

The Board Members
International Accounting Education Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, New York 10017 USA

31 October 2012

Dear Board Members:

*Re: Comments on Proposed International Education Standard (IES) 2
Initial Professional Development - Technical Competence (Revised).*

We wish to place on record our sincere appreciation for the hard work done by the Board for the cause of education of accountants. We see you as architects of the accountants.

We are also pleased to convey our impression of the proposed standard.

[Abbreviations: p. = paragraph in the Standard followed by number (capital "A" with number refers to the para in the "Explanatory Material"), proposed standard = IES 2, Board = IAESB International Accounting Education Standards Board, IES = International Education Standard, IFAC = International Federation of Accountants, IPD = Initial Professional Development]

Opening Comments:

The IES 2 simply outlines in nine paras the most basic of structure in terms of minimum competence areas, minimum learning outcomes, and minimum level of proficiency and leaves it for the individual IFAC member body to fill in the rest of the significant details, without further ado. If so, one wonders if achieving some semblance of uniformity in the professional accounting education programs is at all an aim of the IES 2, when such application may result in so varying facades of accounting education.

We also find this state not truly representative of the assertion that the term professional competence is the ability to perform a role to a defined standard. A better description is that professional competence is a relative term and refers to the ability to perform a role prescribed (not defined) by an IFAC Member body. The Board needs to accept the reality that professional competence and its elements as

prescribed by an IFAC body may significantly vary in application from the one IFAC member body to the other and avoid giving any impression contrary to it.

Accordingly, the IES 2 must also accept that technical competence¹ is the ability to apply professional knowledge to perform a role to a standard prescribed by an IFAC member body.

Our additional comments are as follows:

1. Professional competence and its elements²:

We consider professional competence³ as a product of technical competence, professional skills, and professional values, ethics, and attitudes. Its integration is required by an aspiring professional accountant to demonstrate professional competence.⁴

It's a mix; no matter how elevated is any one of these elements; the professional competence come to nought if any of the other two components are zero.

What we are not clear is which one takes the priority over the other. Or, if the way its listed indicates the priority? Or, is it that they are all equal in terms of weight age. Or, why is it that professional values, ethics and attitudes are not cited as the first component when the foremost is the public interest⁵.

The Board may consider including basis of conclusions as a part of the IES 2 and use it as a forum to discuss such matters of general curiosity for user's benefit.

¹ Technical competence is one of the three elements of professional competence. The other two are professional skills and, professional values, ethics and attitude.

² We take this term from A13 and find it most appropriate for our expression. In A3 the term "area" is used

³ In math terms, Professional Competence = Technical competence * professional skills * professional values, ethics and attitudes. (We find the use of word professional as prefix with skills and values only confusing. We hang on to outdated way of seeing it as Professional competence = knowledge* skills*values, ethics and attitudes).

⁴ Explanatory Memorandum, Proposed Title of IES 2

⁵ A7 explains the objective (p.6) and cites protecting public interest as the first purpose.

2. Competence areas and time allocation for achieving proficiency.

The IES 2 should be categorical if an IFAC member body can prescribe and assess additional competence area. If so, the competence area laid out in IES 2 may be designated as “core⁶ competence area”.

Furthermore, the IES 2 provides an IFAC member body with the flexibility “to increase the minimum level of proficiency for some learning outcomes, and may develop additional learning outcomes that are not specified in this IES”⁷. However, the dimension of a realistic time allocation in achieving the designated level of proficiency has not been addressed.

The raises the issue from an examinees point of view about how much time is expected to be devoted in achieving the level of proficiency for each of the learning outcomes or competence area? It appears that too has been left to an IFAC member body to determine or to be silent about it. This is an important aspect that has been ignored while framing IES 2.

Furthermore, for clarity, assign minimum level of proficiency to each of the learning outcomes individually in line with A10⁸. Note that the first impression one gains by Table A is that the minimum level of proficiency is to be achieved in the said competence area collectively, not each of the learning outcomes individually.

3. Varying learning outcomes and contents (Reference to question 5):

We agree with the Board that “the learning outcomes approach is consistent with the notion of principles-based standards”⁹. However, we do not see this approach as

⁶ Or, alternatively as “principal competence area” to distinguish it from others..

⁷ See Explanatory Material, para A11.

⁸ A10 states: “Each learning outcome has been assigned a minimum level of proficiency”.

⁹ Explanatory Memorandum, Learning Outcomes, see first para.

incompatible with “prescribing knowledge content as indicated in the extant IES 2”¹⁰. We do not subscribe to the proposed approach of replacing one with the other. We rather see the learning outcomes and content as a product of both and an integrated whole; and favour a standard that leads the IFAC member bodies in both respects.

The IES 2 has shifted the entire and additional burden of prescribing the contents of each competence area to the individual IFAC member body stating that “the use of (learning outcomes and assigned) minimum proficiency levels will assist in establishing content and the depth of knowledge, understanding, and application required for each specified competence area”¹¹.

We find this approach to be more problematic for the content-setters and more so for the aspiring professional accountants (examinees) in Pakistan. Consider the implications of passing on these learning outcomes by the IFAC member body to the examinees without adequately defining the course contents, or not defining them in adequate details, and still claiming to be as per the IES 2?

4. Assessment of competence area and learning outcomes

What is the point of having learning outcomes and assigning level of proficiency when there is no obligation in place for an IFAC member body to ensure that these learning outcomes form the core of its assessment activities?

Also, there is nothing categorical about IFAC member body’s obligation to regularly review and update its assessment activities¹².

¹⁰ Ibid. “The extant IES 2 prescribes the knowledge content of an IFAC member body’s professional accounting education program that candidates need to acquire to qualify as professional accountants”. Also see Explanatory Memorandum, Background, first para.

¹¹ Explanatory Memorandum, Learning Outcomes, last para, last sentence.

¹² Para 8 of IES 2 is about regular review and update of professional accounting education program. If assessment activities is impliedly a part of it, we suggest the fact should be mentioned in the explanatory material. We would like equal emphasis to be placed on review of assessment activities.

5. Implementation Mechanism:

The rapidly-changing complex environment¹³ warrants IAESB to assume an active role in facilitating IFAC member bodies in implementing its standards. This may be achieved by creating some kind of mechanism in the form of task force or commission at the time of approving an IES.

The role of IAESB need not come to an end once IES 2 is approved. The IAESB must actively face with its member bodies the process of addressing the difficulties found in implementing them.

6. Role of competence area etc. in developing a balanced personality of Aspiring Professional Accountants:

Should it be of any concern to the Board if an aspiring professional accountant is being given an opportunity to develop a more rounded (balanced) personality during the IPD to enable him to appreciate diversified competencies that exist in his surroundings? Is there a room in the IES 2 for recognising deficiency in competencies not recognised as a technical?

We consider this issue to be of critical implication specially in Pakistan where most aspiring professional accountants do not ever get an adequate exposure to any significant form of social and human expression of arts in earlier education. The single minded quest of technical competence during IPD further deprives such competences to hold any value to be perused in life after IPD.

Most accountants that one comes across are admittedly competent accountants but few seem to make an impression with a more rounded personality. The reason can be invariably traced to a more balanced development of competencies.

¹³ See A12

The question is: should an IFAC member body be concerned that most of its aspiring professional accountants do not have any competencies to appreciate matters beyond their own technical competence?

If yes, can we do something about it while developing technical competencies? How about putting up a word in the explanatory material about the importance of developing additional competencies? Or, alerting IFAC member body to put in place something at foundation level?

The higher purpose of all education is to realise our potential as a human being, not as an accountant only. When we talk about aspiring professional accountant do we also see a human being in the IES 2?

The competence areas will be instrumental in shaping a great accountant but what about developing some competency that would develop a human being capable of appreciating technical competencies of others. Or, should that be left to the individual to develop such faculties on their own?

7. Proposed Wordings/Para-wise comments

1. Scope of this Standard (p.1 and p.3)

1.1. The statement of p.1 has been reproduced in p.3, the only exception being the word “prescribe” being replaced with “specifies”¹⁴.

1.2. We propose the following wordings for p.1:

“An aspiring professional accountant is required to demonstrate professional competence by the end of Initial Professional Development. Professional competence is the ability to perform a role to a standard defined by an IFAC member body. Professional competence consists of

¹⁴ “This International Education Standard (IES) prescribes the learning outcomes that demonstrate the technical competence required of aspiring professional accountants by the end of the Initial Professional Development (IPD)” p.1. Whereas p.3 repeats the same: “This IES specifies the learning outcomes that demonstrate (the) technical competence required of aspiring professional accountants by the end of the IPD”.

technical competence, professional skills, and professional values, ethics, and attitudes.”¹⁵

2. Scope of this Standard (p.2) re: IFAC member body

- 2.1. We propose the second para to deal with the addressee of this IES and its obligations ONLY.
- 2.2. We find the last sentence of this para to be diluting and distracting. You may consider to deleting or relegating it to the explanatory material¹⁶.
- 2.3. Reword p.2 as:
“This IES is addressed to the IFAC member bodies. The IFAC member bodies are continually obliged to ensure that its prescribed IPD program meets the minimum requirements laid out in this IES”.

3. Introduction, Scope of this Standard (p.3)

- 3.1. Reword p.3 as:
“This IES is about technical competence, one of the three aspects of professional competence. It prescribes the learning outcomes and minimum level of proficiency, and its assessment in 11 competence areas. “A competence area is a category for which a set or related learning outcomes can be specified”¹⁷ and assessed”.
- 3.2. We find references to other IES here to be distractive. These may be relegated to the explanatory material.

¹⁵ Extracted from the middle sentence of A3.

¹⁶ “In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support learning and development of technical competence of aspiring professional accountants”.

¹⁷ See Explanatory Memorandum, Proposed Conforming Amendments. IAESB Glossary of Terms, “Competence area”. This definition also reproduced in A6. A competence area should be capable of being assessed and we suggest change there as well.

4. Scope of this Standard (p.4) (See Q.8) re: Definitions

- 4.1. The Board should define central terms “learning outcomes” and “level of proficiency”.
- 4.2. Reword definition of the following terms:
 1. Professional competence: The ability to perform a role of professional accountant to a standard prescribed (not defined) by an IFAC member body. Professional competence is a product of technical competence, professional skills, and professional values, ethics and attitudes.
 2. Technical competence: Technical competence is the minimum ability to apply professional knowledge to perform a role to a standard defined by an IFAC member body. It is one of the elements of three elements of professional competence.
 3. Competence area: A competence area is a category of professional knowledge for which a set of related learning outcomes is specified and assessed.

5. Objective (p.6) – (Relevant for our response to Q.6)

- 5.1. Reword p.6 as:

“The objective of an IFAC member body is to put in place a formal arrangement to ensure that the principles laid out in this IES are continually applied to enhance the quality of its professional accounting education programs”.

Or,

“The objective of an IFAC member body is to establish a formal arrangement to ensure that the principles laid out in this IES are continually applied to enhance the quality of its professional accounting education programs to prescribe and fairly assess the aspiring chartered accountant with the technical competence required to perform the role of a professional accountant”.

6. Requirements (p.7): (Also see our response to Q.4)

- 6.1. Reword sub-heading “Learning outcomes” as “Competence area, learning outcomes and minimum level of proficiency”
- 6.2. Reword p.7, first sentence as:
“IFAC member bodies shall prescribe the competence area, minimum learning outcomes and minimum level of proficiency level that demonstrate the technical competence required of aspiring professional accountants by the end of the IPD, as stated in Table A”.
- 6.3. Reword p.7, second sentence as:
“This IES prescribes 11 core competence areas: financial accounting and reporting, management accounting, finance and financial management, taxation, audit and assurance, governance, risk management and internal audit, business laws and regulations, information technology, business and organisational environment, economics and business management. An IFAC member body may merge or introduce additional competence area, may choose to increase the minimum level of proficiency for some learning outcomes, and may develop additional learning outcomes that are not specified in this IES”.

7. Table A – Learning Outcomes for Technical Competence

Suggest that

1. Cross-reference (or link) the first column of the table “Competence area” with A6¹⁸
2. Cross-reference(or link) column 2 learning outcomes with A9¹⁹

¹⁸ Starting from: “A competence area is a category for which a set of related learning outcomes can be specified” and assessed.

¹⁹ Limit to: “The learning outcomes are the minimum to be achieved by aspiring professional accountant by the end of the IPD”. We find the rest of the text in this passage to be irrelevant. We would also like to merge

3. Cross-reference (or link) column 3 “Minimum level of proficiency” directly with p. A10²⁰ and/or first column of Appendix 1²¹.

8. Competence area:

Assign serial numbers to the competence areas. We do not find the alphabets to be appropriate for the listing.

9. Financial accounting and reporting (a).

Reword (iv) to state:

“Prepare primary financial statements for individuals, commercial entities engaged in different lines of businesses (like banking, insurance, manufacturing, service, etc), and non-business entities (like hospitals, universities, cooperative societies, local governments), in accordance with their respective governing laws and regulations (including consolidated financial statements, where applicable)”.

10. Assessment (p.9)

10.1. Reword p.9 as:

“IFAC member bodies shall put in place activities and processes to assess the aspiring professional accountants for achieving minimum level of proficiency in each of the learning outcomes in every competence area”.

11. Appendix 1:

11.1. We do not subscribe to a common Appendix 1 for IES 3,4, and 8 as classification of proficiency levels for learning outcomes for defining professional competence.

the following from A11 to above “An IFAC member body may develop additional learning outcomes that are not specified in this IES”.

²⁰ Starting from : “Each learning outcome has been assigned a minimum level of proficiency....(as) described in Appendix 1.

²¹ The cross reference cited for Appendix 1 is A14, whereas it should be A10. Kindly verify and rectify.

- 11.2. We find it more realistic for level of proficiency to be without any references specific to workplace²² for most of the competence areas in IES 2.
- 11.3. One element that is common between every level of proficiency relates to “information and explaining ideas in a clear manner, using oral and written communications²³. If this is so central to each level of proficiency, one wonders why it has not been designated as an exclusive competence area?
- 11.4. On the other hand, why have recognising the importance of professional values, ethics, and attitudes in performing assigned tasks, when it is already an element of professional competence.
- 11.5. Illustration of Appendix 1 to IES 2
- Level of proficiency: Foundation
- Description:
- Learning outcomes focus on:
- Defining, explaining, summarising, and interpreting principles and theories of relevant competence area.
- Providing information and explaining ideas in a clear manner, using oral and written communications.
- Indicative verbs used to construct learning outcomes typically include:
- understand, define, describe, distinguish, explain, identify, illustrate, interpret, list, perform, recognise, solve, state, summarize.

²² As in case of: “Solving problems and referring complex tasks of problems to supervisors or those with specialized expertise” or “performing assigned tasks by using the appropriate professional skills”.

²³ Appendix 1 last bullet point mentioned in all levels of proficiency - foundation, intermediate, advanced and mastery- relates to the communication..

8. Comments on Explanatory material:

A2. Provide footnote to indicate the reproduction of definition of professional accounting education programs. Delete last sentence²⁴ as an out of context fragment.

A3. Delete first sentence²⁵ as irrelevant. Also see A10.

A5. Insert quotation marks and provide footnote to indicate the reproduction of definition of technical competence. Delete last sentence²⁶.

A7. Reword as: “The aspiring professional accountant should be able to demonstrate professional competence by the end of IPD which serves several purposes....”.

A8. Revise as: “The learning outcomes and its assigned level of proficiency act as an initiating point for an IFAC member body for prescribing the content and depth of knowledge, understanding and application for each competence area”.

A9. Delete last sentence as its about post qualification specialization for professional accountants and not aspiring professional accountants. This theme already mentioned in A1.

A10. Delete: “There are many ways to classify and to describe proficiency levels of learning outcomes”. Also, see A3 above.

A11. Reword: “For enabling aspiring professional accountants to assume a particular role (for example, a management accountant) within a particular industry sector (for example, public sector), an IFAC member body may develop learning outcomes specific to it and/or choose to increase the minimum level of proficiency for appropriate learning outcomes. The level of proficiency for such learning outcomes may depend on any requirements placed by regulatory authorities.

A12. Revise: “The professional accountants operate in a rapidly changing complex environment that makes it mandatory for an IFAC member body to regularly review and update professional accounting education programs and assessment activities carried out by it”.

²⁴ Delete “The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies”.

²⁵ “There are many different ways to describe and categorize professional competence”.

²⁶ Delete: “For a professional accountant.....economics”.

9: Responses to the Specific Questions

Q.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?

Yes. However, we would like IAESB and IFAC member bodies to play a more active role in encouraging aspiring professional accountants explore competencies other than the technical ones to form a more rounded personality within IPD (See 6 Role of competence area.. .above).

Q2: 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?

No. We do not subscribe to the IES 2 approach of leaving it upto an IFAC member body to develop contents for each competence area. We find this approach to be particularly problematic for the examinees.

We have also pointed out the flexibility provided to an IFAC member body in developing learning outcomes not specified in this IES and for increase in minimum level of proficiency for some learning outcomes.

We have suggested changes in financial accounting and reporting. For example, if the public interest is to be served properly, we would like aspiring future accountants to be familiar with the manner governments manage their finances and accounting. Similarly, we would like aspiring professional accountants to be more familiar with the financial management and accounting aspects of individuals of which we did not find any mention in any of the competence areas in Table-A.

We would like to the IFAC member bodies to be provided with greater guidance in this respect. We agree that the learning contents approach is consistent with the notion of developing principles-based standards. However, we do not agree with the IAESB approach in leaving it to the IFAC member bodies to define contents for each competence area.

Q3: 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?

No. We find the appendix 1 to be confusing. Our comments contain details, see 7.11. We do not agree with the approach of IAESB that there should be a common appendix to each of the three IES dealing with the elements of professional competence. We believe each element of professional competence calls for a different manner of description for its level of proficiency and should be treated as such.

Q 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?

No. 6. Requirements (p.7): (Also see our response to Q.4)

Q5: 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)?

Yes. See “2. Competence areas and time allocation for achieving proficiency” and 6. above.

Q6: Is the objective to be achieved by a member body, stated in the proposed revised IES 2, appropriate?

No.

5. Objective (p.6) – (Relevant for our response to Q.6).

Q7: 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?

No.

Q 8: Are there any terms within the proposed IES 2 (Revised) which require further clarification?

Yes, We have described our views in detail in the comments above.4. Scope of this Standard (p.4) (See Q.8)

End of Comments.

Sincerely, Altaf Noor Ali, Chartered Accountant.