

Proposed Revised International Education Standard

**IES 4, Professional Values, Ethics, and
Attitudes**



**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Accounting Education Standards Board (IAESB) approved this exposure draft, International Education Standard (IES) 4, *Professional Values, Ethics, and Attitudes* for publication in March 2011. This IES may be modified in light of comments received before being issued in final form.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the “Submit a Comment” link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, e-mail may be sent to davidmcpeak@ifac.org. Comments can also be faxed to the attention of the IAESB Technical Manager at +1 (416) 204-3412, or mailed to:

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International Federation of Accountants
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Comments should be submitted by **July 15, 2011**.

Copies of this exposure draft may be downloaded free of charge from the IAESB website at www.iaesb.org.

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CONTENTS

	Page
Explanatory Memorandum	4
Introduction.....	4
Background.....	4
Effective Date	4
Significant Issues	4
Guide for Respondents.....	5
Supplement to the Exposure Draft.....	7
Proposed Conforming Amendments.....	7
Appendix 1. Exposure Draft	
Proposed International Education Standard 4 (Revised), “Professional Values, Ethics, and Attitudes”	8

EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to, and an explanation of, the proposed International Education Standard (IES) 4, *Professional Values, Ethics, and Attitudes*, approved for exposure by the International Accounting Education Standards Board (IAESB) in March 2011.

Background

The current version of IES 4 was published in May 2004 and became effective on January 1, 2006. IES 4 prescribes the professional values, ethics, and attitudes that professional accountants should acquire during the education program leading to qualification.

In 2009 the IAESB completed its revision of the Framework document which sets out the underlying concepts and principles for the IESs. This new Framework document, *Framework for International Education Standards for Professional Accountants* (2009), identifies general education, professional accounting education, practical experience and assessment as components of the learning and development of a professional accountant. Learning and development occurs throughout an individual's career and ensures the development and maintenance of competence required for performing the various roles of professional accountants.

As part of its project to improve the clarity of its standards, the IAESB has undertaken to revise and redraft all of its IESs in accordance with its new clarity drafting conventions. At its October 2009 meeting the IAESB agreed that all eight standards should be revised with the aim of:

- improving clarity;
- ensuring consistency with concepts of the revised Framework 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.

This approach responds to the desire for all IESs to be consistently drafted, and subject to a single statement of their authority and effect. The drafting conventions used by the IAESB in revising IES 4 for exposure, and the authority and obligation attaching to those conventions, are established in the Appendix of the *Framework for International Education Standards for Professional Accountants*, approved by the IAESB in October 2009.

Effective Date

The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by the 1st Quarter of 2013. The IAESB is expecting to finalize IES 4 in Q1 of 2012 and the Board has provisionally agreed that IES 4 will be effective for implementation for periods beginning on or after June 28, 2013. This date will depend on satisfactory progress being made, and will be amended to a later date should that prove necessary. The IAESB believes that it is in the interests of member bodies and other interested stakeholders who use the IESs that the standards should be released as soon as they are approved so as to facilitate their implementation.

Significant Issues

This section describes some of the issues and resulting decisions that the IAESB has taken in revising and redrafting of IES 4, and are summarized under the following headings.

IES 4, *Professional Values, Ethics, and Attitudes*

Learning Outcome Approach

The requirements of the extant IES 4 set out the coverage of topics to be expected in the areas of values, ethics, and attitudes, in a professional accounting education program. The IAESB views this type of list of topics as an example of an input-based approach to the content of a requirement of a Standard. It is intention of the IAESB to move towards more principle-based standards, and one way of doing this is to redraft the coverage of topics into one based on learning outcomes. The proposed IES 4 will provide a learning outcome approach that specifies the appropriate depth of education needed to become a professional accountant. It will also ensure more consistency since it will use the same terminology developed in IES 2, *Content of Professional Accounting Education Programs*, which provides the learning outcomes for a program of accountancy education. The IAESB also views these features as more useful to educational institutions, regulators and other interested parties than the current, more limited input based approach.

Reflective Activity

The extant standard encourages professional accountants and students to undertake periods of reflection in relation to lessons learned from ethical situations, but it is not set as a formal requirement. The IAESB considers reflection to be a very important element in the development of an ethical individual. In describing a requirement on reflection the IAESB concluded that the term “reflective activity” is more appropriate because it is an easier concept to explain even though there might be some translation issues. To assist in overcoming this concern the IAESB has also provided examples of reflective activity in the Explanatory Materials section of the proposed IES 4.

Assessment of a Program Containing Ethics, Values, and Attitudes

The extant standard does not identify a requirement for a formal assessment of the program containing professional values, ethics and attitudes. The IAESB is of the view that assessment of the elements of professional values, ethics, and attitudes was essential. It was noted that assessment had its own standard, IES 6, *Assessment of Professional Capabilities and Competence*, but that the decision to include or not include a specific assessment requirement in the proposed IES 4 should be applied to all IESs. To ensure that the content of the proposed IES 4 is implemented by educators, and appropriately tested, the proposed IES 4 will contain a separate requirement relating to the assessment of the program of professional accounting education containing Professional Values, Ethics, and Attitudes. A requirement on assessment was viewed as being consistent with the Framework’s discussion of assessment as a measure of the effectiveness of learning and development by a professional accountant.

Guide for Respondents

Request for General Comments

The IAESB welcomes comments on all matters addressed in this proposed International Education Standard 4 (See **APPENDIX 1**). Comments are most helpful when they refer to specific paragraphs, include the reason for the comments and, where appropriate, make specific suggestions for any proposed changes to wording to enable the IAESB to fully appreciate the respondent's position. Where a respondent agrees with proposals in the exposure draft (especially those calling for a change in current practice), it will be helpful for the IAESB to be made aware of this view.

Request for Specific Comments

The IAESB is particularly interested in comments on the matters set out below:

1. The IAESB recognizes the importance of including reflection in ethics education.

Question 1: Is the proposed requirement for reflective activity in relation to ethics education appropriate?

Question 2: Does this requirement raise implementation issues?

2. The proposed IES 4 has also been redrafted according to the guidelines provided in the IAESB Drafting Conventions.

Question 3: Is the objective to be achieved by a member body, stated in the proposed revised IES 4, appropriate?

Question 4: Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?¹

Question 5: Are there any terms within the proposed IES 4 which require further clarification? If so, please explain the nature of the deficiencies.

Comments on Other Matters

- *Translations*—Recognizing that many respondents intend to translate the final IESs for adoption in their own environments, the IAESB welcomes comment on potential translation issues noted in reviewing the proposed IES 4.
- *Developing Nations*—Recognizing that many developing nations have adopted or are in the process of adopting the IESs, the IAESB invites respondents from these nations

¹ The IAESB has identified the following criteria for determining the requirements of a Standard:

- The requirement is necessary to achieve the objective stated in the Standard;
- The requirement is expected to be applicable in virtually all situations to which the Standard is relevant; and
- The objective stated in the Standard is unlikely to have been met by the requirements of other Standards.

In determining the requirements of a Standard, the IAESB will consider whether the requirements are proportionate to the importance of the subject matter of the Standard in relation to its objective.

The criteria, which are intended only to assist the IAESB in appropriately and consistently determining requirements, may be refined as further experience is gained.

to comment, in particular, on any foreseeable difficulties in applying the proposed IES 4 in a developing nation environment.

- *Effective Date*—Recognizing that proposed IES 4 is a revision of extant IES 4, the IAESB believes that an appropriate effective date for the standard would be 12-15 months after approval of the final revised standard. The IAESB welcomes comment on whether this would provide a sufficient period to support effective implementation of the final IES 4.

Supplement to the Exposure Draft

To assist respondents in tracking changes, IAESB staff has mapped the material of the extant IES 4 to the proposed IES 4.

This staff-prepared mapping document is available on the IAESB website at <http://www.ifac.org/Education/ExposureDrafts.php>. It is for information purposes only and does not form part of the exposure draft.

Proposed Conforming Amendments

IAESB Glossary of Terms

Add:

Aspiring professional accountant An individual who has commenced professional accounting education as part of Initial Professional Development.

Reflective activity

The practice of documenting experiences relating to lessons learned from ethical dilemmas and considering what approach may be taken in the future in similar circumstances can be used by professional accountants at all stages of their careers.

PROPOSED INTERNATIONAL EDUCATION STANDARD 4 (Revised)
PROFESSIONAL VALUES, ETHICS, AND ATTITUDES

CONTENTS

	Paragraph
Introduction	
Scope of this Standard	1-4
Effective Date	5
Objective	6
Requirements	7-12
Explanatory Materials	A1-A19

Introduction

Scope of this Standard

1. This International Education Standard (IES) prescribes the professional values, ethics, and attitudes to be acquired by professional accountants through learning and development² during professional accounting education undertaken as part of Initial Professional Development (IPD).
2. This IES is addressed to IFAC member bodies, whose role it is to ensure that professional accounting education meets 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 learning and development of professional values, ethics, and attitudes.
3. Learning and development continue throughout the career of a professional accountant; and aspects of this IES are also relevant to Continuing Professional Development (CPD). Professional values, ethics, and attitudes achieved during IPD continue to develop as the career of the professional accountant changes, giving exposure to a wide range of ethical issues.
4. This IES integrates the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) into professional accounting education. The IESBA Code establishes ethical requirements for professional accountants, and sets out five fundamental principles of professional ethics: Integrity; Objectivity; Professional Competence and Due Care; Confidentiality; and Professional Behavior.

Effective Date

5. This IES is effective on or after [date].

Objective

6. The objective of a member body is to prepare aspiring professional accountants for demonstrating the professional values, ethics, and attitudes required to perform the work roles of a professional accountant. This lays the foundation for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant's career.

² 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.

Requirements

7. IFAC member bodies shall provide, through learning and development activities, a framework of professional values, ethics, and attitudes for aspiring professional accountants to exercise professional judgment in the public interest. (Ref: Para. A2-A3)
8. IFAC member bodies shall integrate the IESBA Code, including any additional local requirements, into learning and development activities. (Ref: Para. A4 – A5)
9. The coverage of professional values, ethics, and attitudes in the learning and development activities of the aspiring professional accountant shall be based on an understanding of (a) ethical concepts, (b) theories, and (c) the five fundamental principles of the IESBA Code, which foster a commitment to:
 - the public interest and sensitivity to social responsibilities;
 - lifelong learning and CPD;
 - quality;
 - reliability, responsibility, timeliness, and courtesy; and
 - respect of laws, regulations, and local societal norms. (Ref: Para. A6 – A11)
10. IFAC member bodies shall establish that the learning and development of aspiring professional accountants, at a minimum, includes developing the ability to:
 - explain the nature of ethics;
 - explain the advantages and drawbacks of detailed rules-based and framework approaches to ethics;
 - explain the role of ethics within the profession and in relation to the concept of social responsibility;
 - explain the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest;
 - explain the role of ethics in relation to business and good governance;
 - compare concepts of objectivity, professional skepticism, accountability, and public expectations;
 - compare the consequences of unethical behavior to the individual, to the profession, and to society at large;
 - apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and their resolution; and
 - apply the IESBA Code to professional behavior and compliance with technical standards. (Ref: Para. A12 – A15)
11. IFAC member bodies shall design learning and development for aspiring professional accountants to include reflective activity that is formalized and documented in relation to lessons learned from ethical dilemmas. (Ref: Para. A16 – A18)
12. IFAC member bodies shall establish appropriate assessment processes that measure the competence of professional accountants in relation to professional values, ethics, and attitudes. (Ref: Para. A19)

Explanatory Materials

- A1. An aspiring professional accountant is an individual who has commenced professional accounting education as part of IPD. (Ref: Para. 6)
- A2. Professional values, ethics, and attitudes are defined in the *IAESB Glossary of Terms* as the professional behavior and characteristics that identify professional accountants as members of a profession. (Ref: Para. 7)
- A3. Under the IESBA Code, professional accountants accept a responsibility to act in the public interest. Actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer. (Ref: Para. 7)
- A4. Professional values, ethics, and attitudes may at first be treated as a separate subject. As aspiring professional accountants progress and gain a wider knowledge of other subjects, professional values, ethics, and attitudes may be integrated with other subject matter. This encourages aspiring professional accountants to recognize and consider the possible ethical implications of problems being discussed in their study of other subjects. (Ref: Para. 8)
- A5. In setting the learning and development for aspiring professional accountants, IFAC member bodies, educators, and other stakeholders are advised to consider how to integrate the IESBA Code with local regulations and requirements. (Ref: Para. 8)
- A6. Professional values, ethics, and attitudes apply to everything that professional accountants do. Having a knowledge and understanding of ethical concepts and theories can help the aspiring professional accountant to recognize and address ethical dilemmas. (Ref: Para. 9)
- A7. In fostering a commitment to the public interest, it is important that aspiring professional accountants understand that professional accountants contribute to confidence and trust in the capital markets. Learning and development may address (a) particular ethical issues likely to be faced by all professional accountants, and also (b) those ethical issues more likely to be encountered by professional accountants in the workplace. (Ref: Para. 9)
- A8. IFAC member bodies, educators, and other stakeholders are encouraged to distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and instilling 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. (Ref: Para. 9)
- A9. Learning and development for aspiring professional accountants may be structured in such a way that the necessary periods of training and practical experience give aspiring professional accountants an opportunity to observe the application of professional values, ethics, and attitudes in the workplace. (Ref: Para. 9)
- A10. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants (a) to identify any apparent ethical implications and conflicts in their work, (b) to form preliminary views on such occurrences, and (c) to discuss them with their supervisors. (Ref: Para. 9)
- A11. Those responsible for the design and supervision of practical experience programs are encouraged to recognize that ethical problems and potential dilemmas for the aspiring professional accountant may occur within the period of practical experience. Where there is

doubt about the ethical aspects of a course of action or situation, guidance may be given to aspiring professional accountants about the need to consult employers, mentors, supervisors within their work environment or an IFAC member body, whichever is appropriate. (Ref: Para. 9)

- A12. The learning outcomes establish both the content and the depth of knowledge, understanding, and application required for each specified area. 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 and objectives. (Ref: Para. 10)
- A13. In determining the approach to each of the learning outcomes, some aspects of classroom-based education may be replaced by practical experience. (Ref: Para. 10)
- A14. IFAC member bodies, educators, and other stakeholders are encouraged to use participative approaches that can enhance the learning of professional values, ethics, and attitudes. These may include:
- the use of teaching materials such as case studies;
 - role playing;
 - discussion of selected readings and online materials;
 - analysis of real-life business situations involving ethical dilemmas;
 - discussion of disciplinary pronouncements and findings; and
 - seminars using speakers with experience of corporate or professional decision making. (Ref: Para. 10)
- A15. Participative approaches may 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. A variety of approaches can be used to enhance the learning experience. (Ref: Para. 10)
- A16. The practice of documenting experiences and considering what approach may be taken in the future in similar circumstances can be used by professional accountants at all stages of their careers. (Ref: Para. 11)
- A17. The evidence of reflective activity can take many forms, which may include a:
- record of learning;
 - reflective record;
 - personal development portfolio; or
 - critical incident diary. (Ref: Para. 11)
- A18. The most realistic experience on which professional accountants reflect may occur in the workplace. Simulations of “real life” experiences may also offer a suitable alternative. (Ref: Para. 11)
- A19. Differing measurement approaches to assessment can be employed by IFAC member bodies, educators, and other stakeholders. In determining the most appropriate forms of assessment, IFAC member bodies, educators, and other stakeholders are advised to consider an appropriate mix based on input, output, and process measures. (Ref: Para. 12)



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