



International Accounting  
Education  
Standards Board

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March 15, 2012

Russell Guthrie  
Executive Director  
Quality and Member Relations  
International Federation of Accountants  
545 Fifth Avenue, 14th  
New York, York 10017 USA

**Re: International Federation of Accountants' Exposure Draft,  
*Statements of Membership Obligations 1-7(Revised)***

Dear Mr. Guthrie,

The International Accounting Education Standards Board (IAESB) appreciates the opportunity to comment on the International Federation of Accountants' (IFAC) Exposure Draft entitled, *Statements of Membership Obligations 1-7(Revised)*.

The IAESB is an independent standard-setting board that develops and issues, in the public interest and under its own authority, standards, practice statements, information papers, and other information documents on pre-qualification education and training of professional accountants and on continuing professional education and development for members of the accountancy profession. In developing its education pronouncements, the IAESB works under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAESB, and the IAESB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

In general the IAESB supports the principles and concepts enunciated in the Exposure Draft (ED) of IFAC's Statements of Membership Obligations (SMOs). The IAESB is also fully supportive of IFAC's goal to provide clear benchmarks to current and potential IFAC member bodies, to assist them in ensuring high-quality performance by professional accountants. The IAESB views its set of eight International Education Standards (IESs) as an important benchmark to assist IFAC member bodies in addressing the principles of learning and development for professional accountants.

The IAESB has chosen to comment on only those questions that fall within the IAESB's remit of responsibility. We provide comment on the following.

## **SECTION I. REQUEST FOR GENERAL COMMENTS**

The IAESB welcomes the use of plain English writing principles to improve the clarity and understanding of the obligations to IFAC member bodies. This approach is currently being supported by other Public Interest Activity Committees (PIACs) and IFAC committees when developing their pronouncements. The IAESB supports the use of the word "shall" in specific provisions to identify a requirement on an IFAC member body or associates. The Education Board, however, notes that the SMO requirements are not presented in a separate, labeled section entitled, Requirements. The use of a Requirements section ensures that requirements are identified as IFAC membership obligations and promotes consistency with other PIAC pronouncements. Positioning a guidance section directly after the Requirements section enables the reader to identify accompanying guidance for corresponding requirement paragraphs and improves clarity. This type of presentation also enables the reader to differentiate helpful guidance from what could be interpreted as implied requirements because of inappropriate wording or translation issues.

The IAESB agrees and supports a SMO requirement to have IFAC member bodies and associates establish a process or support a process to provide translation of standards and the extent practicable, of related exposure drafts. The IAESB views translation as an important means to improve awareness of its standards and to assist in their adoption and implementation. The IAESB suggests that the wording "shall use best endeavors" (Paragraph 13 of SMO 2) be reviewed as the use of "shall" in this instance implies that the member body has no responsibility in the translations area according to the applicability framework. For purposes of consistency with previous SMO requirements the requirement for translations should align with the criteria of the applicability framework and be expressed in terms of member bodies and associates that have direct responsibility, no responsibility, or shared responsibility.

## **SECTION II. REQUEST FOR SPECIFIC QUESTIONS**

**Question 1: Considering differing national regulatory environments around the world, does the applicability framework included in each SMO provide sufficient clarity on what is expected of member bodies, when they have varying degrees of responsibility for an SMO area?**

The IAESB supports the use of the “best endeavors” concept and the accompanying guidance presented in the form of an applicability framework. SMO 2 now includes a set of obligations which refer to the applicability framework that recognizes IFAC member bodies and associates operate under different national legal and regulatory frameworks. This type of recognition is especially appropriate in the area of professional accounting education where various education models continue to exist. Some member bodies work within a legislated environment which includes the requirements of Government Acts and Regulations in areas of educational curriculum and work experience. The IAESB, however, is concerned that too much is left to interpretation as to what constitutes acceptable reasons for departure on public interest grounds (Paragraph 8 of SMO 2). The IAESB requests that the term “best endeavors” be clearly defined and additional guidance should be provided in the form examples to illustrate cases where a member body has no responsibility and should use best endeavors.

**Question 2: The SMOs refer to adoption and implementation of international standards and provide descriptions of both concepts to ensure that both terms are understood in their broader meaning. Are these descriptions sufficient to ensure clear understanding that adoption and implementation encompasses a broad range of actions including national convergence, harmonization, incorporation, transposition, and integration of international standards into national frameworks?**

The IAESB endorses the change in terminology from “Incorporation” to “Adoption and Implementation.” By providing clear and concise definitions of adoption and of implementation the reader will understand their differences and mobilize the appropriate resources to accomplish the requested actions. The IAESB also supports the activities that have been provided to describe adoption and implementation. The IAESB does request, however, further guidance to explain how developed member bodies which have met or exceeded the requirements of the IESs, be recognized for successively adopting the IESs and incorporating them into their national requirements. This type of recognition would assist in developing a credible process for adoption and benchmarking of the IESs

## **SECTION III: OTHER MATTERS**

In reviewing the SMO document the IAESB would like to raise the following issues with the aim of improving its clarity.

- Paragraph 3 of SMO 2 needs to be updated to reflect the concepts and principles identified in the IAESB *Framework for International Education Standards for Professional Accountants*

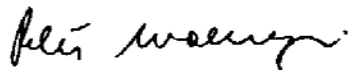
(2009). The IAESB suggests that paragraph 2 be replaced with the following to ensure consistency with the content of SMOs 3 and 4.

International standards issued by the IAESB comprise *International Education Standards* (IESs). The IAESB also issues *International Education Practice Statements* (IEPSs), and *International Education Information Papers* (IEIPs), which provide guidance and assistance to IFAC member bodies in implementing international standards, and promote good practice.

- The IAESB acknowledges that the SMOs are targeted to IFAC member bodies, but the nature of communications needs to be targeted to a broader audience so as to engage the many other stakeholders that are interested in professional accounting education. For example, the set of eight IESs are intended not only to assist IFAC member bodies, but also assist a wide range of stakeholders including: universities, employers, regulators, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants. It is suggested that Universities be included in the list provided in paragraph 6c to identify this important stakeholder and its responsibilities in the development, delivery, and assessment of professional accounting education.
- Paragraph 8 of SMO 2. IAESB requests further guidance on what are acceptable public interest reasons for departure in complying with the requirement of SMO 2 when a member body has direct responsibility.
- Other minor editorial suggestions are included in Appendix 1 with the aim of improving the clarity and consistency with the other SMOs.

We hope these comments are helpful.

Yours sincerely,



Peter Wolnizer

IAESB Chair

Emeritus Professor, University of Sydney, Australia

## STATEMENT OF MEMBERSHIP OBLIGATIONS 2

### INTERNATIONAL EDUCATION STANDARDS FOR PROFESSIONAL ACCOUNTANTS AND OTHER IAESB GUIDANCE

#### Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

#### Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to international standards, ~~related practice statements, and other papers~~ issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body supported by IFAC. To understand and address the requirements, it is necessary to consider the entire text of the International Education Standard and the SMO.
3. International standards ~~and other publications~~ issued by the IAESB comprise International Education Standards (IESs) ~~for Professional Accountants~~. The IAESB also issues International Education Practice Statements (IEPSs) for Professional Accountants, and International Education Information Papers (IEIPs) ~~for Professional Accountants, which provide guidance and assistance to IFAC member bodies in implementing international standards, and promote good practice~~. IESs prescribe standards of generally accepted "good practice" in the education and development of professional accountants. They establish the essential elements (e.g., the subject matter, methods, and techniques) that accounting education and development programs are expected to contain.
4. A description of, and the authority attached to, IESs, IEPSs, and IEIPs are contained in the *Framework for International Education* Statements Standards for Professional Accountants issued by the IAESB.

#### Applicability Framework

5. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
6. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
  - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for adopting and implementing professional accountancy education standards and guidance; or

- (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for adopting and implementing professional accountancy education standards and guidance; or
- (c) shared responsibility with government, regulators, universities or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

#### *Direct Responsibility*

- 7. Where IFAC member bodies have direct responsibility they shall implement all the requirements of the IESs to comply with the requirements of this SMO.
- 8. In exceptional circumstances, an IFAC member body may depart from a requirement of an IES~~this SMO~~, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of the IESs and this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

#### *No Responsibility*

- 9. Where member bodies have no responsibility they shall use best endeavors to:
  - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
  - (b) assist in the implementation where appropriate.
- 10. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

#### *Shared Responsibility*

- 11. Where member bodies have shared responsibility they shall:
  - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and
  - (b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.

### **Requirements and Application Guidance**

- 12. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the international standards issued by the IAESB adopted and implemented in their jurisdictions.
  - “Adoption” is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions<sup>1</sup>, including incorporation

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<sup>1</sup> As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

into national requirements or requiring the use of international standards through law. Adoption typically includes a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and where applicable, a convergence process to eliminate or minimize differences between international and national standards.

- “Implementation” typically includes a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.
13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards<sup>2</sup> and, to the extent practicable, of related exposure drafts.
  14. IFAC member bodies shall notify their members of all new, proposed, and revised international standards, related practice statements, and other papers issued by the IAESB.
  15. IFAC member bodies are encouraged to comment on IAESB exposure drafts.

#### **IFAC Compliance Assessment**

16. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as to the differing national environments, stages of development, and other relevant environmental factors.
17. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
18. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance, and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

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<sup>2</sup> Translations, if any, shall be made in line with the IFAC Policy Statement, *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants*. The policy document is available on the IFAC website.

**Effective Date**

19. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.