **The skills requirement within the education and development program for audit professionals should include:**
- (a) **Applying the following professional skills in an audit environment:**
    - (i) **identifying and solving problems;**
    - (ii) **undertaking appropriate technical research;**
    - (iii) **working in teams effectively;**
    - (iv) **gathering and evaluating evidence;**
    - (v) **presenting, discussing, and defending views effectively through formal, informal, written, and spoken communication; and**
  - (b) **Developing the following professional skills at an advanced level in an audit environment:**
    - (i) **applying relevant audit standards and guidance;**
    - (ii) **evaluating applications of relevant financial reporting standards;**
    - (iii) **demonstrating capacity for inquiry, abstract logical thought, and critical analysis;**
    - (iv) **demonstrating professional skepticism;**
    - (v) **applying professional judgment; and**
    - (vi) **withstanding and resolving conflicts.**
43. IES 3, *Professional Skills and General Education*, sets out the professional skills requirements for professional accountants. In the context of IES 8, “advanced level” refers to a level of skill that is higher than that prescribed for individuals qualifying as professional accountants in IES 3.
44. IFAC member bodies may determine the appropriate levels of skills development and the means for developing those skills.

## Professional Values, Ethics and Attitudes

45. **Individuals should be able to apply the required professional values, ethics and attitudes in an audit environment before taking on the role of an audit professional.**
46. IES 4, *Professional Values, Ethics and Attitudes*, sets out the professional values, ethics and attitudes professional accountants must have. IFAC member bodies need to establish a program of education that provides a framework for exercising professional judgment and for acting ethically in the best interests of both society and the profession.
47. All professional accountants need a thorough understanding of the potential ethical implications of professional and managerial decisions. They need to be aware that decision-makers can be under tremendous pressure when it comes to upholding ethical principles.
48. Audit professionals, like all professional accountants, are expected to apply the professional values, ethics and attitudes outlined in IES 4 throughout their professional careers. During their period of practical experience, they should receive guidance on the:
- (a) professional approach to ethics;
  - (b) practical application of the fundamental principles;
  - (c) consequences of unethical behavior; and
  - (d) resolution of ethical dilemmas.
49. Learning about professional ethics needs to continue after qualification. Audit professionals need to see this as a career-long process.
50. The fundamental ethical principles that apply to all professional accountants have an added dimension in the audit domain, because of the heavy public reliance on and public interest in this aspect of the profession worldwide.
51. These fundamental principles are essential to the development of the profession and society as a whole. IESBA Code sets out these fundamental principles:
- (a) *Integrity*;
  - (b) *Objectivity*;
  - (c) *Professional competence and due care*;
  - (d) *Confidentiality*; and
  - (e) *Professional behavior*.
52. In addition, the IESBA Code requires all members of assurance teams and organizations to be independent of assurance clients. All members of

assurance teams and organizations are required to apply the independence conceptual framework outlined therein.

53. It is important that audit professionals are
- (a) aware of potential new ethical dimensions and conflicts in their work; and
  - (b) keep current on the expectations of their professional accounting bodies and the public in terms of professional ethics.

### **Practical Experience**

54. **Professional accountants should complete a period of relevant practical experience before taking on the role of an audit professional. This period should be long enough and intensive enough to permit them to demonstrate that they have acquired the necessary professional knowledge; professional skills; and professional values, ethics, and attitudes. A substantial proportion of the period of practical experience should be in the area of audit of historical financial information.**
55. IES 5, *Practical Experience Requirements*, sets out the practical experience requirements for all professional accountants. Professional accountants assuming the role of an audit professional are also required to demonstrate application of the knowledge and skills specifically required by this section of IES 8, and in an audit environment in accordance with the professional values, ethics, and attitudes set out in IES 4.
56. Practical experience that contributes to the competence of an audit professional needs to be relevant to the type and size of audit assignments audit professionals are, or are likely to be, involved in. The period of experience should permit them to:
- (a) apply, in a properly supervised environment, the requisite knowledge and skills; and
  - (b) develop and demonstrate the competence required by this IES.
57. The period of practical experience relevant to an audit professional may come during or after qualification as a professional accountant. Practical experience gained for the purposes of meeting the requirements of IES 5, *Practical Experience Requirements*, may contribute to the requirements prescribed in this IES.
58. A period of practical experience relevant to an audit professional would normally be not less than three years, of which at least two years should normally be spent in the area of audit of historical financial information under the guidance of an engagement partner. Where a member body does not require the completion of this minimum period of experience, the member body needs to be able to demonstrate that the application of the

knowledge and skills specifically required by this IES has been achieved in an audit environment and has resulted in candidates developing the necessary competence and capability to apply professional judgment in the audit assignment.

59. **The required audit experience should be obtained with an organization that can provide suitable audit experience under the guidance of an engagement partner.**
60. Organizations making available suitable audit experience may include private and public sector audit organizations. IFAC member bodies need to be satisfied that audit organizations providing experience have in place policies and procedures that will provide an appropriate environment. An appropriate environment is one that allows individuals to develop and demonstrate the professional knowledge; professional skills; and professional values, ethics and attitudes that will permit them to take on responsibility for making significant judgments in an audit of historical financial information.

### **Continuing Professional Development**

61. IES 7, *Continuing Professional Development*, sets out the CPD requirements for all professional accountants, including audit professionals.
62. Professional accountants seeking to become audit professionals may rely on CPD activities to help them meet some of the competence requirements set out in this IES. CPD will also be necessary to ensure that audit professionals develop and maintain further competence. IFAC member bodies may consider prescribing specific CPD activities for audit professionals or professional accountants seeking to become audit professionals.

### **Assessment**

63. **Professional capabilities and competence should be assessed before individuals take on the role of audit professionals.**
64. **The assessment should be comprehensive enough to permit demonstration of the professional knowledge; professional skills; and professional values, ethics and attitudes required to competently perform the work of audit professionals.**
65. The assessment of the capabilities and competence of audit professionals may be carried out by:
  - (a) the IFAC member body of which an individual is a member (including through the member body's peer review process);
  - (b) another IFAC member body;

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AUDIT PROFESSIONALS (2008)

- (c) a third party (e.g., education or training organization, government or regulatory authority, or workplace assessor under the authority of the member body);
- (d) an audit organization (including through the organization's quality control systems); or
- (e) a combination of these.

Where external agencies are responsible for qualifying audit professionals, member bodies should encourage them to adopt IFAC standards.

## **SECTION 3: THE ENGAGEMENT PARTNER**

### **General**

66. Specific professional, legal or regulatory requirements exist which govern the scope, performance and conduct of the audit engagement. In some instances, specific requirements regulate who may act as the engagement partner on an audit engagement. Such requirements are referred to below as licensing regimes. This term is used to refer to the range of instances where the authority or permission to act as the engagement partner is restricted to certain individuals who meet specific requirements. These specific requirements may be set by a professional, legal or regulatory body.
67. Audit licensing regimes differ. Where IFAC member bodies have the legal authority to license auditors, it is expected that professional accountants will have met the requirements prescribed in Section 2 of this IES to be issued with an audit license or be permitted to sign reports of audits of historical financial information. Where other bodies license auditors, IFAC member bodies are obliged to notify their legislative, regulatory or licensing authorities about this IES, encouraging its adoption.
68. In some jurisdictions, professional accountants are licensed to sign audit reports at the time of qualification, but may not have gained the practical experience prescribed in this IES. In such cases, IFAC member bodies need to make sure that individuals with responsibility for making significant judgments in an audit of historical financial information have the required practical experience and competence. This obligation may be fulfilled through a member body's quality assurance review program (i.e., practice inspections) or through an audit organization's quality control procedures.
69. It is expected that audit professionals permitted to sign statutory audit reports will acquire practical audit experience beyond what this IES prescribes. All audit professionals have a professional and ethical obligation to develop and maintain competence appropriate to their professional responsibilities.
70. IFAC recognizes the different types, size and complexities of audits of historical financial information, and the different levels of professional competence required to perform such engagements. It is the obligation of individual professional accountants to comply with the IESBA Code by not accepting assignments they are not competent to perform.

### **Competence Requirements for the Engagement Partner**

71. To assume the greater responsibilities of the engagement partner will require the development of additional professional knowledge; professional skills; and professional values, ethics and attitudes. An engagement partner would be expected to demonstrate a comprehensive understanding of the audit

process and an ability to communicate a wide range of matters to a broad range of parties.

72. As audit professionals progress into positions such as engagement partners, they will need to demonstrate competence in the following areas:
- (a) Leadership responsibility for the quality of audits;
  - (b) Formation of conclusions on compliance with applicable independence requirements;
  - (c) Acceptance and continuation of client relationships and specific audit engagements;
  - (d) Assignment of engagement teams, ensuring the collective capabilities and competence to perform the engagement and issue an audit report;
  - (e) Direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements;
  - (f) Consultation, review and discussion of work performed; and
  - (g) Development of the audit report that is appropriate and supported by sufficient appropriate audit evidence.



## **SECTION 4: COMPETENCE REQUIRED FOR AUDIT PROFESSIONALS IN SPECIFIC ENVIRONMENTS AND INDUSTRIES**

### **General**

73. IFAC member bodies and audit organizations need to make sure that audit professionals responsible for significant judgments in an audit of historical financial information of specific environments or industries have the required professional knowledge and practical experience relevant to that environment or industry.
74. When professional accountants have acquired the capabilities and demonstrated the competence required of audit professionals, they may need further development before they take on responsibility for making significant judgments in an audit of historical financial information of a specific industry (such as banking and finance, extractive industries and insurance) or environment (such as transnational audits).

### **Transnational Audits**

75. Transnational audits are, or may be, relied upon outside the entity's home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include all companies with listed equity or debt and other public interest entities which attract particular public attention because of their size, products or services provided.<sup>5</sup>
76. **Before individuals take on the role of an audit professional in transnational audits of historical financial information they should:**
  - (a) **satisfy the requirements to take on the role of an audit professional (Section 2 of this IES); and**
  - (b) **satisfy the requirements in paragraph 77.**
77. **The knowledge content of the education and development program for audit professionals involved in transnational audits should cover the following subject areas, for the jurisdictions for which the transnational audit is conducted:**
  - (a) **applicable financial reporting and auditing standards;**
  - (b) **controlling of multi-location and group audits;**
  - (c) **applicable listing requirements;**
  - (d) **applicable corporate governance requirements;**
  - (e) **applicable national regulatory frameworks; and**

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<sup>5</sup> TAC Guidance Statement 1 – revised April 2006.

(f) **the global and local economies and business environments.**

78. Audit professionals engaged in transnational audits may find that the application of professional values, ethics and attitudes can be complicated by multiple cultural contexts (e.g., norms, customs, behaviors and expectations).

**Specific Industries**

79. Some entities operate in heavily regulated industries (such as banks and chemical companies). Laws and regulations governing financial statements may vary considerably in specific industries and environments. Furthermore, accounting treatments may differ, resulting in different recognition and measurement practices.
80. It is not practicable to prescribe the additional knowledge required of those operating in specific industries. IFAC member bodies, individual professional accountants and audit organizations share the responsibility for ensuring that audit professionals have the required competence for their roles.

**Practical Experience**

81. Audit professionals need practical audit experience in a specific environment or industry before assuming responsibility for making judgments in an audit of historical financial information in that environment or industry. This experience needs to be long enough and intensive enough to permit audit professionals to demonstrate:
- (a) the necessary knowledge; and
  - (b) that they can apply the necessary skills and the professional values, ethics and attitudes required to competently perform the work in that specific environment or industry.

This practical experience may be in addition to what is prescribed elsewhere in this IES.

**FRAMEWORK FOR  
INTERNATIONAL EDUCATION STANDARDS FOR  
PROFESSIONAL ACCOUNTANTS (2009)**

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## Introduction

1. This *Framework for International Education Standards for Professional Accountants* (2009) [the “Framework”] establishes the concepts that the International Accounting Education Standards Board (IAESB) uses in its publications. It also provides an introduction to the IAESB publications and related IFAC member body obligations.
2. The accountancy profession serves the financial and, in some circumstances, the non-financial information needs of a broad range of decision makers, including (a) present and potential investors and creditors, (b) managers and employees within organizations, (c) suppliers, (d) customers, (e) governments and their agencies, and (f) the public. The accountancy profession’s ability to satisfy users’ information needs contributes to an efficient economy, creating value to society.
3. The IAESB’s mission is to “serve the public interest by strengthening the worldwide accountancy profession through the development and enhancement of education.” Enhancing education serves the public interest by contributing to the ability of the accountancy profession to meet the needs of decision makers. Enhancing education through developing and implementing International Education Standards (IES) should increase the competence of the global accountancy profession, contributing to strengthened public trust.
4. Developing and implementing IES can also contribute to other desirable outcomes, including:
  - Reduction in international differences in the requirements to qualify and work as a professional accountant;
  - Facilitation of the global mobility of professional accountants; and
  - Provision of international benchmarks against which IFAC member bodies can measure themselves.

## Purpose of the Framework

5. The Framework is intended to assist IFAC member bodies, as they have direct or indirect responsibility for the education and development of their members and students. It should also enhance the understanding of the work of the IAESB by a wide range of stakeholders including:
  - Universities, employers, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants;
  - Regulators who are responsible for oversight of the work of the accountancy profession;
  - Government authorities with responsibility for legal and regulatory requirements related to accounting education;

- Accountants and prospective accountants who undertake their own learning and development; and
  - Any other parties interested in the work of the IAESB and its approach to developing publications on accounting education.
6. The intended benefits of the Framework include:
- The development of IES that are consistent, because they are based on a common set of concepts relevant to education;
  - A more efficient and effective standard-setting process, because the IAESB debates issues from the same conceptual base; and
  - Increased transparency and accountability of the IAESB for its decisions, because the concepts underlying the Board's decisions are known.

### **Authority and Scope of the Framework**

7. The IAESB uses the International Federation of Accountants' (IFAC) definition of professional accountant: an individual who is a member of an IFAC member body.<sup>1</sup> The IAESB achieves its mission primarily by developing and publishing IES and promoting the use of those standards through IFAC member bodies.
8. Members of IFAC member bodies work in every sector of the economy and in many different areas of accountancy, including auditing, financial accounting, management accounting, and tax accounting. The IAESB establishes the learning and development principles for the education of professional accountants. The IAESB may also establish requirements for roles that are widely practiced or are of specific public interest internationally.<sup>2</sup> The Audit Professional<sup>3</sup> is an example of one such role.
9. The IAESB will apply the concepts set out in the Framework when developing IES. In the absence of a specific IES, IFAC member bodies and other interested parties should also apply these concepts when designing, delivering, and assessing education for professional accountants.

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<sup>1</sup> Terminology in accounting education is not universal; different countries use the same term in different ways. Readers of IAESB publications should consult the IAESB Glossary of Terms to determine how the IAESB uses a particular term.

<sup>2</sup> A role is a function that has a specific set of expectations attached – see the IAESB Glossary of Terms.

<sup>3</sup> A professional accountant who has responsibility, or has been delegated responsibility, for significant judgment in an audit of historical financial information – see the IAESB Glossary of Terms.

## **Structure of the Framework**

10. The remaining sections of this Framework are in two parts. Part One deals with the educational concepts of (a) competence, (b) initial professional development, (c) continuing professional development, and (d) assessment used by the IAESB when developing IES. Part Two describes the nature of IES and related publications, as well as related IFAC member body obligations.

## **PART ONE—EDUCATIONAL CONCEPTS**

### **Competence**

11. The overall objective of accounting education is to develop competent professional accountants.
12. Competence is defined as the ability to perform a work role to a defined standard with reference to working environments. To demonstrate competence in a role, a professional accountant must possess the necessary (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes.
13. For example, a desired competence for a professional accountant working in a financial accounting role may be the ability to produce a set of company accounts in full accordance with International Financial Reporting Standards (IFRSs) and national legal and regulatory requirements. Knowledge of IFRSs, as well as skills and judgment to assess their relevance to the situation, are needed to complete this task.
14. The definition of competence (a) emphasizes the ability of individuals to perform to standards expected of professional accountants, and (b) requires an appropriate level of knowledge, skills, values, ethics, and attitudes to achieve that competence. The appropriate level of competence will vary, depending on such factors as the complexity of the environment, the complexity of tasks, the variety of tasks, required specialist knowledge, influence on the work of others, reliance on the work of others, level of autonomy, and required level of judgment.
15. For example, an audit manager planning an engagement will require different competences than a more junior member of the engagement's audit team. A tax accountant responsible for the tax transactions of multinational groups will require different competences than a tax accountant dealing with companies that operate in only one jurisdiction.

### **Learning and development**

16. An individual becomes competent through learning and development. The term "learning and development" is used by the IAESB to incorporate all the different processes, activities, and outcomes contributing to the achievement of competence.
17. Competence can be achieved through a number of different forms of learning and development. The primary types of learning and development are defined by the IAESB as follows:

### *Education*<sup>4</sup>

Education is a systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

### *Practical experience*

Practical experience refers to workplace activities that are relevant to developing competence.

### *Training*

Training is used to describe learning and development activities that complement education and practical experience. It has a practical bias, and is usually conducted in the workplace or a simulated work environment.

18. In addition to education, practical experience, and training, the term learning and development includes activities such as (a) coaching, (b) networking, (c) observation, (d) reflection, and (e) self-directed and unstructured gaining of knowledge.
19. Learning and development is an ongoing process of acquiring, maintaining, and renewing competence at an appropriate level throughout a professional accountant's career. The extent to which each of the different forms of learning and development are used may vary.
20. For example, in the early stages of development as a professional accountant, education may be emphasized more than in later stages of development. Over time, the balance may shift more to learning and development through practical experience and training.
21. In a constantly changing work environment, both learning to learn and a commitment to lifelong learning are integral aspects of being a professional accountant. Thus, the IES address both Initial Professional Development (IPD) and Continuing Professional Development (CPD).

## **Initial Professional Development**

22. IPD is learning and development through which individuals first develop competence leading to performing a role in the accountancy profession.
23. IPD includes general education, professional accounting education, practical experience (as defined in paragraph 17), and assessment, as follows:

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<sup>4</sup> The IAESB uses the term "education" in its own title and publications; however, its terms of reference include the entire learning and development process.



### *General education*

Broad-based education to develop the skills necessary as a foundation for coping with the demands of professional accounting education and practical experience.

### *Professional accounting education*

Education and training that builds on general education, and imparts (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes.

### *Assessment*

Measurement of professional competence developed throughout learning and development.

24. There are significant legal and regulatory differences in the point of qualification (or licensing) internationally; qualification may occur from very early to very late in a career. Each IFAC member body may define the appropriate link between the end of IPD and the point of qualification (or licensing) for its members.
25. IPD continues until individuals can demonstrate the competence required for their chosen roles in the accountancy profession.<sup>5</sup> One result of demonstrating this competence may be the admission to membership in an IFAC member body. IPD goes beyond knowledge of principles, standards, concepts, facts, and procedures at a given point in time. It includes the ability to integrate (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes. Such competences enable individuals to identify issues, know what knowledge is relevant, and know how to apply that knowledge and professional judgment to resolve issues ethically.

## **Continuing Professional Development**

26. Change is a significant characteristic of the environment in which professional accountants work. Pressures for change come from many sources, including (a) globalization, (b) advances in technology, (c) business complexity, (d) societal changes, and (e) the expansion of stakeholder groups, including regulators and oversight bodies. Change requires professional accountants to maintain and develop new and/or more specialized knowledge and skills throughout their careers.
27. Throughout their careers, professional accountants (a) change and expand the scope of their competence, (b) develop their expertise, and (c) generally

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<sup>5</sup> There are significant legal and regulatory differences in the point of qualification (or licensing) internationally; qualification may occur from very early to very late in a career. Each IFAC member body may define the appropriate link between the end of IPD and the point of qualification (or licensing) for its members.

improve their competence. The competence gained during IPD is continually renewed, modified, and/or expanded through CPD.

28. CPD is learning and development that maintains and develops capabilities to enable professional accountants to perform their roles competently. CPD provides continual development of the (a) professional knowledge, (b) professional skills, (c) professional values, ethics and attitudes, and (d) the competence achieved during IPD.
29. In addition, professional accountants may take on new roles during their careers that require new competences. For example, a professional accountant in business wants to become an accounting educator; or an accounting technician wants to become an audit professional. In such cases, CPD that includes many of the same elements as IPD may be necessary for roles that require additional breadth and/or depth of knowledge, skills, and values.

### **Assessment: Measurement of the Effectiveness of Learning and Development**

30. Different measurement approaches can be employed to assess the effectiveness of learning and development. They include:

*Input measures:* An input-based measure focuses on the investment made in learning and development, for example, the number of hours an individual is expected to attend a course or the subject areas covered. Input-based measures have traditionally served as proxies for measuring the development of competence, primarily because they are easy to measure and verify. They do not, however, measure the competence developed.

*Process measures:* A process-based approach focuses on the design and delivery of learning and development, for example, a course curriculum that is regularly reviewed and updated. As with the input-based measures, process measures are proxies for the competence developed.

*Output measures:* An output-based approach focuses on whether the professional accountant has developed the specified competence. Competence can be assessed by a variety of means, including workplace performance, workplace simulations, written examinations, and self-assessment. Competence-based assessment begins with the creation of competence statements<sup>6</sup> as benchmarks.

31. In choosing a measurement approach, the following characteristics should be considered:
  - (a) Validity—whether it measures what needs to be measured;

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<sup>6</sup> Also known as competency frameworks, competency profiles, competency models, competency maps, or functional maps.

- (b) Reliability—whether it consistently produces the same result, given the same set of circumstances; and
  - (c) Cost effectiveness—whether the benefits outweigh the costs of measurement.
32. Output measures, being directly focused on competence, are rated as highly valid. They can be challenging to implement without substantial investment in measurement systems, leading to concerns over their cost-effectiveness. Because of the inherent compromise between validity, reliability, and cost effectiveness, a mix of input, process, and output measures is often adopted. However, output measures are the measures most closely linked with the objective of accounting education – the development of competence.

## **PART TWO—IAESB PUBLICATIONS AND IFAC MEMBER BODY OBLIGATIONS**

### **International Education Standards**

33. IES establish standards for IFAC member bodies for both IPD and CPD.
34. The IES address the principles of learning and development for professional accountants. The IES prescribe good practice in learning and development for professional accountants; they should be incorporated into the educational requirements of IFAC member bodies.
35. The IAESB is conscious of (a) the diversity of culture and language, educational, legal, and social systems globally, and (b) the variety of roles performed by professional accountants. Therefore, the IES may be complied with in a variety of different ways. The IAESB recognizes that, in implementing the IES, IFAC member bodies may choose to emphasize one type of learning and development over another. Each IFAC member body needs to determine how best to implement the requirements of the IES. The IAESB also recognizes that individual IFAC member bodies may adopt learning and development requirements that go beyond the IES.
36. The IES are written in accordance with the set of drafting conventions that appear in the Appendix to this document.

### **Related IAESB Publications**

37. In support of the IES, the IAESB issues two other types of publications: International Education Practice Statements (IEPS) and International Education Information Papers (IEIP). It may also issue additional support material from time to time.

### **International Education Practice Statements (IEPS)**

38. IEPS assist in implementing generally accepted good practice in learning and development for professional accountants. IEPS may interpret, illustrate, or expand on matters related to IES. In this function, IEPS assist IFAC member bodies to implement and achieve good practice, as prescribed by the IES. The IEPS may also include commendable methods or practices, including those recognized as current best practice, that IFAC member bodies may wish to adopt.

## **International Education Information Papers (IEIP)**

39. IEIP may critically assess emerging learning and development issues and practices. The aim of such IEIP is to (a) promote consideration of these issues, and (b) encourage comment and feedback. In this way, they may be useful forerunners of IES and IEPS. Alternatively, the IEIP may simply be descriptive in nature. In this function, they promote awareness of learning and development issues or practices relating to the accountancy profession.

### *Additional Support Material*

40. From time to time, the IAESB may issue additional material, such as toolkits or interpretation guidance, to assist IFAC member bodies in achieving good practice in learning and development, as prescribed by the IES.

## **IFAC Member Body Obligations Relating to IES**

41. Individual IFAC member bodies determine the competences and criteria for membership that are appropriate to the professional accountancy roles their members undertake. The IFAC Statements of Membership Obligations (SMOs) 1-7 (Revised) set out the obligations of IFAC members and associates. Obligations related to the IES may be found in SMO 2, International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB, on the IFAC website.
42. Some IFAC member bodies are subject to the requirements of law or regulation within their jurisdictions. IES cannot legally override educational requirements or restrictions placed on individual IFAC member bodies by such laws or regulations. In cases where IES set a higher requirement than laws or regulations, the IFAC member body should use its best endeavors to persuade those responsible to incorporate the essential elements of IES into those laws or regulations.

## Appendix

### IAESB DRAFTING CONVENTIONS

#### Language and Structure

The sole approved text of an Exposure Draft, IES, IEPS, or other form of guidance is that published by the IAESB in the English language. In developing the IES, the selection of appropriate wording will be guided, wherever possible, by these *IAESB Drafting Conventions*. Definitions found in the IES and IEPS will be included in a separate document, entitled the IAESB Glossary of Terms. The Glossary is intended to support translation, interpretation, and application. The definitions are not intended to override definitions of other documents that may be established for other purposes, whether in law, regulation or otherwise.

The structure of the IES shall be organized to include the following as separate sections: Introduction, Objectives, Requirements, and Explanatory Material.

#### *Introduction*

The introductory material includes information regarding the purpose and scope that provides context relevant to a proper understanding of each IES.

#### *Objectives*

The IES contain a clear statement of the objectives to be achieved by the IFAC member body. The objectives assist an IFAC member body to understand what needs to be accomplished, and to decide whether more needs to be done to achieve the objectives.

#### *Requirements*

The objectives are supported by clearly stated requirements that are necessary to achieve the objectives. The requirements apply where the IES is relevant. Requirements are always expressed using the term “shall.”

#### *Explanatory Material*

The explanatory material provides additional explanation and guidance to the requirements. The material is intended to explain more fully what a requirement means, and may include examples of how to meet the requirements. The explanatory material does not in itself impose any additional requirements; its purpose is to assist in their application.

## IAESB GLOSSARY OF TERMS

1. This glossary comprises a collection of defined terms, many of which have been specifically defined within existing IAESB pronouncements. Some of the existing terms may be modified, and other terms added to the glossary, as they are reviewed during the current revision of the International Education Standard 8, the *Framework for the International Education Standards for Professional Accountants*, or other future publications. It is expected that a revised version of the IAESB Glossary of Terms will be published once the revision of the IES and Framework document are completed.
2. The IAESB acknowledges that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which member bodies operate. The glossary does not prescribe the use of terms by member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IES, IEPS and IEIP produced by the IAESB.
3. Words marked with an asterisk (\*) indicate terms that are defined elsewhere in the glossary.

**Assessment** Measurement of professional competence\* developed throughout learning and development\*.

***Explanation:***

*The following measurement approaches can be employed to assess the effectiveness of a learning and development process: input measures; process measures; and output measures. In choosing a measurement approach, the following characteristics should be considered: validity, reliability, and cost effectiveness.*

**Audit professional** A professional accountant who has responsibility, or has been delegated responsibility, for significant judgments in an audit of historical financial information.

***Explanation:***

*The engagement partner retains overall responsibility for the audit. The definition of audit professional does not apply to experts who undertake specific tasks within an audit (e.g., taxation, information technology or valuation experts).*

**Best practice** Practices considered to be exemplary, of the highest order, the most advanced, or leading in a particular area in the education of professional accountants.\*

**Best practice*****Explanation:***

*“Best practice” refers to the best examples of established practice in the preparation of professional accountants. “Best practice” will often go beyond “good practice” and, as such, is at a higher level than the considered minimum requirements. Statements and examples of “best practice” are essential for the advancement of accountancy education and provide useful guidance to member bodies for the continual improvement of their education programs.*

**Candidate**

Any individual who is enrolled for assessment as part of a professional accounting education program.

***Explanation:***

*A candidate is an individual who is undergoing, or about to undergo, a formal assessment as part of accountancy education. The term refers to an individual who is still in the process of demonstrating the capabilities or competences required for a particular purpose (e.g. professional examination). The assessment may relate to either a program for qualifying as a professional accountant or a post-qualifying education program. The term does not relate to an individual at the stage following completion of an education program (i.e., it excludes those who have completed the requirements for membership of a professional body and are in the process of applying for membership).*

**Capabilities**

The professional knowledge;\* professional skills;\* and professional values, ethics, and attitudes\* required to demonstrate competence.\*

***Explanation:***

*Capabilities are the attributes held by individuals that enable them to perform their roles, whereas competence refers to the actual demonstration of performance. The possession of capabilities gives an indication that an individual has the ability to perform competently in the workplace. Capabilities include content knowledge; technical and functional skills; behavioral skills; intellectual abilities (including professional judgment); and professional*



*values, ethics, and attitudes. They are sometimes referred to, in other literature, as competencies, capacities, abilities, key skills, core skills, fundamental skills and values, attitudes, distinguishing characteristics, pervasive qualities, and individual attributes.*

**Competence**

Ability to perform a work role to a defined standard with reference to working environments.

***Explanation:***

*Competence emphasizes the ability of individuals to perform to standards expected of professional accountants, and requires an appropriate level of knowledge, skills, values, ethics, and attitudes to achieve that competence. The appropriate level of competence will vary, depending on such factors as the complexity of the environment, the complexity of tasks, the variety of tasks, required specialist knowledge, influence on the work of others, reliance on the work of others, level of autonomy, and required level of judgment. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types, and self-assessment.*

**Continuing professional development (CPD)**

Learning and development\* that takes place after Initial Professional Development,\* and that maintains and develops professional competence\* to enable professional accountants\* to continue to perform their roles\* competently.

***Explanation:***

*Continuing Professional Development (CPD) is aimed at the development and maintenance of professional competence. CPD provides continual development of the professional knowledge, professional skills, professional values, ethics and attitudes, and the competence achieved during Initial Professional Development.*

**Cost effectiveness**

Quality or state describing whether the benefits outweigh the costs of a measurement approach.

**Development**

1. The acquisition of capabilities,\* which contribute to competence.\*

2. The state at which capabilities have been acquired.

***Explanation:***

*Development, as a process, refers to the growth of capabilities, which contribute to competence, however achieved. Individuals may develop their abilities through a wide range of processes such as learning, including education and training; experience; reflection; observation or receipt of information; or through natural growth over time.*

**Development**

*Development may also refer to the final stage of growth at which an individual is considered to be fully developed, as a result of the development process. However, it is recognized that, with the need for continual learning, the process of developing one's capabilities and the subsequent reaching of a targeted stage of development are not fixed or permanent states.*

**Distributed learning**

An education process in which either the majority of the instruction is delivered at a different time from when the instruction is received or when the instructor and student are in different places.

***Explanation:***

*A primary feature of distributed learning is that instructors and students are not required to be in the same place at the same time. "Distributed learning" includes, but is not restricted to, "distance learning." Distributed learning can take place over short or long distances, whereas distance learning implies distribution across only significant distances.*

**Education**

Systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

***Explanation:***

*Education is a systematic learning and development process whereby individuals develop capabilities considered desirable by society. Education is usually characterized by the growth of an individual's mental and practical abilities, as well as maturing in*

*attitude, resulting in an enhanced ability of the individual to function and contribute to society, in either specific or non-specific contexts. Education is, by nature, somewhat planned and structured and therefore excludes casual, unsystematic learning and developmental processes.*

**Engagement partner** The partner or other person in the audit organization who is responsible for the engagement and its performance, and for the audit report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

***Explanation:***

*This term is consistent with that established by the International Auditing and Assurance Standards Board (IAASB).*

**Formal education** The non-workplace based component of an accounting education program.

**General education** Broad-based education to develop the skills necessary as a foundation for coping with the demands of professional accounting education and practical experience.

**Good practice** Those elements considered essential to the education\* and development\* of professional accountants\* and performed at a standard necessary to the achievement of competence.\*

***Explanation:***

*“Good practice” relates not only to the range of content and processes of education and development programs, but also to the level or standard at which they are performed (i.e., the depth and quality of the programs). The IAESB is conscious of the wide diversity of culture; language; and educational, legal, and social systems in the countries of the member bodies and of the variety of functions performed by accountants. Different factors within these environments may vary the ability of member bodies to adopt some aspects of “good practice.” Nevertheless, member bodies should continuously aspire to “good practice” and achieve it wherever possible.*

**Higher education** Education\* beyond secondary school level, usually at universities or colleges.

***Explanation:***

*Primary and secondary education refers to the mainly compulsory element of schooling required by the governments of many countries. “Higher” education refers to a third order of education, which succeeds secondary education and for which a secondary education qualification (or equivalent) is often a prerequisite. It is at a higher level than “higher secondary” or “upper secondary” education and is sometimes referred to as “tertiary education.”*

**Information technology** Hardware and software products, information system operations and management processes, and the human resources and skills required to apply those products and processes to the task of information production and information system development, management and control.

**Initial professional development (IPD)** Learning and development\* through which individuals first develop competence\* leading to performing a role\* in the accountancy profession.

***Explanation:***

*Initial Professional Development (IPD) is the first stage of a learning continuum that continues throughout a professional accountant’s career. IPD includes general education, professional accounting education, practical experience, and assessment. IPD continues until individuals can demonstrate the competence required for their chosen roles in the accountancy profession. IPD goes beyond knowledge of principles, standards, concepts, facts, and procedures at a given point in time. It includes the ability to integrate (a) professional knowledge, (b) professional skills, and (c) professional values, ethics, and attitudes. There are significant legal and regulatory differences in the point of qualification (or licensing) internationally; qualification may occur from very early to very late in a career. Each IFAC member body may define the appropriate link between the end of IPD and the point of qualification (or licensing) for its members.*

<b>Input measure</b>	<p>An input-based measure focuses on the investment made in learning and development, for example, the number of hours an individual is expected to attend a course or the subject areas covered.</p> <p><b><i>Explanation:</i></b></p> <p>Input-based measures have traditionally served as proxies for measuring the development of competence, primarily because they are easy to measure and verify. They do not, however, measure the competence developed.</p>
<b><i>Learning</i></b>	<p><i>A broad range of processes whereby an individual acquires capabilities.*</i></p> <p><b><i>Explanation:</i></b></p> <p><i>Learning can be achieved by systematic and relatively formal processes such as education (including training) or processes such as day-to-day work experience, reading published material, observation, and reflection, for which the process of acquiring capabilities tends to be less systematic and relatively informal.</i></p>
<b>Learning and Development</b>	<p>An ongoing process of developing and maintaining professional competence throughout the career of a professional accountant</p> <p><b><i>Explanation:</i></b></p> <p><i>In addition to education, practical experience, and training, the term learning and development includes activities such as coaching, (b) networking, (c) observation, (d) reflection, and (e) self-directed and unstructured gaining of knowledge. The extent to which each of the different forms of learning and development are used may vary. Learning and development incorporates all the different processes, activities, and outcomes contributing to the achievement of competence. The IAESB uses the term “education” in its own title and publications; however, its terms of reference include the entire learning and development process.</i></p>
<b>Mentor</b>	<p>Professional accountants* who are responsible for guiding and advising trainees and for assisting in the development of the trainees’ competence.*</p>

<b>Output measure</b>	<p>An output-based measure focuses on whether the professional accountant* has developed the specified competence.*</p> <p><b>Explanation:</b></p> <p><i>Competence can be assessed by a variety of means, including workplace performance, workplace simulations, written examinations, and self-assessment. Competence-based assessment begins with the creation of competence statements<sup>1</sup> as benchmarks.</i></p>
<b>Post-qualification</b>	<p>The period after qualification* as an individual member of an IFAC member body.</p> <p><b>Explanation:</b></p> <p><i>The term “post-qualification” is usually associated with activities and requirements relating to the professional development of those who have already obtained a professional qualification. It is often associated with action relating to the maintenance or further development of professional competence. While “post-qualification” refers to the period after qualifying as a professional accountant, the term is not restricted to formal qualifications obtained after qualifying as a professional accountant.</i></p>
<b>Practical experience</b>	<p>Workplace activities that are relevant to developing competence.*</p> <p><b>Explanation:</b></p> <p><i>The practical experience part of the learning and development process is intended to facilitate the development and direct application of professional knowledge; professional skills; and professional values, ethics, and attitudes.</i></p>
<b>Pre-qualification</b>	<p>The period before qualification* as an individual member of an IFAC member body.</p> <p><b>Explanation:</b></p> <p><i>The term “pre-qualification” is usually associated with activities and requirements relating to the development</i></p>

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<sup>1</sup> Also known as competency frameworks, competency profiles, competency models, competency maps, or functional maps.

*of those who have not yet obtained a professional qualification.*

**Process measure**

A process-based measure focuses on the design and delivery of learning and development\*, for example, a course curriculum that is regularly reviewed and updated.

***Explanation:***

*Process measures are proxies for the competence developed.*

**Professional Accountant**

An individual who is a member of an IFAC member body.

**Professional Accounting Education**

Education and training that builds on general education, and imparts (a) professional knowledge\*, (b) professional skills\*, and (c) professional values, ethics, and attitudes.\*

**Professional Knowledge**

Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.\*

**Professional skills**

The various types of abilities required to apply professional knowledge, and professional values, ethics, and attitudes\* appropriately and effectively in a professional context.

***Explanation:***

*Professional accountants are required to possess a range of skills, including technical and functional skills, organizational and business management skills, personal skills, interpersonal and communication skills, a variety of intellectual skills, and skills in forming professional judgments.*

**Professional values, ethics and attitudes**

The professional behaviour and characteristics that identify professional accountants\* as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behaviour.

***Explanation:***

*Professional values, ethics, and attitudes include a commitment to technical competence, ethical behavior (e.g., independence, objectivity, confidentiality, and integrity), professional manner (e.g., due care, timeliness, courteousness, respect, responsibility, and reliability), pursuit of excellence (e.g., commitment to continual improvement and life-long learning), and social responsibility (e.g., awareness and consideration of the public interest).*

***Qualification***

Qualification as a professional accountant\* means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.\*

***Explanation***

*Qualification is the formal recognition of an individual as having attained a professional designation, or having been admitted to a class of professional membership, that signifies the individual is a professional accountant. Qualification implies that the individual has been assessed as competent in terms of meeting the requirements prescribed for obtaining professional accountant status. While the term “qualification” can be applied to various stages of professional development and classes of membership, its usage in IAESB documents (unless otherwise indicated) relates to the benchmark for recognition as a professional accountant.*

***Relevant experience***

Participation in work activities in an environment appropriate to the application of professional knowledge;\* professional skills;\* and professional values, ethics, and attitudes.\*

***Reliability***

Quality or state describing whether a measurement approach consistently produces the same result, given the same set of circumstances.

***Role***

*A function that has a specific set of expectations attached.*

***Explanation***

*Roles, such as audit professionals, are widely practiced areas of specific public interest internationally and occur*



*in many different areas of accountancy, including auditing, financial accounting, management accounting, and tax accounting.*

**Specialization**

The formal recognition by a member body of a group of its members possessing distinctive competence\* in a field, or fields, of activity related to the work of the professional accountant.\*

**Student**

An individual following a course of study, including a trainee.\*

***Explanation:***

*In the context of professional education, a student is an individual undertaking a course or program of study deemed necessary for the education of professional accountants, whether general or professional in nature.*

**Technical accounting staff**

Staff engaged in technical accounting work who are directed by or support professional accountants.\*

***Explanation:***

*“Technical accounting staff” includes staff customarily known as “accounting technicians” and covers staff engaged in technical support roles across all areas of accountancy. The term does not refer to trainees who are in the process of qualifying as professional accountants.*

**Trainee**

An individual undertaking pre-qualification\* work experience and training\* within the workplace.

***Explanation:***

*A trainee is an individual who is undertaking a practical experience or workplace training program for qualification as a professional accountant.*

**Training**

Learning and development\* activities that complement education and practical experience. It has a practical bias, and is usually conducted in the workplace or a simulated work environment.

***Explanation***

Training includes workplace-based education and experience activities for developing an individual’s competence to perform tasks relevant to the role of the professional accountant. Training may be undertaken while performing actual tasks (on-the-

job training) or indirectly through instruction or workplace simulation (off-the-job training). Training is conducted within the context of the workplace, with reference to the specific roles or tasks performed by professional accountants. It can include any activity purposefully designed to improve the ability of an individual to fulfill the practical experience requirements for qualification as a professional accountant.

**Validity**

Quality or state describing whether a measurement approach measures what needs to be measured.

**INTERNATIONAL EDUCATION STANDARD**  
**IES 1**  
**ENTRY REQUIREMENTS TO A PROGRAM OF**  
**PROFESSIONAL ACCOUNTING EDUCATION**

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## Purpose and Scope of this Standard

1. This Standard (IES) lays down the entry requirements for an IFAC member body's program of professional accounting education and practical experience. It also provides some commentary on how to assess entry-level qualifications.
2. The aim of this IES is to ensure that students hoping to become professional accountants have an educational background that enables them to have a reasonable possibility of achieving success in their studies, qualifying examinations and practical experience period. To fulfill this requirement, member bodies may require certain entrants to take pre-entry proficiency tests.

## Introduction

3. Fundamentally, the quality of a profession cannot be maintained and improved if the individuals who enter it are not prepared to meet the necessary standards. All IFAC member bodies should try to attract the best quality individuals to the study of accountancy. 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. Higher entry requirements may allow professional education and practical experience requirements to be met in a shorter period of time.
4. Definitions and explanations of the key terms used in the IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

## Effective Date

5. This IES is effective from January 1, 2005.

## Entry Requirements to a Program of Professional Accounting Education

6. **For an individual seeking to begin a program of professional accounting education leading to membership of an IFAC member body, the entry requirement should be at least equivalent to that for admission into a recognized university degree program or its equivalent.**
7. An individual needs to bring to a program of professional accounting education an appropriate level of prior education and learning to provide the foundation necessary to acquire the professional knowledge, professional skills, and professional values, ethics and attitudes needed to become a professional accountant.
8. Candidates starting on a program of professional accountancy education will have a certain mix of knowledge, skills, and professional values, ethics and attitudes. The extent of these capabilities will determine the entry point of

candidates into professional programs. The lower the requirement at the point of entry, the more the program of professional accounting education has to cover.

9. The starting point of a program of professional accounting education can vary. Many programs of professional accounting education start at the post-graduate level. Other programs start at the immediate post-secondary education level or at some point at a higher education level that is below that of an undergraduate degree. Many of these programs are organized by professional bodies themselves rather than by universities or colleges. Some programs recognize work experience, mature students, candidates joining the program part way through their career, and other types of learning.
10. Whichever route is chosen, the entry requirements adopted should fit together consistently with the overall program of professional accounting education laid down by the professional body concerned. It is important that candidates from all possible educational routes, whether starting from secondary, further or higher education, achieve a comparable level of professional competence at the point of qualification. The entry level needs to be high enough to provide assurance of an individual's likely success in the program of professional accounting education.
11. The assessment of equivalence of qualifications to university degree entry standard should be cross-checked with standard reference sources, together with information available to the member bodies of IFAC (see note below). Even with these aids, evaluating qualifications can be complicated and difficult, with an accurate evaluation possible only after reviewing specific, detailed information about courses and curricula.
12. University degree programs may be recognized by statute, an approved non-statutory body or the market. Recognition and evaluation of degree programs can focus on the content, length and other quality aspects.

**Note:**

The length of degree programs can vary. In an attempt to standardize practice, the Bologna Declaration, signed by 29 European countries in 1999, supported the adoption of two main types of degrees – undergraduate and graduate. Undergraduate degrees are expected to take at least three years to complete. The NARIC database compares the standard of qualifications to degree entry standards, undergraduate degrees and postgraduate degrees (see below).

Standard reference sources used by member bodies include the following:

*International Comparisons*, published by the National Academic Recognition Information Centre in the UK (NARIC), under contract to the UK government. It includes both secondary and higher-level qualifications worldwide and covers some 180 countries. NARIC helps to identify qualifications that are equivalent to a university degree and those that are equivalent to a university entry standard. The



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UK NARIC is part of a network of NARICs throughout the European Union.

*The World of Learning*, published by Europa Publications, lists institutions worldwide that are considered to be higher education institutions, including universities and colleges.

In a large number of countries, “Country Education Profiles” together with an indication of the standard of the degrees, are published by the National Office of Overseas Skills Recognition (NOOSR), a branch of the Australian Commonwealth Department of Education, Science and Training.

**INTERNATIONAL EDUCATION STANDARD**  
**IES 2**  
**CONTENT OF PROFESSIONAL ACCOUNTING EDUCATION**  
**PROGRAMS**  
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## Purpose and Scope of this Standard

1. This Standard (IES) prescribes the knowledge content of professional accounting education programs that candidates need to acquire to qualify as professional accountants.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body have enough advanced professional accountancy knowledge to enable them to function as competent professional accountants in an increasingly complex and changing environment. The issue of maintaining this competence is dealt with in IES 7, *Continuing Professional Development*.
3. The primary knowledge part of professional accounting education programs is shown under three major headings:
  - (a) accounting, finance and related knowledge;
  - (b) organizational and business knowledge; and
  - (c) information technology knowledge and competences.

The professional skills required and the content of general education, professional values, ethics and attitudes, and the requirements related to practical experience are set out in IES 3, *Professional Skills and General Education*, IES 4, *Professional Values, Ethics and Attitudes* and IES 5, *Practical Experience Requirements*.

## Introduction

4. Professional accounting education may take place in an academic environment or in the course of studying for a professional qualification but should be at least equivalent to degree level study. Candidates need to acquire the professional knowledge, professional skills, and professional values, ethics and attitudes, and need to be able to integrate these elements.
5. The knowledge component of professional accounting education programs can also be used to develop professional skills. Current knowledge may be obsolete later in a career. Therefore, a surface approach to learning knowledge across a very broad range of subjects is not in the long-term interests of prospective professional accountants and the profession. The intellectual skills required include understanding, application, analysis and evaluation. Over a lifetime's career, professional skills, values, ethics and attitudes are more important than the professional knowledge base obtained at the point of qualification.
6. Just as important is the development of skills to identify problems, and to know what knowledge is required to both identify and to solve problems. Instilling a commitment to lifelong learning is, in the long run, more important than any piece of knowledge. Lifelong learning is a skill that



- needs to be acquired, an attitude of mind that needs to be developed and a value that society endorses.
7. The body of knowledge professional accountants need to acquire to function competently is constantly changing and expanding. Local conditions also call for variations in the knowledge base required. In addition, professional accountants will specialize during their careers. For these reasons, this IES sets out only broad subject headings on the premise that professional accountants will need to continually update their knowledge.
  8. While this IES focuses mainly on the professional knowledge required to function as a professional accountant, it also includes competences for the IT component of the program.
  9. Definitions and explanations of the key terms used in the IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

### **Effective Date**

10. This IES is effective from January 1, 2005.

### **Content of Professional Accounting Education Programs**

11. **Professional accounting study should be a part of the pre-qualification program. This study should be long enough and intensive enough to permit candidates to gain the professional knowledge required for professional competence.**
12. **The professional accountancy knowledge component of pre-qualification education should consist of at least two years of full-time study (or the part-time equivalent).**
13. **Students should pursue a degree in accounting, or a professional qualification, to gain this knowledge.**
14. **The content of professional accounting education should consist of:**
  - **accounting, finance and related knowledge;**
  - **organizational and business knowledge; and**
  - **information technology knowledge and competences.**
15. The professional knowledge component complements the non-professional knowledge, and the intellectual, personal, interpersonal, communication, and organizational and management skills developed in general education.
16. The subjects discussed in this IES are not necessarily intended to be completed in the order shown. For example, professional accounting education may be gained alongside general education, while pursuing a university degree, or it may be obtained in advanced study after completing

another program of study at university degree level. Students may take non-accounting degrees, or no degrees at all, and then acquire the necessary knowledge of professional accountancy subjects through studying for the examinations of a professional body. In this case, the syllabus of the professional body needs to cover all the subject content listed here. In addition, the subjects and elements of the program may be integrated, for example, incorporating aspects of IT knowledge in specific accounting courses. This may assist the learning process and help candidates understand how the individual components are interrelated.

17. The professional accountancy knowledge component is only part of the pre-qualification education program. It may or may not be acquired in an academic environment. Some degree programs may, in addition to requiring up to two years of general studies, devote at least another two years to accounting studies. More specialist accounting degrees may incorporate general studies within a three-year program. The exact combination of general studies, accounting studies and practical experience may differ from one program to another as long as the equivalent professional competences are achieved.
18. Accounting, finance and related knowledge provide the core technical foundation essential to a successful career as a professional accountant. The mix of topics may differ according to the sectors or locations in which individuals work. The accounting curriculum is itself changing and will continue to change in response to rapidly changing market demands. New topics are entering the curriculum and the relative emphasis among topics is altering. Member bodies may wish to add topics, or alter the balance of their programs, to meet the needs of their particular environments.
19. Organizational and business knowledge provides the context in which professional accountants work. A broad knowledge of business, government and not-for-profit organizations is essential for professional accountants. Organizational and business knowledge includes: how businesses are organized, financed and managed, and the global environment in which business operates.
20. Information technology has transformed the role of the professional accountant. The professional accountant not only uses information systems and exercises IT controls skills, but also plays an important role as part of a team in the evaluation, design and management of such systems.
21. The weighting of subjects can vary from one program to another. The three knowledge areas are not set out to indicate relative importance or order. A competency study is a useful way of deciding the relative weighting of subjects.
22. The subjects listed below represent the minimum subject areas in professional accounting education programs. However, the relative depth

and weighting of coverage will depend on the needs of individual IFAC member bodies and any restrictions placed on them by statutory authorities.

23. **The accounting, finance and related knowledge component should include the following subject areas:**
- **financial accounting and reporting;**
  - **management accounting and control;**
  - **taxation;**
  - **business and commercial law;**
  - **audit and assurance;**
  - **finance and financial management; and**
  - **professional values and ethics.**
24. The accounting, finance and related knowledge part further develops and integrates the knowledge, skills and professional values, ethics and attitudes from elsewhere into the subject areas all professional accountants need to study. It gives students the necessary theoretical and technical accounting knowledge and intellectual skills, including an understanding of professional values and ethics. This part needs to be delivered at least at the level of an accounting degree. This part includes:
- (a) history of the accountancy profession and accounting thought;
  - (b) content, concepts, structure and meaning of reporting for organizational operations, both for internal and external use, including the information needs of financial decision makers and a critical assessment of the role of accounting information in satisfying those needs;
  - (c) national and international accounting and auditing standards;
  - (d) the regulation of accounting;
  - (e) management accounting, including planning and budgeting, cost management, quality control, performance measurement, and benchmarking;
  - (f) the concepts, methods and processes of control that provide for the accuracy and integrity of financial data and safeguarding of business assets;
  - (g) taxation and its impact on financial and managerial decisions;
  - (h) a knowledge of the business legal environment, including securities and companies law, appropriate for the role of the profession in the particular country;

- (i) the nature of auditing and other assurance services, including risk assessment and fraud detection, and the intellectual and procedural bases for performing them;
  - (j) a knowledge of finance and financial management, including financial statement analysis, financial instruments, capital markets – both domestic and international – and managing resources;
  - (k) ethical and professional responsibilities of a professional accountant in relation to both the professional and wider public environment (see also IES 4, *Professional Values, Ethics and Attitudes*);
  - (l) governmental and not-for-profit accounting issues; and
  - (m) the use of non-financial performance measures in business.
25. **The organizational and business knowledge component should include the following subject areas:**
- **economics;**
  - **business environment;**
  - **corporate governance;**
  - **business ethics;**
  - **financial markets;**
  - **quantitative methods;**
  - **organizational behavior;**
  - **management and strategic decision making;**
  - **marketing; and**
  - **international business and globalization.**
26. Organizational and business education equips prospective professional accountants with knowledge of the environment in which employers and clients operate. It also provides the context for the application of all the professional skills acquired during the pre-qualification process. Being able to understand is different from having the ability and experience to undertake, participate in and contribute to organizational and business management.
27. Organizational and business education provides:
- (a) a knowledge of macro- and micro-economics;
  - (b) a knowledge of business and financial markets and how they operate;
  - (c) the application of quantitative methods and statistics to business problems;

- (d) an understanding of the role of the professional accountant in corporate governance and business ethics;
  - (e) an understanding of organizations and of the environments in which they operate, including the major economic, legal, political, social, technical, international and cultural forces and their influences and values;
  - (f) an understanding of environmental issues and sustainable development;
  - (g) an understanding of interpersonal and group dynamics in organizations, including the methods for creating and managing change in organizations;
  - (h) an understanding of personnel and human resource issues, managing people, project management, and marketing;
  - (i) an understanding of decision support and strategy, including business advice, strategic management and general management;
  - (j) an understanding of organizational and operational risk;
  - (k) a basic knowledge of international trade and finance and the ways in which international business is conducted, as well as the processes of globalization; and
  - (l) an ability to integrate the above components in accomplishing strategic objectives.
28. **The information technology component should include the following subject areas and competences:**
- **general knowledge of IT;**
  - **IT control knowledge;**
  - **IT control competences;**
  - **IT user competences; and**
  - **one of, or a mixture of, the competences of, the roles of manager, evaluator or designer of information systems.**
29. As part of their pre-qualification education, all professional accountants are expected to participate in at least one of the roles of manager, designer or evaluator of information systems, or, a cluster of these roles.
30. At the point of qualification, candidates are expected to have a knowledge and understanding of the competency elements in at least one of these roles. This may be evidenced by the ability to describe or explain the significance of the issues related to the listed competences in a relevant business setting. A candidate needs to be able to participate effectively in the activities listed in this section as part of a team or under supervision, but would not to be expected to demonstrate proficiency in all the competences.

31. Users of the various information technologies employ information systems tools and techniques to help them meet their own objectives and to help others meet their objectives. The following broad areas of competency relate to the user role:
- (a) apply appropriate IT systems and tools to business and accounting problems;
  - (b) demonstrate an understanding of business and accounting systems; and
  - (c) apply controls to personal systems.
32. The information technology knowledge component may be provided in a variety of ways, perhaps as separate courses or by integrating the subject into the organizational and business knowledge component or into the accounting and accounting-related knowledge component. Competence may also be acquired through work experience in addition to the IT knowledge component. For the formal IT education component, case studies, interactions with experienced professionals and similar techniques should be used to enhance the presentation of subject matter and to help students develop practical skills, in combination with relevant IT work experience.

**INTERNATIONAL EDUCATION STANDARD**  
**IES 3**  
**PROFESSIONAL SKILLS AND GENERAL EDUCATION**  
**CONTENTS**

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## Purpose and Scope of this Standard

1. This Standard (IES) prescribes the mix of skills that candidates require to qualify as professional accountants. Part of the purpose of this IES is to show how a general education, which may be gained in a variety of ways and within different contexts, can contribute to the development of these skills.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate mix of skills (intellectual, technical, personal, interpersonal and organizational) to function as professional accountants. This enables them to function throughout their careers as competent professionals in an increasingly complex and demanding environment.
3. The skills professional accountants require are grouped under five main headings:
  - (a) intellectual skills;
  - (b) technical and functional skills;
  - (c) personal skills;
  - (d) interpersonal and communication skills; and
  - (e) organizational and business management skills.
4. This IES also addresses the non-business related studies that contribute to the development of these skills and may form part of general education. It does not cover professional accounting education, professional values, ethics and attitudes, practical experience requirements, or assessment of professional competence (please refer to IES 2, *Content of Professional Accounting Education Programs*, IES 4, *Professional Values, Ethics and Attitudes*, IES 5, *Practical Experience Requirements* and IES 6, *Assessment of Professional Capabilities and Competence*).

## Introduction

5. Skills are part of the set of capabilities required by professional accountants to demonstrate competence. These capabilities include knowledge, skills, professional values, ethics and attitudes. Capabilities are an indication of potential competence that can be transferred across different environments. It is important to ensure that professional accounting education programs integrate the development of knowledge, skills, professional values, ethics and attitudes.
6. Rising expectations of employers, clients and the public as to what professional accountants contribute at work and toward society generally have prompted an increased emphasis on professional skills.
7. Various lists of skills have been classified and described in several ways. The lists set out in paragraphs 13–18 are not exhaustive.



8. Appropriate skills enable the professional accountant to make successful use of the knowledge gained through general education. These skills are not always acquired from specific courses devoted to them but, rather, from the total effect of the program of professional accounting education as well as practical experience, and further developed through lifelong learning. Professional skills will always be most effectively applied if used in an ethical manner (see IES 4, *Professional Values, Ethics and Attitudes*). Some skills are contained implicitly within education programs. It may be necessary to highlight how the various learning activities develop these skills.
9. Relevant skills can give professional accountants a competitive edge in the market place and are useful throughout an individual's career. Not all these skills will, however, be fully developed at the point of qualification. Some may be the focus of continuing professional development.
10. A good foundation of general education, although not an end in itself, is one way of helping candidates become broad-minded individuals who think and communicate effectively and who have the basis for conducting inquiry, carrying out logical thinking and undertaking critical analysis. This foundation will enable candidates to make decisions in the larger context of society, to exercise good judgment and professional competence, to interact with diverse groups of people, to think globally, and to begin the process of professional growth. The acquisition of these skills is more important than the way in which they are learnt.
11. Definitions and explanations of the key terms used in the IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

## Effective Date

12. This IES is effective from January 1, 2005.

## Professional Skills

13. **Individuals seeking to become professional accountants should acquire the following skills:**
  - (a) **Intellectual skills;**
  - (b) **Technical and functional skills;**
  - (c) **Personal skills;**
  - (d) **Interpersonal and communication skills; and**
  - (e) **Organizational and business management skills.**
14. Intellectual skills are often divided into six levels. In ascending order, these are: knowledge, understanding, application, analysis, synthesis (to combine knowledge from several areas, predict and draw conclusions) and evaluation. It

is important that candidates have reached the highest levels at the point of qualification.

Intellectual skills enable a professional accountant to solve problems, make decisions and exercise good judgment in complex organizational situations. These skills are often the product of a broad general education. The required intellectual skills include the following:

- (a) the ability to locate, obtain, organize and understand information from human, print and electronic sources;
  - (b) the capacity for inquiry, research, logical and analytical thinking, powers of reasoning, and critical analysis; and
  - (c) the ability to identify and solve unstructured problems which may be in unfamiliar settings.
15. Technical and functional skills consist of general skills as well as skills specific to accountancy. They include:
- (a) numeracy (mathematical and statistical applications) and IT proficiency;
  - (b) decision modeling and risk analysis;
  - (c) measurement;
  - (d) reporting; and
  - (e) compliance with legislative and regulatory requirements.
16. Personal skills relate to the attitudes and behavior of professional accountants. Developing these skills helps individual learning and personal improvement. They include:
- (a) self-management;
  - (b) initiative, influence and self learning;
  - (c) the ability to select and assign priorities within restricted resources and to organize work to meet tight deadlines;
  - (d) the ability to anticipate and adapt to change;
  - (e) considering the implications of professional values ethics and attitudes in decision making; and
  - (f) professional skepticism.
17. Interpersonal and communication skills enable a professional accountant to work with others for the common good of the organization, receive and transmit information, form reasoned judgments and make decisions effectively. The components of interpersonal and communication skills include the ability to:

- (a) work with others in a consultative process, to withstand and resolve conflict;
  - (b) work in teams;
  - (c) interact with culturally and intellectually diverse people;
  - (d) negotiate acceptable solutions and agreements in professional situations;
  - (e) work effectively in a cross-cultural setting;
  - (f) present, discuss, report and defend views effectively through formal, informal, written and spoken communication; and
  - (g) listen and read effectively, including a sensitivity to cultural and language differences.
18. Organizational and business management skills have become increasingly important to professional accountants. Professional accountants are being asked to play a more active part in the day-to-day management of organizations. While previously their role might have been limited to providing the data that would be used by others, today, professional accountants are often part of the decision-making team. As a result, it is important that they understand all aspects of how an organization works. Professional accountants therefore need to develop a broad business outlook as well as political awareness and a global outlook.

Organizational and business management skills include:

- (a) strategic planning, project management, management of people and resources, and decision making;
- (b) the ability to organize and delegate tasks, to motivate and to develop people;
- (c) leadership; and
- (d) professional judgment and discernment.

## General Education

19. **All professional education programs should include some portion of general education.**
20. A broad general education can contribute significantly to the acquisition of professional skills (see also IES 1, *Entry Requirements to a Program of Professional Accounting Education*). General education requirements vary greatly from program to program and from country to country. General education focuses on the development of non-professional knowledge, intellectual skills, personal skills, interpersonal and communication skills, and organizational and management skills.

21. A broad general education can encourage lifelong learning and provide a foundation on which to build professional and accounting studies. It may consist of:
- (a) an understanding of the flow of ideas and events in history, the different cultures in today's world and an international outlook;
  - (b) basic knowledge of human behavior;
  - (c) a sense of the breadth of ideas, issues and contrasting economic, political and social forces in the world;
  - (d) experience in inquiry and evaluation of quantitative data;
  - (e) the ability to conduct inquiry, carry out logical thinking and understand critical thinking;
  - (f) an appreciation of art, literature and science;
  - (g) an awareness of personal and social values and of the process of inquiry and judgment; and
  - (h) experience in making value judgments.
22. A general education may be gained in a number of different ways and within different settings. General education may take place at any stage in a degree program with the balance of the program devoted to professional accountancy topics, including accounting, finance and related knowledge, organizational and business knowledge and information technology knowledge (see IES 2, *Content of Professional Accounting Education Programs*). General education may also be fully integrated into accountancy degree programs, with provision for the acquisition of key skills spread throughout the program.
23. Candidates may also take non-accountancy degrees and then acquire the necessary knowledge of professional accountancy subjects through studying for the examinations set by professional bodies. Candidates may also acquire key skills through experience at work, combined with studying for the examinations. This combination would include elements of general knowledge and skills and thus develop the competence and capabilities, including the underlying technical knowledge, required to qualify as a professional accountant.
24. How these skills can be acquired may, therefore, differ from one IFAC member body to the next. Implementation of this IES depends on the cultural environment in which each body operates and the prevailing educational infrastructure. As a result, part of general education may be acquired during a broad and perhaps extended period of secondary education prior to higher education.

**INTERNATIONAL EDUCATION STANDARD**  
**IES 4**  
**PROFESSIONAL VALUES, ETHICS AND ATTITUDES**  
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## Purpose and Scope of this Standard

1. This Standard (IES) prescribes the professional values, ethics and attitudes professional accountants should acquire during the education program leading to qualification.
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate professional values, ethics and attitudes to function as professional accountants.
3. IFAC recognizes that the accountancy profession throughout the world operates in environments with different cultures and regulatory requirements. International Ethics Standards Board For Accountants (IESBA) has, nevertheless, established an international *Code of Ethics for Professional Accountants* (IESBA Code). Professional values and ethics relate directly to IFAC's mission to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest.

## Introduction

4. Society has high expectations of the accountancy profession. It is essential for professional accountants to accept and observe ethical principles regulating all their relationships. Professional values, ethics and attitudes identify professional accountants as members of a profession and should shape everything they do as professionals. It is the responsibility of member bodies to ensure that their members have an adequate understanding of the principles of professional ethics and the underlying rationale of the constraints that professional ethics place on professional accountants.
5. Since professional accountants have a role to play in decision making, they need to have a thorough appreciation of the potential ethical implications of professional and managerial decisions. They also need to be aware of the pressures of observing and upholding ethical principles that may fall on those involved in the decision-making process. This is true whether they are working in public practice, industry or commerce, the public sector or education.
6. Professional accountants operate in a world of change. Good governance, both corporate and public, depends greatly on adherence to professional values, ethics and attitudes. In such circumstances, a clear understanding of, and education in, ethical principles is essential.
7. IFAC considers that member bodies have an obligation to their current and future members, as well as to society at large, to ensure that their members have a continuing understanding of professional values, ethics and attitudes. This understanding needs to be sufficient to enable them to operate

effectively and with integrity and discernment in an environment of change. The purpose of this IES is to assist member bodies in this task.

8. Professional values, ethics and attitudes need to be treated in their own right within the education framework. If future professional accountants are to perceive professional values, ethics and attitudes as important to their work, it is essential that they do not perceive the treatment of professional values, ethics and attitudes as peripheral to their main education programs.
9. Educators and professional bodies need to distinguish between teaching students about professional values, ethics and attitudes and developing and instilling ethical behavior. Developing professional values, ethics and attitudes needs to begin early in the education of a professional accountant and be re-emphasized throughout a career. The professional accountant needs to consider this as part of life-long learning.
10. Education programs need to deal with ethical rules in a positive, participative way, for example, by exploring links between ethical behavior, corporate failure and fraud. It is important for professional accountants to learn from their experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work and what approach should be taken in the future in similar circumstances.
11. Definitions and explanations of the key terms used in the IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

### Effective Date

12. This IES is effective from January 1, 2005.

### Professional Values, Ethics and Attitudes

13. **The program of professional accounting education should provide potential professional accountants with a framework of professional values, ethics and attitudes for exercising professional judgment and for acting in an ethical manner that is in the best interest of society and the profession.**
14. **The required values, ethics and attitudes of professional accountants include a commitment to comply with the relevant local codes of ethics which should be in conformity with the IESBA Code.**
15. **The coverage of values and attitudes in education programs for professional accountants should lead to a commitment to:**
  - (a) **the public interest and sensitivity to social responsibilities;**
  - (b) **continual improvement and lifelong learning;**

- (c) **reliability, responsibility, timeliness, courtesy and respect; and**
  - (d) **laws and regulations.**
16. **While the approach of each program to the learning of professional values, ethics and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include:**
- (a) **the nature of ethics;**
  - (b) **differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks;**
  - (c) **compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;**
  - (d) **professional behavior and compliance with technical standards;**
  - (e) **concepts of independence, skepticism, accountability and public expectations;**
  - (f) **ethics and the profession: social responsibility;**
  - (g) **ethics and law, including the relationship between laws, regulations and the public interest;**
  - (h) **consequences of unethical behavior to the individual, to the profession and to society at large;**
  - (i) **ethics in relation to business and good governance; and**
  - (j) **ethics and the individual professional accountant: whistle-blowing, conflicts of interest, ethical dilemmas and their resolution.**

### **Teaching Professional Values, Ethics and Attitudes**

17. Because of the importance of professional values, ethics and attitudes to future professional accountants, the presentation of the topic may at first be treated as a separate subject. As students progress, and gain a wider knowledge of other subjects, it will be appropriate to integrate subject matters. This will encourage students to look for and consider the possible ethical implications of problems being discussed in their study of other subjects.
18. Students need to understand that values, ethics and attitudes run through everything that professional accountants do and how they contribute to confidence and trust in the market. Subsequent treatment might address the particular ethical issues likely to be faced by all professional accountants and those more likely to be encountered by professional accountants in public practice in any particular cultural environment.



19. Students need to be encouraged to study the role of, and critically appraise, relevant codes of ethics. Students may be invited to view professional pronouncements in this area as a positive effort to create a framework of trust and integrity within which professional accountants can operate. Students need to be encouraged to examine the ethical pronouncements of other professions and examine and discuss other potential approaches for the accountancy profession. Rote learning of codes and subsequent tests of memory will not produce the desired effect.
20. The presentation of professional values, ethics and attitudes to accounting students can be enhanced greatly through the use of participative approaches. These may include:
  - (a) the use of teaching materials such as multi-dimensional case studies;
  - (b) role playing;
  - (c) discussion of selected readings and videos;
  - (d) analysis of real life business situations involving ethical dilemmas;
  - (e) discussion of disciplinary pronouncements and findings; and
  - (f) seminars using speakers with experience of corporate or professional decision making.
21. Such participative work will lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. Distance learning programs may be limited in offering all these participative experiences, however, as many approaches as possible can be used to enhance the learning experience.
22. It is important for professional accountants to learn from their ethical experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work, and what approach may be taken in the future in similar circumstances.

### **Workplace Learning and Professional Values, Ethics and Attitudes**

23. Professional values, ethics and attitudes affect the work of all professional accountants. Proper ethical behavior is as important as technical competence. Member bodies will require trainees to gain appropriate training and practical experience prior to admission to membership. Accordingly, the period of training and practical experience needs to be structured to give trainees an opportunity to observe the application of professional values, ethics and attitudes in the work situation.

24. Those responsible for the supervision of practical experience need to stress to their trainees the ethical dimensions of the role professional accountants play in the workplace. This may be done by encouraging them to identify any apparent ethical implications and conflicts in their work, to form preliminary views on such occurrences and to discuss them with their superiors.
25. In addition to discussions with the supervisors or mentors, there are other ways for trainees to discuss ethical issues, for example, discussions or interviews with other staff within the organization.
26. Trainees, and those recently qualified as professional accountants, would also benefit from exposure to, and involvement in, discussions on relevant issues relating to the work of their employers that are perceived to have potential ethical implications, for example conflicts of interest related to:
  - (a) professional accountants' job responsibilities (including responsibilities defined by the policies of organizations and the instructions of supervisors) and their professional responsibilities (as defined by their professional codes of conduct amongst other sources);
  - (b) confidentiality of information, including the limits of confidentiality;
  - (c) the structure and purpose of professional associations (including lobbying activities on behalf of members); and
  - (d) the variety of ways in which professional accountants can face conflicts of interest, including, for example, inappropriate advocacy and earnings management.
27. Ethical problems and potential dilemmas may occur. Where there is doubt about the ethical aspects of a course of action or situation, trainees need to consult some recognized ethical reference point, within their work environment or member body, whichever may be the appropriate course of action.

**INTERNATIONAL EDUCATION STANDARD**  
**IES 5**  
**PRACTICAL EXPERIENCE REQUIREMENTS**  
**CONTENTS**

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## Purpose and Scope of this Standard

1. This Standard (IES) prescribes the practical experience IFAC member bodies should require their members to obtain before qualification as professional accountants.
2. The aim of this IES is to ensure that candidates seeking to qualify as professional accountants have acquired the practical experience considered appropriate at the time of qualification to function as competent professional accountants.
3. Further development may be required after qualification to bring candidates up to the level of a statutory auditor or some other form of specialization. In any event, lifelong learning will be required to develop and maintain professional competence (see also IES 7, *Continuing Professional Development*).

## Introduction

4. Practical experience, gained by performing the work of professional accountants, in addition to the acquisition of knowledge through professional accounting education programs, is considered necessary before candidates can present themselves to the public as professional accountants (see also IES 3, *Professional Skills and General Education*). Given the variety of circumstances surrounding professional accountancy bodies throughout the world, the requirement for practical experience may vary from one body to another.
5. The balance between practical experience and academic study or studying for professional qualifications may vary from one qualification to another. IFAC member bodies need to adapt their practical experience requirements to meet their own needs and requirements, the requirements of the relevant regulatory authorities, as well as public expectations that professional accountants are competent.
6. No single combination of education and experience required for preparation for qualification as a professional accountant is used throughout the world. When education requirements are extended to include practical business and accounting applications, then a part of this education may contribute to some of the practical experience requirements.
7. Employers, work colleagues and mentors play important roles in planning and monitoring practical experience gained by trainees.
8. Definitions and explanations of the key terms used in the IES are set out in the *Framework for International Education Standards for Professional Accountants* (2009).

## Effective Date

9. This IES is effective from January 1, 2005.

## Practical Experience Requirements

10. **The period of practical experience in performing the work of professional accountants should be a part of the pre-qualification program. This period should be long enough and intensive enough to permit candidates to demonstrate they have gained the professional knowledge, professional skills, and professional values, ethics and attitudes required for performing their work with professional competence and for continuing to grow throughout their careers.**
11. **The period of practical experience should be a minimum of three years. A period of relevant graduate (beyond undergraduate, e.g., master's) professional education with a strong element of practical accounting application may contribute no more than 12 months to the practical experience requirement.**
12. The overall goal is to produce competent professional accountants through an appropriate mix of general education, professional education and practical experience. The exact combination may vary, as long as the requirements of paragraphs 10 and 11 are achieved. Simply spending the amount of time necessary to meet the practical experience requirement is not sufficient. Trainees need to demonstrate the competences achieved.
13. A sufficient period of practical experience is considered necessary before candidates can present themselves to the public as professional accountants, that is, in addition to academic study or studying for a professional qualification. The exact combination of practical experience and education will vary according to the rules laid down by individual member bodies and in accordance with national and local laws, and the requirements of regulatory authorities and public expectations.
14. For example, some extended education programs that place a strong emphasis on practical application may contribute some part of the practical experience requirement. Studying for academic or professional qualifications are useful methods of acquiring and demonstrating professional accountancy knowledge gained. However, this studying does not necessarily demonstrate that professional competence in the workplace has been achieved. Experience gained at work equips trainees with many of the practical skills needed to become competent professional accountants.
15. Trainees need to gain practical experience in roles considered appropriate by the professional body to which they are applying.
16. Practical experience may be obtained after a program of study or alongside a program of study.

17. Practical experience provides a professional environment in which trainees develop competence by:
  - (a) enhancing their understanding of organizations, of how business works and of work relationships;
  - (b) being able to relate accounting work to other business functions and activities;
  - (c) becoming aware of the environment in which services are provided;
  - (d) developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4, *Professional Values, Ethics and Attitudes*); and
  - (e) having an opportunity to work at progressive levels of responsibility.

## Monitoring and Control

18. **The member body and/or regulatory authority should ensure that the practical experience candidates have gained is acceptable. Experience leading to qualification as a professional accountant should be conducted under the direction of a mentor who is an experienced member of an IFAC member body. For a program of practical experience to be effective, it is necessary for the professional body or regulatory authority, the trainee, mentor and the employer to work together.**
19. **The program of practical experience should be mutually beneficial to both the trainee and the employer and be developed together. A record of the practical experience gained should be reviewed periodically by the mentor.**
20. Prior to qualifying as a professional accountant, IFAC member bodies should assess the practical experience gained on the basis of written submissions reviewed by supervisors or mentors and possibly supported by oral submissions made by trainees.
21. The mentor may be assisted in performing the mentoring function by others in the organization, some of whom may not be professional accountants.
22. The program of practical experience needs to be designed and implemented to meet the experience requirements set by the professional body. It also needs to be efficient and cost-effective for the employer, whether that employer is in industry, commerce, government or public practice.
23. Mentors can represent an important link between trainees and member bodies. They may be responsible for the planning of the practical experience period and provide guidance to trainees. Member bodies may wish to provide training for mentors and put in place reporting arrangements.

24. IFAC member bodies, whose members are eligible for an audit license at the point of qualification, need to ensure that appropriate audit experience is acquired during the pre-qualification period. If the license is granted by an external agency, or after qualification, that agency will formulate the necessary requirements for qualification. Those requirements might also be fulfilled during the post-qualification period (see also IES 8, *Competence Requirements for Audit Professionals*).
25. The record of experience needs to be regularly compared with the overall program established for the trainee to ensure that the requirements set by the professional body or regulatory authority are being met. If progress within the program does not match the anticipated development rate, the situation needs to be reviewed to discover the reasons why and what can be done to improve it. This regular comparison will provide another opportunity for all parties to comment on the practical experience and contribute to the trainee's future development.
26. Steps that member bodies can take to ensure the achievement of appropriate experience include:
  - (a) establishing a monitoring system, normally on a sampling basis, that provides for monitoring and reporting of the practical experience obtained;
  - (b) providing detailed written guidance for employers, mentors and trainees regarding the program of practical experience and their roles and responsibilities;
  - (c) establishing a mechanism for approving employers as suitable for providing the appropriate experience for trainees;
  - (d) assessing and approving the practical experience environment before commencement of experience. (For example, the nature and scope of practical experience and the training arrangements of employers need to be reviewed to ensure that trainees would receive proper direction, supervision, mentoring, counseling and evaluation);
  - (e) assessing, prior to membership, the practical experience gained on the basis of written submissions possibly supported by oral submissions made by trainees appropriately supported (see also IES 6, *Assessment of Professional Capabilities and Competence*);
  - (f) providing feedback to trainees and certifying when competences have been achieved;
  - (g) monitoring employers and mentors previously approved. The review may advise on areas that need improvement or may recommend that approval be withdrawn if conditions have changed to the extent that relevant experience criteria are not being met;

## IES 5: PRACTICAL EXPERIENCE REQUIREMENTS

- (h) establishing a system of periodic reporting to cover changes, if any, in the nature, scope and content of the trainees' practical experience if it is impractical to visit all approved employers; and
- (i) undertaking a periodic study of the competences required by professional accountants to help to ensure that the practical experience gained is relevant and appropriate.



**INTERNATIONAL EDUCATION STANDARD 8  
PROFESSIONAL COMPETENCE FOR ENGAGEMENT  
PARTNERS RESPONSIBLE FOR AUDITS OF FINANCIAL  
STATEMENTS (REVISED)**

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## Introduction

### Scope of this Standard (Ref: Para. A2–A16)

1. This International Education Standard (IES) prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements<sup>1</sup>.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility for the Continuing Professional Development (CPD) of professional accountants, and for fostering a commitment to lifelong learning among professional accountants. Under IES 7, *Continuing Professional Development*<sup>2</sup> (2014), IFAC member bodies require all professional accountants to develop and maintain professional competence relevant and appropriate to their work and professional responsibilities. IES 8, *Professional Competence for Engagement Partners Responsible for Audits for Financial Statements* (2016) applies this IES 7 requirement to the role of an Engagement Partner. It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.
3. This IES is intended to be read in conjunction with Statement of Member Obligations (SMO) 1 – *Quality Assurance*, International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, and International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Together, these pronouncements place responsibilities on IFAC member bodies, Engagement Partners, and firms as part of the system of quality control for audits of financial statements. Also, in many jurisdictions, a regulator may have an oversight role in this system of quality control. Each of these stakeholders may have an impact on the professional competence of the Engagement Partner.
4. IFAC member bodies or other stakeholders may also apply the requirements of this IES to professional accountants performing an equivalent role to that of an Engagement Partner on audits of other historical financial information in compliance with the ISA or other types of engagements providing assurance and related services.

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<sup>1</sup> For the purpose of this IES, hereafter referred to as “Engagement Partner” per the definition set out in International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, Para 7(a).

<sup>2</sup> IES 7, *Continuing Professional Development* (2014), Para. 12.

5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

### Effective Date

6. This IES is effective from July 1, 2016.

### Objective (Ref: Para. A17–A18)

7. The objective of this IES is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner.

### Requirements (Ref: Para. A19–A31)

8. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.
9. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to undertake CPD that develops and maintains the professional competence required for this role.

**Table A: Learning Outcomes for the Professional Competence of an Engagement Partner**

Competence Area	Learning Outcomes
<b>Technical Competence</b>	
(a) Audit	(i) Lead the identification and assessment of the risks of material misstatement as part of an overall audit strategy. (ii) Evaluate responses to the risks of material misstatement. (iii) Evaluate whether the audit was performed and documented in accordance with applicable auditing standards (e.g., ISAs) and relevant laws and regulations.

IES 8, PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS  
RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (REVISED)

Competence Area	Learning Outcomes
	(iv) Develop an appropriate audit opinion and related audit report, including a description of key audit matters as applicable.
(b) Financial accounting and reporting	(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements. (ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements. (iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management. (iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern.
(c) Governance and risk management	(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.
(d) Business environment	(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.
(e) Taxation	(i) Evaluate procedures performed to address the risks of material

Competence Area	Learning Outcomes
	misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.
(f) Information technology	(i) Evaluate the information technology (IT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.  (ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
<b>Professional Skills</b>	
(i) Intellectual	(i) Resolve audit issues using inquiry, abstract and logical thought, and critical analysis to consider alternatives and analyze outcomes.
(j) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.  (ii) Resolve audit issues through effective consultation when necessary.
(k) Personal	(i) Promote and undertake lifelong learning.

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Competence Area	Learning Outcomes
	<ul style="list-style-type: none"> <li data-bbox="491 222 980 279">(ii) Act as a role model to the engagement team.</li> <li data-bbox="491 302 922 359">(iii) Act in a mentoring or coaching capacity to the engagement team.</li> </ul>
(l) Organizational	<ul style="list-style-type: none"> <li data-bbox="491 387 980 539">(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.</li> <li data-bbox="491 562 939 652">(ii) Manage audit engagements by providing leadership and project management of engagement teams.</li> </ul>
<b>Professional Values, Ethics, and Attitudes</b>	
(m) Commitment to the public interest	(i) Promote audit quality in all activities with a focus on protecting the public interest.
(n) Professional skepticism and professional judgment	(i) Apply a skeptical mindset and professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.
(o) Ethical principles	<ul style="list-style-type: none"> <li data-bbox="491 1024 980 1246">(i) Apply the ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in the context of an audit and determine an appropriate resolution to ethical dilemmas.</li> <li data-bbox="491 1269 968 1359">(ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.</li> <li data-bbox="491 1381 980 1498">(iii) Protect the confidential information of the entity in accordance with ethical responsibilities and relevant legal requirements.</li> </ul>

## Explanatory Material

### References to Definitions Contained within IAASB Pronouncements (Ref: Para. 5)

A1. This IES uses the following terms already defined within IAASB pronouncements<sup>3</sup>.

**Table B: IAASB definitions adopted in IES 8**

Defined Term	Source of Term	Definition in Use
Engagement Partner*	ISA 220 <i>Quality Control for an Audit of Financial Statements</i> , Paragraph 7 (a)	The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory body.
Engagement Team	ISA 220 <i>Quality Control for an Audit of Financial Statements</i> , Paragraph 7 (d)	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor's external expert engaged by the firm or a network firm. The term "engagement team" also excludes individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013) <sup>4</sup> .

<sup>3</sup> The ISA definitions detailed above are contained within the *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2014 Edition, Volume I*.

<sup>4</sup> ISA 610, *Using the Work of Internal Auditors* (Revised).

IES 8, PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS  
RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (REVISED)

<b>Defined Term</b>	<b>Source of Term</b>	<b>Definition in Use</b>
Financial Statements	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (f)</i>	A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.
Firm*	ISA 220 <i>Quality Control for an Audit of Financial Statements, Paragraph 7 (e)</i>	A sole practitioner, partnership or corporation or other entity of professional accountants.
Professional Judgment	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (k)</i>	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.



Defined Term	Source of Term	Definition in Use
Professional Skepticism	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing</i> , Paragraph 13 (l)	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
* “Partner” and ”firm” should be read as also referring to their public sector equivalents.		

**Scope of this Standard** (Ref: Para. 1–5)

- A2. There are many different ways to describe and categorize professional competence. Within the IES, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. CPD is a continuation of Initial Professional Development (IPD). IPD is the learning and development through which individuals first develop competence leading to performing the role of a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles. CPD provides continuous development of the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant.
- A4. As outlined in IES 7<sup>5</sup>, CPD includes practical experience. As the career of an Engagement Partner progresses, practical experience becomes increasingly important in developing and maintaining the necessary depth and breadth of professional competence. Practical experience may be evidenced by annual self-declarations, records of chargeable time, and the results of qualitative monitoring activities such as performance reviews, engagement quality assurance reviews and regulatory inspections.

<sup>5</sup> See IES 7, *Continuing Professional Development* (2014), Para. 5.



- A5. In addition to professional competence and practical experience, other factors outside the scope of this IES determine whether a professional accountant has, where required, the appropriate authority from a professional, legal, or regulatory body to perform the role of Engagement Partner.
- A6. In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may perform the role of an Engagement Partner. Licensing regimes vary widely in their requirements. Where licensing is not within the authority of the IFAC member body, IFAC member bodies shall use their best endeavors as described in SMO 2 - *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB*<sup>6</sup> to influence the licensing regime so that the IFAC member body can meet the professional competence requirements set out in this IES.
- A7. A firm, which by definition includes sole practitioners, determines who can issue an audit opinion as a legal representative of that firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can perform the role of Engagement Partner.

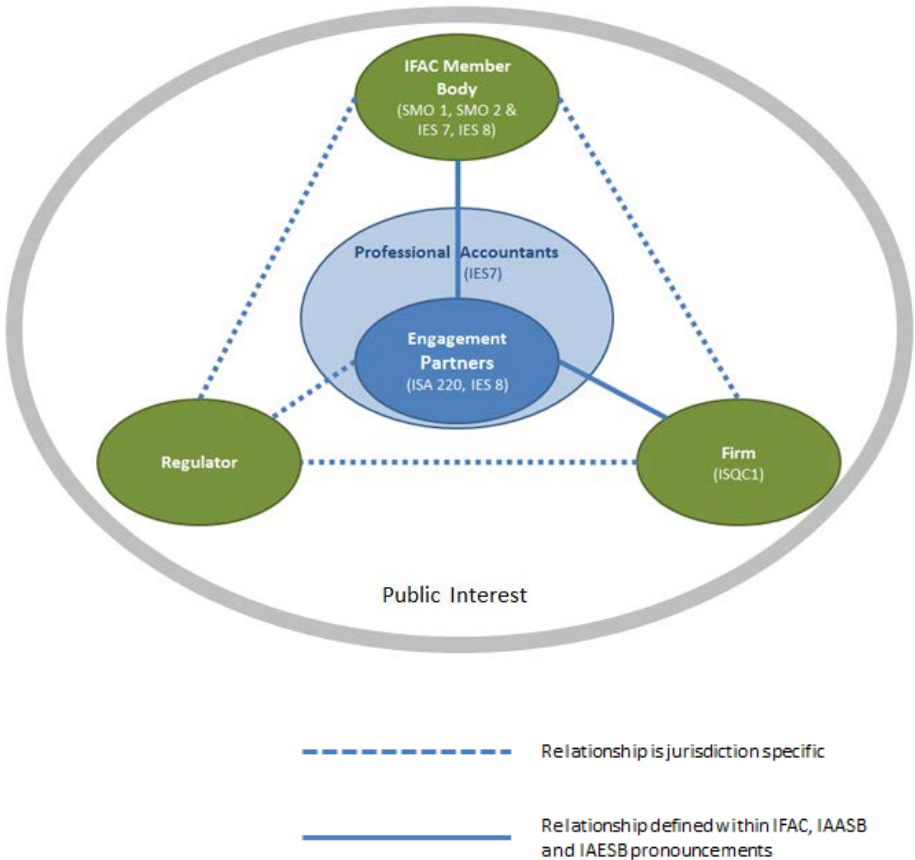
*Stakeholders That Impact the Professional Competence of Engagement Partners*

- A8. Figure 1 illustrates stakeholders that impact the professional competence of Engagement Partners. Relationships between stakeholders can be dependent on the jurisdiction or as a consequence of requirements contained in IAASB and IAESB pronouncements and obligations contained in IFAC pronouncements.

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<sup>6</sup> Statement of Membership Obligation 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the IAESB. The SMO specifically addresses (Para 9) the situation where an IFAC member body has no or shared responsibility for adopting and implementing professional accountancy education standards and guidance.

**Figure 1: Stakeholders That Impact the Professional Competence of Engagement Partners**



- A9. In accordance with IES 7<sup>7</sup>, IFAC member bodies require all professional accountants to undertake CPD to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.

<sup>7</sup> See IES 7, *Continuing Professional Development* (2014), Para. 12.

- A10. IES 7<sup>8</sup> also requires IFAC member bodies to establish a systematic process to monitor whether professional accountants meet the IFAC member body's CPD requirements.
- A11. ISA 220<sup>9</sup> addresses the responsibilities of the Engagement Partner with respect to whether the engagement team and any auditor's experts who are not part of the team, collectively have the appropriate competence and capabilities. Unless information provided by the firm or other parties suggest otherwise, ISA 220<sup>10</sup> indicates that the engagement team may rely on the firm's system of quality control in relation to the competence of personnel through their recruitment and formal training.
- A12. ISQC 1<sup>11</sup> requires the firm to establish policies and procedures designed to provide reasonable assurance that the firm has sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to (a) perform engagements in accordance with professional standards and applicable legal and regulatory frameworks, and (b) enable the firm or Engagement Partners to issue reports that are appropriate in the circumstances.
- A13. In many jurisdictions, regulators may have an oversight role in relation to IFAC member bodies, firms, and Engagement Partners.
- A14. By complying with the requirements of this IES and fulfilling their obligations under SMO 1<sup>12</sup> and SMO 2<sup>13</sup>, IFAC member bodies assist firms in complying with the requirements of ISQC 1 and assist Engagement Partners in complying with the requirements of ISA 220. Collectively these pronouncements promote clarity and consistency with respect to the professional competence required of the Engagement Partner and the engagement team, which serves to protect the public interest.

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<sup>8</sup> See IES 7, *Continuing Professional Development* (2014), Para. 17.

<sup>9</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. 14.

<sup>10</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. A2.

<sup>11</sup> See ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Para. 29.

<sup>12</sup> Statement of Membership Obligation 1 – *Quality Assurance* sets out the requirements of an IFAC member body with respect to quality assurance review systems for its members who perform audits, review and other assurance and related services engagements of financial statements. The SMO specifically addresses the situation where an IFAC member body has no or shared responsibility for setting the rules and operating the quality assurance review system.

<sup>13</sup> Statement of Membership Obligation 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* sets out the requirements of an IFAC member body with respect to international education standards and other pronouncements issued by the IAESB. The SMO specifically addresses the situation where an IFAC member body has no or shared responsibility for adopting and implementing professional accountancy education standards and guidance.

*Progressive Nature of Professional Competence*

- A15. Only those professional accountants who develop and maintain the professional competence that is demonstrated by the learning outcomes listed in Table A will be able to deal with the complex situations that Engagement Partners may face during their careers. A professional accountant aspiring to be an Engagement Partner will usually serve for several years on engagement teams, and may progress through supervisory and managerial roles under the supervision of an Engagement Partner. This progression through increasing levels of responsibility is a common path through which a professional accountant may prepare to assume the role of an Engagement Partner. Those serving as an Engagement Partner develop and maintain their professional competence through leading or serving on audit engagements, and through other professional development as part of their CPD.

*Audit of Financial Statements and Other Assurance Engagements*

- A16. This IES is applicable to Engagement Partners responsible for the audits of financial statements. The professional competence that is demonstrated by the learning outcomes in Table A may also be helpful when performing audits of other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, much of the professional competence required for an audit of financial statements may be relevant to those Engagement Partners responsible for assurance engagements relating to non-financial statement information, such as environmental or social measures.

**Objective** (Ref: Para. 7)

- A17. Establishing the professional competence that professional accountants develop and maintain in performing the role of Engagement Partner serves several purposes. It protects the public interest; contributes to audit quality; enhances the work of Engagement Partners; and promotes the credibility of the audit profession.
- A18. While a premise of this IES is that Engagement Partners have already developed the professional competence to assume that role, Engagement Partners operate in an environment of significant change. Pressure for change can come from many sources, including, but not limited to (a) increased regulation, (b) developments in financial and non-financial reporting, (c) emerging technologies, (d) increasing use of business analytics, and (e) business complexity. Change requires Engagement Partners to maintain and further develop professional competence throughout their careers.

**Requirements** (Ref: Para. 8–9)

- A19. Table A identifies the competence areas and related learning outcomes for technical competence, professional skills, and professional values, ethics,

and attitudes. A competence area is a category for which a set of related learning outcomes can be specified.

- A20. Learning outcomes establish the content and depth of knowledge, understanding, and application required for each specified competence area. The achievement of learning outcomes is an output based approach to measuring CPD. IES 7 provides further guidance in respect of the measurement of CPD.
- A21. This IES builds on the learning outcomes that describe the professional competence required by aspiring professional accountants by the end of IPD as outlined in IES 2, 3, and 4<sup>14</sup>.
- A22. Other factors in addition to the learning outcomes in Table A may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to, (a) an Engagement Partner's portfolio of audited entities, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Table A.
- A23. Irrespective of the size or nature of the entity and the firm of the Engagement Partner providing the audit, a premise of this IES is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.
- A24. IFAC member bodies may include additional competence areas or require Engagement Partners to achieve additional learning outcomes that are not specified in this IES. This may occur, for example, when an Engagement Partner audits specialized industries or transactions.

#### *Sole Practitioners and Small or Medium Practices*

- A25. By focusing on one specific role rather than an engagement team or firm structure, this IES recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within a small or medium practice<sup>15</sup>. In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

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<sup>14</sup> IES 2, *Initial Professional Development – Technical Competence* (2015); IES 3, *Initial Professional Development – Professional Skills* (2015); and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015).

<sup>15</sup> IFAC's Small and Medium Practices Committee factsheet defines SMPs as '...practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff.'

*Audit – Learning Outcomes*

- A26. Leading the identification and assessment of risks of material misstatements includes consideration of:
- the risks identified by engagement acceptance and continuance procedures;
  - an entity’s ability to continue as a going concern; and
  - the risks of material misstatement due to fraud and error.
- A27. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.
- A28. Evaluating whether the audit was performed in accordance with applicable auditing standards (e.g., ISAs), and with relevant laws and regulations, includes:
- evaluation of the sufficiency and appropriateness of audit evidence obtained and of the related documentation;
  - consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance; and
  - consideration of bias in management’s estimates and other areas of judgment.

*Organizational – Learning Outcomes*

- A29. Examples of areas where an auditor’s expert may be used on an audit include, but are not limited to, taxation, IT, legal, forensic accounting, valuations, actuarial services, and pensions.

*Professional Skepticism and Professional Judgment – Learning Outcomes*

- A30. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor’s opinion is based. Professional skepticism involves the application of a questioning mindset for the critical assessment of audit evidence. The ISAs also require Engagement Partners and their teams to exercise professional judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.
- A31. Effective CPD in the areas of professional skepticism and professional judgment requires a blend of learning methods in which mentoring,

reflection, and practical experience within the context of a work environment often play a key role.



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