

Basis for Conclusions
Prepared by the Staff of the IAESB
January 2014

International Education Standard (IES) 4

**Initial Professional
Development – Professional
Values, Ethics, and Attitudes
(Revised)**

IAESB

International Accounting
Education
Standards Board™

This document was prepared by the Staff of the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

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BASIS FOR CONCLUSIONS

INTERNATIONAL EDUCATION STANDARD 4, INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES, ETHICS, AND ATTITUDES (REVISED)

The Basis for Conclusions document for International Education Standard (IES) 4 has been prepared by the Staff of the International Accounting Education Standards Board (IAESB). It relates to, but does not form part of IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (Revised).

Background

1. In October 2009 the IAESB approved a project to redraft and revise IES 4. The IAESB agreed that IES 4 should be redrafted with the aim of:
 - Improving clarity;
 - Ensuring consistency with concepts of the *Framework for International Education Standards for Professional Accountants* (“Framework 2009”) document; and
 - Clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

In addition, the IAESB agreed to consider the following issues when revising IES 4:

- (a) Consider clarifying IES 4’s requirements to ensure that accounting education programs continue to meet the core competence required for the various roles of a professional accountant; and
- (b) Revise IES 4 to ensure consistency with the terminology and concepts set out in the International Ethics Standards Board for Accountants’ (IESBA) *Code of Ethics for Professional Accountants* (“IESBA Code of Ethics”).

The revised IES 4 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). More specifically, the revised IES 4 is primarily aimed at IFAC member bodies, but will also be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the development of aspiring professional accountants.

2. As part of its initiative to clarify the suite of 8 IESs, the IAESB agreed to a new structure to improve the clarity of its standards. The new structure will improve the readability of the IESs and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the Standards properly. The new structure includes 4 major sections: Introduction, Objectives, Requirements, and Explanatory Material. These sections place greater emphasis on the obligations and requirements of an IFAC member body in the learning and development of a professional accountant. In addition, the IAESB has also made amendments to the language of its Standards to improve the understanding of the requirements that IFAC member bodies undertake when implementing the Standards.
3. The IAESB issued an exposure draft of IES 4 [“ED-IES 4”] on July 8, 2011, with the deadline for response of October 8, 2011 and then re-exposed IES 4 [“ReED-IES 4”] on July 27, 2012, with a

deadline for response of October 11, 2012. The IAESB received 41 comment letters on ED-IES 4 from respondents representing different interests, including IFAC member bodies, regional organizations, public accounting firms, regulators, accounting organizations, academics, and individuals. Thirty-one comment letters were received on ReED-IES 4 representing the following interests: IFAC member bodies, regional organizations, public accounting firms, regulators, academics, and individuals. In addition, the IAESB Consultative Advisory Group (CAG) commented on the development of both Exposure Drafts (EDs) of the Revised IES 4. The CAG also commented on the analyses of comments received from both EDs at the September 2011 and February 2013 CAG meetings. As a result of these comments, the IAESB has implemented a number of changes to finalize the text of the Revised IES 4. The following summarizes the more significant issues raised by respondents, and how the IAESB addressed them.

Issues Raised During Exposure Period

4. Respondents raised a range of issues related to:

- Title, Scope; and Objective;
- Requirements; and
- Explanatory Material and Terminology.

Changes made to ED-IES 4 and ReED-IES 4 since their exposure to the public, are now discussed in turn below.

Title, Scope and Objective

Initial Professional Development

5. Respondents from several categories (IFAC member bodies¹, public accounting firms², and professional organizations³) to the ED-IES 4 and ReED-IES 4 indicated that the scope of IES 4 needed further clarification. Some of these respondents suggested indicating that although IES 4 is concerned principally with IPD, inevitably these founding principles will also apply in continuing professional development (CPD).
6. To improve clarity of IES 4 and to reinforce the view that the learning and development of professional values, ethics, and attitudes is also relevant to CPD, the IAESB has made the following amendments:
- The title of ED-IES 4, Professional Values, Ethics, and Attitudes (Revised), was amended to the following, IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (“Revised IES 4”). The amendment to the title reflects the IAESB’s view that IPD is the learning and development through which individuals first develop competence to perform a role of a professional accountant. The amendment also supports the view that IPD includes general education, professional accounting education, practical experience, and assessment as indicated in the *Framework 2009* document.
 - Paragraph 1 of the Introduction section of the Revised IES 4 now explains that IES 4 prescribes the learning outcomes that aspiring professional accountants are required to demonstrate for professional values, ethics, and attitudes by the end of IPD.

¹ IFAC Member Bodies: ACCA, AICPA, CGA-Canada, CICA

² Public Accounting Firms: BDO

³ Professional Organizations: FEE

- Paragraphs 2, 3, and 5 of the Introduction section of the Revised IES 4 provide additional explanation on professional values, ethics, and attitudes by recognizing: (a) the responsibility of an IFAC member body (paragraph 2); (b) the progression of learning to be undertaken in continuing professional development (paragraph 3); and (c) how IESs 2 and 3 specify the learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD (paragraph 5).

Other Issues

7. The IAESB made the following amendments to the wording of the Scope paragraphs and Objective paragraph to improve clarity:
 - Respondents from the following categories requested further amendments to improve clarity on the term, relevant ethical requirements: IFAC member bodies⁴, public accounting firms⁵, academic accounting associations⁶, and individuals⁷. The IAESB has added wording to clarify Paragraph 4 of the Revised IES 4 by explaining relevant ethical requirements in terms of the five fundamental principles of professional ethics as identified in IESBA Code of Ethics. In addition, paragraph A6 of the Revised IES 4 has been reworded to define relevant ethical requirements, while acknowledging national requirements if they are more restrictive.
 - The IAESB has included a new paragraph (Paragraph 6 of the Revised IES 4) in the Introduction section to identify the Framework 2009 and the IAESB *Glossary of Terms* as sources for the definitions and explanations of key terms. Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements have also been included in the Explanatory Material section (Paragraph A1 of the Revised IES 4).
 - Respondents from the following categories requested further clarification on the Objective paragraph: IFAC member bodies⁸, public accounting firms⁹, academic accounting associations¹⁰, professional organizations¹¹, and individuals¹². These comments included suggestions to: (a) to state the objective as “the objective of the IES”; and (b) to place greater emphasis on the responsibility of the aspiring professional accountant. The IAESB has considered these suggestions and made amendments to the Objective paragraph to clarify that the objective is stated as “the objective of the IES” and to identify aspiring professional accountants as having responsibility to develop and demonstrate professional values, ethics, and attitudes to perform a role as a professional accountant.

Requirements

8. In general, respondents from all of the categories agreed with the content of the 6 requirements of the Revised IES 4, subject to consideration of proposed editorial amendments to the wording of each requirement to improve clarity. The significant changes resulting from these amendments are discussed in the following sections.

⁴ IFAC Member Bodies: ICAS, AICPA, ICAI

⁵ Public Accounting Firms: DTT

⁶ Academic Accounting Associations: IAAER

⁷ Individuals: Altaf Noor Ali

⁸ IFAC Member Bodies: ICAS, IDW, ICPAI, JICPA, AICPA, CGA-Canada,

⁹ Public Accounting Firms: EYG, KPMG

¹⁰ Academic Accounting Associations: IAAER

¹¹ Professional Organizations: FEE

¹² Individuals: Altaf Noor Ali

Framework of Professional Values, Ethics, and Attitudes

9. Respondents requested that the IAESB clarify the requirement on the framework of professional values, ethics, and attitudes by (a) specifying what are the learning and development activities and (b) enhancing the rationale for requiring a framework of professional values, ethics, and attitudes. The IAESB agreed with these suggestions and made the following amendments: (1) replaced learning and development activities with professional accounting education programs because the scope of IES 4 has been narrowed to initial professional development; (2) included the phrase, “act in an ethical manner that is in the public interest,” which enhances the rationale for providing a framework; and (3) moved material that explained the area of professional values, ethics, and attitudes to the Explanatory Material section to provide further explanation of the scope of IES 4 (See Paragraph A5 of the Revised IES 4).

Relevant Ethical Requirements

10. Respondents requested that the wording of the requirement on integrating the IESBA Code of Ethics should be reviewed to improve consistency with that used in other international standards. The IAESB agreed to review the wording of the requirement and made the following amendments: (a) introduced the term, relevant ethical requirements, which is used by other International Standard-setters and includes the IESBA Code of Ethics and other national requirements that are more restrictive; and (b) replaced the term, learning and development activities, with the term, professional accounting education programs, because the scope of IES 4 was narrowed to initial professional development.

Learning Outcomes for Professional Values, Ethics, and Attitudes

11. Respondents supported the tabular format to present the competence areas, learning outcomes, and proficiency levels for the area of professional value, ethics, and attitudes. Further consultation with the IAESB CAG on the tabular format raised concerns that proficiency levels could be misinterpreted by readers. As a result the IAESB decided to change the format of the table by including the proficiency level within the column describing the competence areas and to include a footnote to the table which indicates that the level of proficiency for a competence area identifies the level to be achieved by the end of IPD.
12. In general, respondents agreed with the content of the learning outcome statements for each competence area, subject to consideration of proposed editorial amendments by ED respondents to the wording of the competence areas and learning outcome statements. The JICPA questioned whether the competence areas for IES 4 should be (1) professional values, (2) ethics, and (3) attitudes and suggested that the phrase, professional values, ethics, and attitudes, should be used to describe the scope of IES 4. The IAESB did not agree with this view and decided to keep the labels of the 3 competence areas as they are, while preferring to define the phrase, professional values, ethics, and attitudes, in the scope section of the revised IES 4 (Paragraphs A4 and A5). SAICA suggested that the competence area of ethical principles be divided into two competence areas: Theory of ethics; and Application of ethical principles. The IAESB considered this suggestion but decided to keep the labels of the 3 competence areas as they are. The IAESB, however, included guidance in the form of a new paragraph in the Explanatory Material section (Paragraph A22 of the Revised IES 4) to assist IFAC member bodies in deciding whether additional competence areas should be included in their professional accounting education programs.

13. In general, respondents agreed with assigning at least the proficiency level of intermediate to each of the three competence areas. These respondents indicated that this approach recognized that further development by the professional accountants occurs during their careers, while providing IFAC member bodies with the flexibility to specify a higher level of proficiency for their own professional accounting education programs. Several respondents from the following categories suggested that the higher level of advanced was more appropriate for the 3 competence areas: IFAC member bodies, public accounting firms, academic accounting associations, and professional organizations. The IAESB considered these respondents' comments, but decided to keep the proficiency level at intermediate for the three competence areas. The IAESB, however, did include additional explanation in the Explanatory Material section (See Paragraph A22 of the Revised IES 4) on factors that may lead an IFAC member body to increase the proficiency level to the advanced level for their own professional accounting education programs. Several respondents (DTT, PWC, and ICAI) requested additional clarification on how the three proficiency levels are to be applied with regards to the competence areas and learning outcomes. The IAESB has included explanation in the Explanatory Material section (See Paragraph A21 of the Revised IES 4) to address the use of proficiency levels for the competence areas and learning outcomes.

Review of Professional Accounting Education Programs

14. Respondents supported the new requirement on regular reviews and updates of the professional accounting education programs. The IAESB has provided additional explanation in the Explanatory Material section on the design of professional accounting education programs (Paragraph A32 of the Revised IES 4). In addition, the Explanatory Material section provides a suggested timeframe for the review cycle and provides examples of factors that might trigger more frequent reviews (Paragraph A33 of the Revised IES 4).

Reflective Activity

15. In general, respondents supported the requirement on the design of learning and development activities for the area of professional values, ethics, and attitudes and to include activity that is formalized and documented. Several respondents, however, (AICPA, ICAI, CGA-Canada, IDW, IAAER, PWC, BDO, and KPMG) raised implementation concerns and employer concerns on confidentiality and legal liability. The IAESB has considered respondents' comments and has decided to keep the requirement on including reflective activities in professional accounting education programs, which should be formalized and documented. The IAESB has used the Explanatory Material section to address issues raised by respondents by: (1) explaining what is reflective activity (See Paragraph A34 of the Revised IES 4); (2) recognizing instances where real-life experiences may not be suitable but simulations can provide an alternative for learning and development (See Paragraph A35 of the Revised IES 4); (3) providing examples of documentation that can be used to evidence reflective activity (See Paragraph A36 of the Revised IES 4); and (d) recognizing the impact of factors such as confidentiality, legal and regulatory requirements in choosing the nature, format and content of documentation (See Paragraph A37 of the Revised IES 4).

Assessment of Professional Values, Ethics, and Attitudes

16. In general, respondents supported the requirement on assessment. FEE questioned whether it might be better to consolidate the coverage of assessment in IES 4 into IES 6. Other respondents (CIPFA, IAAER, and ICPAI) suggested that the coverage of assessment in both IESs 4 and 6 could

be enhanced to provide more guidance on appropriate assessment methods and their design to effectively assess professional values, ethics, and attitudes. The IAESB considered these comments, but decided that the requirement because measuring the achievement of professional values, ethics, and attitudes was an important element of professional competence and assessment activities should be included in the development of the aspiring professional accountant. The IAESB has provided further guidance in the Explanatory material section on assessment activities by recognizing the value of using case studies when assessing, especially as a means to enhance assessment by examinations (Paragraph A42 of the Revised IES 4). The IAESB will look for ways to provide additional guidance through either the review of existing or new guidance on using workplace assessment to assess the development of professional values, ethics, and attitudes.

17. Minor editorial improvements were made to Paragraphs 9, 13 and 14 of the Revised IES 4 to improve the clarity and consistency. These editorial improvements do not substantially change the content of these paragraphs.

Explanatory Material and Terminology

18. Respondents of ED-IES 4 and ReED-IES 4 requested that the Explanatory Material section should be amended to provide additional explanation of the Requirements. The suggested amendments include: (1) improving the clarity of the explanation on professional judgment and professional skepticism; (2) improving the clarity of Explanatory Material section on relevant ethical requirements; (3) clarifying Explanatory Material section on reflective activity; and (4) providing a definition for public interest and its relation with IES 4.
19. In response the IAESB addressed these requests to improve the clarity of the Explanatory Material section and terminology being used in IES 4, as follows:
 - Paragraph A1 of Explanatory Material section of Revised IES 4 is included as a new paragraph to accompany Paragraph 6 on terminology by providing the IAASB definitions of professional skepticism and professional judgment. Paragraph A2 is also a new paragraph that provides context on their use within this IES and reinforces the need to interpret these terms in the broader context of a role as a professional accountant.
 - Paragraphs A3 to A11 have been included in the Explanatory Material section of Revised IES 4 to provide an explanation of following terms: aspiring professional accountant, initial professional development, professional values, ethics, and attitudes; relevant ethical requirements; professional competence; and competence areas. More specifically, Paragraph A3 has been amended to provide additional clarification on what IPD includes and when it begins and ends. Paragraphs A4, A5, and A9 have been amended to clarify: what professional values, ethics, and attitudes means; what is included in a commitment to professional values, ethics, and attitudes; and the linkage between IPD and CPD when developing professional values, ethics, and attitudes. Paragraphs A6, A7 and A10 have been included to define the following terms: relevant ethical requirements, professional competence, and competence area. Paragraph A8 is included as a new paragraph to recognize the legal and regulatory differences that exist internationally in defining the end of IPD and point of qualification for members of a member body. Finally, Paragraph A11 has been included as a new paragraph to explain the purpose of including learning outcomes for each competence area.

- Paragraph A12 of the Explanatory Material section of the Revised IES 4 has been amended to explain the Objective statement by describing reasons for establishing the professional values, ethics, and attitudes which aspiring professional accountants need to develop and demonstrate.
- Paragraphs A13 to A15 have been included in the Explanatory Material section of the Revised IES 4 to explain the requirement for a framework of professional values, ethics, and attitudes and how it can be used by an aspiring professional accountant. More specifically, paragraph A13 identifies an example of relevant ethical requirements which can be used to establish a framework of professional values, ethics, and attitudes; while, paragraph A14 explains the implications of relevant ethical requirements. Paragraph A15 has been rewritten to describe the role of the IFAC member body in promoting a commitment to act in the public interest, and provide examples of what is included in acting in the public interest.
- Paragraph A16 has been included in the Explanatory Material section of the Revised IES 4 to explain the requirement for integrating relevant ethical requirements throughout professional accounting education programs by describing how professional values, ethics, and attitudes can be treated as an aspiring professional accountant progresses within a professional accounting education program.
- Paragraphs A17 to A31 have been included in the Explanatory Material section of Revised IES 4 to explain the requirement for aspiring professional accountants to achieve learning outcomes in the area of professional values, ethics, and attitudes by the end of IPD. More specifically, Paragraphs A17 to A21 describe: how the learning outcomes are to be demonstrated (Paragraph A17); how the learning outcomes are to be achieved within a professional accounting education program (Paragraph A18); how the proficiency levels relate to the competence areas (Paragraphs A19 and A20); and what are the criteria to supplement the content of Table A (Paragraph A21). Paragraphs A22 to A27 provide guidance on: what factors to consider when identifying an approach to learning and development for professional values, ethics, and attitudes (Paragraph A22); what learning and development activities to consider in achieving the learning outcomes (Paragraph A23); how to establish learning and development activities on professional values, ethics, and attitudes (Paragraph A24); what are examples of participative approaches to the development of professional values, ethics, and attitudes(Paragraph A25); what are some of benefits of adopting a participative approach to the development of professional values, ethics, and attitudes (Paragraph A26); and what are some of the considerations in planning effective learning and development (Paragraph A27). Finally, Paragraphs A28 to A31 provide further explanation on what issues to consider in the learning and development of ethical principles and issues for the aspiring professional accountant.
- Paragraphs A32 to A33 have been included in the Explanatory Material section of Revised IES 4 to explain the requirement on regularly reviewing and updating of professional accounting education programs. More specifically, Paragraph A32 provides guidance on issues related to the design of the professional accounting education program; while, Paragraph A33 has been amended to provide guidance on the frequency of the review and an example of what may trigger the need for a review of the professional accounting education program.
- Paragraphs A34 to A38 of the Explanatory Material section of the Revised IES 4 provides guidance on the requirement for reflective activity. Paragraphs A34, A37, and A38 have been

included to provide a definition of reflective activity, guidance on the content and nature of the documentation to be maintained for reflective activity, and the need to support practical experience supervisors in reviewing the documentation on reflective activity. Paragraphs A35 and A36 have been amended and repositioned within this section to provide examples of what alternatives can be used to facilitate reflective activity and what types of documentation can be used to record reflective activity.

- Paragraphs A39 to A42 have been added to the Explanatory Material section of Revised IES 4 to explain the requirement on assessment. More specifically, Paragraph A39 identifies the assessment principles from IES 6, *Initial Professional Development – Assessment of Professional Competence* to be used in designing assessment activities to assess professional values, ethics, and attitudes. Paragraphs A40 and A41 provide examples of assessment activities within a formal education environment; while, Paragraph A42 identifies examples of assessment activities in a workplace environment which can be used to assess professional values, ethics, and attitudes.

Respondents on Exposure Draft (July 2011)

ACRONYM	FULL NAME OF ORGANIZATION
AAT	Association of Accounting Technicians, United Kingdom
ACCA	The Association of Chartered Certified Accountants, United Kingdom
AIA	The Association of International Accountants
AICPA-PCEEC	American Institute of Certified Public Accountants' Pre-certification Education Executive Committee
Álvaro Fonseca Vivas	CP Álvaro Fonseca Vivas
BDO International	BDO Global Coordination B.V.
CAI	Chartered Accountants Ireland
CGA Canada	Certified General Accountants Association of Canada
CICA	The Canadian Institute of Chartered Accountants
CICPA	Chinese Institute of Certified Public Accountants
CIMA	Chartered Institute of management Accountants
CIPFA	The Chartered Institute of Public Finance and Accountancy
CNCC-CSOES	Compagnie Nationale des Commissaires aux Comptes + Conseil Supérieur de l'Ordre des Experts-Comptables
CNDCEC	Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili
CPA-Australia	CPA Australia
CPA-Ireland	CPA Ireland
DTT	Deloitte Touche Tohmatsu
EFAA	The European Federation of Accountants and Auditors for SMEs
EYG	Ernst & Young Global
FEE	Federation des Experts Comptables Europeens
HKICPA	Hong Kong Institute of Certified Public Accountants
IBR-IRE	Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren
ICAA	The Institute of Chartered Accountants in Australia
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAS	The Institute of Chartered Accountants of Scotland
ICPAS	Institute of Certified Public Accountants of Singapore

IES 4, INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES, ETHICS, AND ATTITUDES (REVISED)

IDW	Institut der Wirtschaftsprüfer
IRBA	Independent Regulatory Board for Auditors
JICPA	The Japanese Institute of Certified Public Accountants
Juvenal	Denise Silva Ferreira Juvenal
KPMG International	KPMG International
Mahadevan	Ramachandran Mahadevan, CA
Maresca	Dr. Joseph S. Maresca, CPA, CISA
MIA	The Malaysian Institute of Accountants
NMMU	Unit for Professional Ethics, Nelson Mandela Metropolitan University
NZICA	New Zealand Institute of Chartered Accountants
POB	Professional Oversight Board (United Kingdom)
PWC	PricewaterhouseCoopers
SAICA	The South African Institute of Chartered Accountants
SAIPA	South African Institute Of Professional Accountants
SKAU	Slovenska komora auditorov

Respondents on Exposure Draft (July 2012)

ACRONYM	FULL NAME OF ORGANIZATION
AAT	Association of Accounting Technicians, United Kingdom
ACCA	The Association of Chartered Certified Accountants, United Kingdom
AICPA-PCEEC	American Institute of Certified Public Accountants' Pre-certification Education Executive Committee
Altaf Noor Ali	Chartered Accountant (Pakistan)
BDO International	BDO Global Coordination B.V.
CAI	Chartered Accountants Ireland
CGA Canada	Certified General Accountants Association of Canada
CICPA	The Chinese Institute of Certified Public Accountants
CIPFA	The Chartered Institute of Public Finance and Accountancy
CNCC-CSOEC	Compagnie Nationale des commissaires aux comptes and professional accountants, Conseil Supérieur de l'Ordre des Experts-comptables
CPA-Australia	CPA Australia
CPA-Ireland	CPA Ireland
DTT	Deloitte Touche Tohmatsu
EYG	Ernst & Young Global
FEE	Federation des Experts Comptables Europeens
HKICPA	Hong Kong Institute of Certified Public Accountants
IAAER	International Association for Accounting Education & Research
ICAA	The Institute of Chartered Accountants in Australia
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAI-India	The Institute of Chartered Accountants of India
ICAS	The Institute of Chartered Accountants of Scotland
ICPAS	Institute of Certified Public Accountants of Singapore
IDW	Institut der Wirtschaftsprufer
IRBA	Independent Regulatory Board for Auditors
JICPA	The Japanese Institute of Certified Public Accountants
Juvenal & Lopez	Denise Silva Ferreira Juvenal

KPMG International	KPMG International
NASBA	National Association of State Boards of Accountancy
PWC	PricewaterhouseCoopers
SAICA	The South African Institute of Chartered Accountants
SAIPA	South African Institute Of Professional Accountants

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