



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

October 1, 2012

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2  
Canada

**Re: Exposure Draft IES 4 Professional Values, Ethics, and Attitudes**

On behalf of the AICPA's Pre-certification Education Executive Committee, please find below our response, comments, and additional questions regarding the Exposure Draft IES 4, Professional Values, Ethics, and Attitudes (ED).

We appreciate the opportunity to respond to this ED. We address the specific areas on which IAESB seeks comments plus offer additional comments that the AICPA PcEEC believes require further consideration.

**Overall comments**

We believe that it is important to include reference to when Initial Professional Development (IPD) begins and, especially, when it ends. That represents an important transition point in the career of a professional accountant and also would indicate when the standard for IPD ceases to apply and the point at which assessment should be complete.

While the language in paragraph A32 is a considerable improvement over the language in the first draft, we remain very concerned that the documentation list includes a critical incident diary and a reflective record. We do not believe that such a diary or reflective record is consistent with client and employer concerns about confidentiality and legal liability. In many cases, it is neither practicable nor desirable for practitioners to prepare and maintain records that may contain confidential information or may be an incomplete or inaccurate understanding of the facts and circumstances. Our response, dated June 29, 2011, to the original IES 4 Exposure Draft, expresses this concern and we remain concerned about the potential client confidentiality and legal ramifications of such documentation. It also is not clear why real life appears in quotes in paragraph A31, a

presentation that can have a pejorative meaning in the United States. We believe that a well-constructed case study offers many advantages as a learning device over real life incidents. Unlike real life circumstances that often can only be discussed with those directly involved due to confidentiality requirements, a well-constructed case can be reviewed and discussed by a wide range of participants. Instructors also can tailor the facts to illustrate learning objectives or illustrate how changes could affect the ethical outcomes.

As a final note, as the examples outlined below highlight, in many cases it is not the IFAC member bodies that actually have jurisdiction over these functions outlined below (i.e., US state boards, NASBA, AACSB etc.). We would support wording such as “or work with the appropriate jurisdictional bodies.” be inserted in the following paragraphs.

Framework of Professional Values, Ethics, and Attitudes (Ref Para A10-A13)

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

Relevant Ethical Requirements (Ref Para A14)

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 A15-A27)

11. **IFAC member bodies shall prescribe the learning outcomes** that demonstrate the professional competence required of aspiring professional accountants by the end of IPD. For professional values, ethics, and attitudes these learning outcomes shall, at a minimum, include those listed in Table A.

### **Question 1. Do you agree with the tabular format adopted for learning outcomes?**

We agree with the proposed tabular format for learning outcomes.

### **Question 2. Do you agree with the competence areas identified for ethics education?**

While we generally agree with the competence areas as described in the Explanatory Materials, we believe that the tabular presentation could be improved to better reflect those materials. For example, a learning objective for ethical principles reads:

“Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate resolution.”

A professional accountant must be able to apply the fundamental ethical principles to a wide range of activities, many of which will not involve ethical dilemmas. The ability to identify and successfully resolve ethical dilemmas may require all of the skill levels identified and could be considered an advanced skill.

We also note that compliance with relevant standards is an important component of ethical behavior and therefore the ability to apply the principles in ethical standards to a wide range of activities would be an important learning outcome.

**Question 3. Do you agree with the minimum levels of proficiency as identified for each competence area?**

We agree.

**Question 4. Do you agree that the learning outcomes related to professional skepticism and professional judgment identified are appropriate for ethics education?**

We believe that the learning outcome for professional judgment could be improved by better alignment with the definition of professional judgment in Table B. For example, the desired learning outcome could be expressed as: apply relevant training, knowledge, and experience, within the context of relevant standards, in making informed decisions about appropriate courses of action.

**Questions 5: Does Appendix 1 of the proposed IES 4 Exposure Draft (June 2012) provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 11 of the proposed IES 4 Exposure Draft (June 2012)? If not, what changes do you suggest?**

We believe strongly that the sections on the critical incident record need to be revised as those sections are not consistent with the need to protect client confidentiality or firm document retention policies, nor would they necessarily produce the optimum educational outcome.

**Question 6. Are there any terms within the proposed IES 4 Exposure Draft (June 2012) which require further clarification? If so, please explain the nature of the deficiencies?**

We suggest that the term initial professional development be further clarified to specify when IPD begins and ends.

**Question 7. Do you anticipate any impact or implications for your organization, or organizations with which you are familiar, in implementing the new requirements included in this proposed IES 4 Exposure Draft (June 2012)?**

We anticipate conflicts between the policies of our member's firms over the issue of the critical incident diary and reflective activities.

Respectfully Submitted,



Bruce Behn, Chair

Pre-Certification Education Executive Committee



John Hepp, IAESB Response Task Force Chair

Member, Pre-Certification Education Executive Committee



Dennis R. Reigle, IAESB Board Member

AICPA Special Projects Business Advisor

