

## **Comments on IES 2, *Initial Professional Development –Technical Competence***

The following comments on IES 2 (Revised), *Initial Professional Development –Technical Competence*, were prepared by a committee of the International Association for Accounting Education and Research (IAAER). While this does not constitute an official position of IAAER, it is endorsed by the following members of the IAAER Executive Committee: Paul de Lange (Australia), Martin Hoogendoorn (The Netherlands), Bryan Howieson (Australia), Linda Kidwell (USA), Anne Loft (Denmark/Sweden), Gary Sundem (USA), and Themis Suwardy (Singapore).

**General Comment:** The committee applauds the IAESB's move to competence-based education standards. No place is this more important than in prescribing the technical competence to be achieved by aspiring professional accountants. The specification of a minimum level of proficiency for each competency area is also a significant advancement. It will not be easy to develop "appropriate assessment activities" that tie directly to the minimum levels of proficiency, but this is a task well worth the investment. Guidance from the IAESB in developing assessment methods will be important to ensure consistent application of assessment measures globally.

**Question 1:** The competence areas are reasonably complete. We have no suggestions for changes.

**Question 2:** An area missing under (b) Management accounting is cost behavior analysis. An appropriate learning objective might be: "Analyze cost behavior and the drivers of costs, including the use of appropriate quantitative techniques." This may be implied by some of the learning objectives, but it is important enough to be a separate objective.

Under (c) Finance and financial management, there is no mention of market valuation methods such as asset pricing models and options pricing models that are used often in accounting. An appropriate learning objective might be: "Apply asset valuation methods when appropriate in accounting measurements."

In (f) Governance, risk management and internal control, the outcome for internal control seems to understate its importance. This might be augmented as follows: "Analyze the components of internal control and identify appropriate controls for a given situation."

An area under (k) Business management that requires more prominence is operations. It may be subsumed in (ii), but it should probably be its own learning objective. The accounting system is so dependent on operations, and management accounting and operations interact so extensively, that it is essential for aspiring professional accountants to have competence in operations. A possible learning objective is: "Identify the relationship between an organization's accounting

system and its operations, including the management of its supply-chain and its use of optimization techniques.”

**Question 3:** Defining proficiency levels is a complex task because each level is just one point on a multi-dimensional spectrum of competence levels. In addition, there is not much literature or experience to draw on. Yet, this is essential for competence-based standards, and Appendix 1 is a good start. However, with the high level of generality it is hard for those not closely involved with the standards to make sense of why a particular verb has been used rather than another, and this might be confusing. You might consider omitting the appendix from the standard and making it a guidance document.

Our only specific comment on the appendix is on the problem-solving descriptions in foundation and intermediate proficiency levels. On the foundation level, “solving problems” seems too broad. This might be restated as: “Completing assigned tasks, including solving straightforward problems, and referring complex tasks or problems to supervisors or those with specialized expertise.” On the intermediate level, “resolving” complex problems may be too high a level of proficiency. This might be restated as: “Assessing and researching complex problems with limited supervision and recommending to supervisors the resolution of such problems.” It is unlikely that entry-level accountants would be expected to resolve complex problems themselves.

**Question 4:** The overall requirements of paragraphs 7, 8, and 9 are appropriate and sufficient.

**Question 5:** We are not an organization that will be charged with implementing the requirement. Nevertheless, we do not foresee problems in implementation.

**Question 6:** The objective is appropriate.

**Question 7:** The three criteria are appropriate. Every requirement in the proposed standard meets all three criteria. This is necessary, though not necessarily sufficient, to promote consistency in implementation by member bodies.

**Question 8:** We do not see any terms that require further clarification.