



October 26, 2012

Technical Manager
International Accounting Education Standards Board
International Federation of Accountants
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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 2, Initial Professional Development—Technical Competence (ED), and Exposure Draft IES 3, Initial Professional Development – Professional Skills (ED).

We appreciate the opportunity to respond to these EDs. We address the specific areas on which IAESB seeks comments and offer some additional feedback for the Board's consideration.

Overview

When preparing our response to both IES 2 and IES 3, we found it difficult to answer some of the issues due to uncertainty as to the precise meaning of Initial Professional Development and, in particular, as to when IPD concludes. In the United States, IPD generally concludes at the end of academic preparation and the receipt of at least a bachelors degree followed by a relevant period of practical experience. Formal assessment in the form of the Uniform CPA Examination, as prepared by AICPA and administered by the various state boards of accountancy, can also be part of IPD depending on when the examination is taken and passed. Also, there are sometimes unique requirements for completion of the licensing process, which may include a separate ethics component and varying experience requirements. Our responses therefore could vary depending on whether the conclusion of IPD is determined to be at the conclusion of academic preparation and some level of practical experience, and/or completion of an assessment process (the CPA examination), and perhaps completion of licensure. Completion of the academic process and the CPA examination is geared toward entry-level knowledge in the United States. While there is no formal requirement, as a practical matter the training of a professional accountant continues in both formal classroom settings, distributed media including documents prepared by accounting firms or professional associations and widely distributed, and on the job supervision. There is no formal assessment at the end of this experience period.

An academically oriented program therefore differs in significant features from an educational program that is designed and administered by a professional organization where learning primarily occurs in the workplace. For example, one could reach a different conclusion on a number of issues regarding the description of IPD, assessment, and the experience requirement. For example, when education primarily occurs in a university setting, should expected outcomes include skills that would normally be learned subsequent to assessment in the workplace? On the other hand, when education primarily occurs in the

work place, does work during the learning period prior to completion of coursework and assessment count as professional experience? Is it appropriate to have the employer conduct the assessment of its own employees for certification purposes? Overall, we believe that the features of the two models differ enough to require some mention within the standards to preclude what could be differences in interpretation when applied to different circumstances.

Different circumstances can even affect the scope of the standards. IES 2 and 3 are addressed to IFAC member bodies that have responsibility for ensuring that IPD meets the requirements of this IES. While this requirement would be uncontroversial in environments where the professional association designs and oversees programs of professional education, in the United States, it is the state boards of accountancy that have responsibility for ensuring that IPD meets the minimum requirements. Further, each university is responsible for its own curriculum, subject to the requirements of its individual accreditation body. Therefore, we again raise the concern that these standards may be assigning responsibilities to the IFAC member body that is not within its capacity within the institutional environment in the United States. Therefore, for example, we do not agree that IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES. We also qualify our agreement to the provision that IFAC member bodies shall establish appropriate assessment activities to assess the achievement of the technical competence of aspiring professional accountants. The AICPA in the United States can assist by providing guidance to those with responsibility for assessment and establishing appropriate assessment activities.

For the reasons outlined above, we also have comments about the outcomes identified in the standard and whether the skill levels identified are appropriate in all contexts as well.

IES 2 Responses

Question 1: Do the 11 competence areas listed in Paragraph 7 of the proposed IES 2 (Revised) capture the breadth of areas over which aspiring professional accountants need to acquire technical competence? If not, what do you suggest?

As we note in our letter on professional skills, knowledge of advanced mathematics is essential to modern professional accountants. In particular, foundational or intermediate knowledge of the mathematics of finance is a base requirement for accountants and auditors. Advanced knowledge of statistical sampling methods is also essential for auditors. In addition, auditors should have knowledge of techniques such as regression analysis. Finally, we believe it is also important that professional accountants understand business processes, models, and transaction flows in order to assess risk, internal control adequacy, and audit planning etc.

Question 2: Do the learning outcomes listed in Paragraph 7 of the proposed IES 2 (Revised) capture adequately the minimum levels of proficiency to be achieved by an aspiring professional accountant by the end of IPD? If not, what changes do you suggest?

Once again, we cannot fully respond to this question without clarity on when IPD ends. If the end of IPD, and assessment, occurs at the end of academic training and an assigned period of practical experience, as is the case in the United States, then some of the skills might be set at too high a level. Assessment in the United States is directed toward entry-level proficiency at or shortly beyond the end of academic training. We believe it would be unreasonable to expect professional accountants to independently apply, compare and analyze underlying principles and theories from relevant areas of technical competence to complete work assignments and to make decisions at that point in time. Most accounting firms would expect this at

the senior staff level. Instead, we would expect entry-level professional accountants to solve frequently encountered problems and refer complex tasks or problems to supervisors or those with specialized expertise, which is part of the foundation level of expertise. The advanced skill level would be not expected until a professional accountant has several years of experience and is at or near the level of expertise expected of a manager at most firms. Consequently, as relates to our system, many of the proficiency levels are set at too high a level for the end of IPD.

Questions 3: Does the Appendix provide adequate clarification to assist in the interpretation of the learning outcomes that are listed in Paragraph 7 of the proposed IES 2 (Revised)? If not, what changes do you suggest?

We believe that the terms foundation and intermediate should be re-examined, in part to distinguish between skills that are core skills that require a high level of expertise such as financial reporting skills and other skills where familiarity but not deep expertise is anticipated. This is especially important for technical skills.

Question 4: Overall, are the Requirements paragraphs 7, 8, and 9 of the proposed IES 2 (Revised) appropriate for ensuring that aspiring professional accountants achieve the appropriate level of technical competence by the end of IPD? If not, what changes do you suggest?

In general, we are very supportive of both the competence areas and learning outcomes delineated. However, as pointed out earlier in this comment letter, the minimum levels of proficiency specified are difficult to support without a clearer definition of when IPD ends. If that is a determination to be made by the member bodies, then different systems would dictate different proficiency levels.

Question 5: 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 2 (Revised)?

We anticipate that the standard as proposed creates implementation questions given the current model for IPD and assessment in place within the United States, including outcomes, skill levels, and responsibilities attributed to the member body. Implementation of the standard as written would require institutional adjustments, some of which would be difficult to make, unless the end point for IPD can be clarified and made adaptable to different systems.

Question 6: Is the objective to be achieved by a member body, stated in the proposed revised IES 2, appropriate?

As noted in our general comment, we are concerned that the objective assigns responsibilities to the IFAC member bodies that are not always within their capacity, including in the institutional environment found in the United States. While professional associations continually coordinate and/or sponsor continuing education courses, IPD is not part of their mandate per se.

Question 7: 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?

We do not believe the resulting requirements have been specified in a manner to promote consistent application between jurisdictions where the professional association is responsible for IPD and assessment and those where IPD are within the purview of universities and other entities, including regulatory bodies.

Question 8: Are there any terms within the proposed IES 2 (Revised) which require further clarification? If so, please explain the nature of the deficiencies.

We believe that the terms foundation and intermediate should be re-examined, in part to distinguish between skills that are core skills that require a high level of expertise and other skills such as financial reporting skills where familiarity but not deep expertise is anticipated. This is especially important for technical skills.

IES 3 Responses

Question 1: Do you support the definition of professional skills?

We agree with the definition of professional skills.

Question 2: Do you support the removal of General Education from this IES?

We do not support the removal of general education from this IES. The 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. We agree with that assessment. Further, we note that professional skills include “the intellectual, personal, interpersonal, communication, and organizational skills that a professional integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.” We believe that intellectual, personal, interpersonal, communication and organizational skills are best obtained in a diverse program of general education.

Question 3: Is the objective to be achieved by an IFAC member body, stated in the proposed IES 3 (Revised), appropriate?

As noted in our general comment, we are concerned that the objective assigns responsibilities to the IFAC member bodies that are often not within their capacity, including in the institutional environment found in the United States. While professional associations continually coordinate or sponsor continuing education courses, IPD is not specifically part of their mandate.

Question 4: Do you agree with the adoption of a learning outcomes approach?

We agree with and endorse adoption of a learning outcomes approach.

Question 5: Table A of the proposed IES 3 (Revised) provides learning outcomes for various competence areas of professional skills, are there any additional learning outcomes that you would expect from an aspiring professional accountant?

While we support the learning outcomes presented, we believe that the list is somewhat incomplete. In particular, we note the absence of mathematical skills as a professional skill (as well as a technical skill). A professional accountant at a minimum should understand higher order mathematics, including the ability to understand and apply statistical methods and valuation methods, correctly interpret the results of statistical procedures, have sufficient knowledge of calculus to understand and apply optimization models, and be able to interpret regression analyses. We also suggest that the competence areas include specific

mention of logic within intellectual skills, effective speaking in small and large group settings within interpersonal and communication skills. In addition to displaying sensitivity to language and cultural issues, we believe that appropriate, knowledge of the languages used to prepare the books of account, supporting documentation and the financial reports is and essential communication skill for a professional accountant.

Question 6: For Table A of the proposed IES 3 (Revised) are there any learning outcomes that you do not think are appropriate?

We believe that some of the current outcomes may be more appropriately addressed after the conclusion of IPD, especially under the categories of organization skills and personal skills. Some of the outcomes listed would be learned and applied subsequent to the conclusion of academic IPD, required practical experience, and assessment for proficiency at the entry level in the United States. We suggest that these skills be re-evaluated once there is a clearer determination of what constitutes the end of IPD in academic versus workplace IPD programs, and whether the same standards would appropriately apply to both.

Question 7: Are the minimum levels of proficiency included in the proposed IES 3 (Revised) appropriate for each professional skills competence area?

If the end of IPD, and assessment, occurs at the end of academic training, as is often the case in the United States, then some of the skills are set at too high a level. Assessment in the United States is often directed toward entry level proficiency at or near the end of academic training. For example, we believe it would be unreasonable to expect professional accountants to independently apply, compare and analyze underlying principles and theories from relevant areas of technical competence to complete work assignments and to make decisions at that point in time. Most accounting firms would expect this at the senior staff level. Instead, we would expect entry-level professional accountants to solve frequently encountered problems and refer complex tasks or problems to supervisors or those with specialized expertise, which is part of the foundation level of expertise. The advanced skill level would be not expected until a professional accountant has several years of experience and is at or near the level of expertise expected of a manager at most firms.

Question 8: Overall, are the requirements clear and appropriate? If not what changes would you like to see?

Please see paragraph 3 in our Overview section earlier in this letter. In theory the requirements seem clear and, for the most part, appropriate. However, the timing of the learning outcomes and proficiency levels will vary by the education systems in place.

Question 9: 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 revised IES 3 (Revised)?

Please see our response to Question 5 in the IES 2 comments.

Question 10: Are there any additional explanatory paragraphs needed to better explain the requirements of the proposed IES 3 (Revised)?

Not as proposed.

Question 11: 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?

Please see our response to Question 7 in the IES 2 comments.

Question 12: Are there any terms within the proposed IES 3 which (Revised) require further clarification? If so, please explain the nature of the deficiencies.

Please see our response to Question 8 in the IES 2 comments.

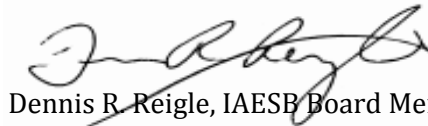
Respectfully Submitted,



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