

## Comments on Proposed IES 4 Exposure Draft

### Professional Values, Ethics and Attitudes

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

The answer to this question, seeking opinion on the tabular format adopted for learning outcomes, can be divided into two components, namely, -

- (1) Views on the tabular format of presentation; and
- (2) Views on the learning outcomes presented therein.

##### (1) Views on the tabular format of presentation

In the IES 4 Exposure Draft (April 2011), the learning outcomes were listed in bullet points. They were not grouped under competence areas. Further, no minimum level of proficiency was prescribed in respect of learning outcomes. However, in the IES 4 Exposure Draft (June 2012), learning outcomes are tabulated and grouped under three competence areas, with a minimum level of proficiency prescribed for each competence area.

In our opinion, the tabular format adopted for presentation of learning outcomes by classifying them under Competence Areas, conveys the information in a lucid style, thereby facilitating ease of understanding and greater clarity. The tabular format presents the learning outcomes in a coherent manner and is, therefore, readily comprehensible. In effect, the tabular format is a more appropriate and suitable form of presentation of learning outcomes compared to the earlier serial-wise listing.

##### (2) Views on the learning outcomes presented in the tabular format

- (i) *Table A of Para 11 of Proposed IES 4 Exposure Draft (June 2012) prescribes the learning outcomes that demonstrate the professional competence required of aspiring professional accountants before the end of IPD. In respect of certain learning outcomes under Competence Areas "Ethical principles" and "Commitment to the public interest" for which "Intermediate" level of proficiency is required, the verb used is "Explain". For example, "Explain the nature of ethics" or "Explain the advantages and drawbacks of rules-based and principles-based approaches to ethics".*

**The use of the verb "Explain" would be relevant only where the learning outcomes are to be assessed by way of written or oral examinations.** However, in the context of workplace assessments, it would be more

appropriate to use the verbs “Understand and appreciate”. **Therefore, the usage of verb should be such that it is suitable when used in relation to written or oral examinations and workplace assessments.** Otherwise, a combination of verbs may be used, for example, Understand, appreciate and explain the nature of ethics.

- (ii) *One of the learning outcomes under competence area “Ethical Principles” is to 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.***

Since these learning outcomes are expected of an aspiring professional accountant and not a professional accountant, it would be more appropriate if the requirement is to **identify** an appropriate resolution. The learning outcome of determining an appropriate resolution would be pragmatic, if the same is expected of a professional accountant.

- (iii) *Another learning outcome under competence area “Ethical Principles” is to apply the **relevant ethical requirements** to professional behavior and compliance with standards.*

It is not clear as to how the application of “*relevant ethical requirements*” in compliance with accounting and auditing standards can be recognised and assessed. Some examples may be given to enable better understanding of this learning outcome.

If the ethical requirements have to be applied in **interpretation** of accounting and auditing standards, then, it would be a realistic learning outcome for a professional accountant rather than an aspiring professional accountant.

- (iv) *One of the learning outcomes under competence area “Commitment to the public interest” is to **compare** the consequences of unethical behavior to the individual, to the profession and to the society at large.*

The intent and purpose of using the verb “*compare*” with respect to this learning outcome is not clear i.e. it is not clear whether the term “*compare*” should be strictly interpreted as per its literal meaning and if so, what is the objective of such comparison.

In our opinion, the use of the verb “*analyze*” would be more appropriate in the context of this learning outcome.

**2&3. Do you agree with the competence areas identified for ethics education? Do you agree with the minimum levels of proficiency as identified for each competence area?**

**(i) Competence areas identified for ethics education**

Yes, the competence areas identified for ethics education, namely, professional skepticism and professional judgment, ethical principles and commitment to public interest are appropriate, since they aptly describe the ethical qualities required to perform the role of a professional accountant. Therefore, the competence areas described are in harmony with the objective of proposed IES 4 Exposure Draft (June 2012).

**(ii) Minimum levels of proficiency identified for each competence area**

The minimum level of proficiency requirement stated in Column 3 of Table A of para 11 in respect of certain learning outcomes does not, however, appear to be *in sync* with the description of the proficiency levels of learning outcomes as per classification developed by IAESB in Appendix 1 read with para A17 of the Explanatory Material forming part of Proposed IES 4 Exposure Draft (June 2012).

As per Table A of para 11 of proposed IES 4 Exposure Draft (June 2012), there is a requirement of **Intermediate** level of proficiency in respect of the following learning outcomes, which do not appear to be in conformity with the description of the proficiency level at the Intermediate stage as per the classification developed by IAESB in Appendix 1 –

	<b>Competence Area</b>	<b>Learning Outcome</b>
(b)	Ethical Principles	Explain the nature of ethics.
		Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.
(c)	Commitment to the public interest	Explain the role of ethics within the profession and in relation to the concept of social responsibility.
		Explain the role of ethics in relation to business and good governance.

These learning outcomes can be expected at Foundation level itself, as per the description of proficiency prescribed for this level under the classification developed by IAESB given as Appendix 1. As per the said classification, an intermediate level of proficiency requires application of higher level skills like analytical, application, assessment, research and presentation skills

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

There are two learning outcomes identified for the competence area “Professional skepticism and professional judgment”, in respect of which an “Intermediate” level of proficiency is prescribed.

The first learning outcome requires application of a skeptical mindset to critically assess financial information and other data relevant to the role of a professional accountant. This learning outcome, in our opinion, is apt for ethics education, since assessing financial information is the core competence area of a professional accountant and the extent of application of a skeptical mindset for such critical assessment would reflect the professional competence of an aspiring professional accountant.

The second learning outcome requires identification and evaluation of reasonable alternatives to reach well reasoned conclusions based on all relevant facts and circumstances. An intermediate level of proficiency is prescribed in respect of this learning outcome. However, as per IAESB classification of proficiency levels for learning outcomes in Appendix 1, the description of this learning outcome is in accord with the specifications for Advanced level of proficiency.

**5. Does Appendix 1 of the proposed IES 4 Exposure Draft (June 2012) provide adequate clarification to assist in 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?**

- (i) Yes, it provides a fairly exhaustive description of the requirements at each level of proficiency. However, as discussed in the earlier paragraphs, some of the descriptions in Table A of Para 11 prescribing the learning outcomes for Professional Values, Ethics and Attitudes are not in conformity with the IAESB classification of proficiency levels for learning outcomes as per Appendix 1.

For example, as per Para 11, an intermediate level of proficiency is required in respect of certain learning outcomes under Ethical Principles, for example, “Explain the nature of ethics” and “Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics”. However, the description of these learning outcomes would fall under the classification of foundation level of proficiency as per the IAESB classification of proficiency levels for learning outcomes in Appendix 1.

Likewise, as per Para 11, an intermediate level of proficiency is required in respect of the learning outcome requiring identification and evaluation of reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances. However, this description would fall under the classification of

advanced level of proficiency as per the IAESB classification of proficiency levels for learning outcomes in Appendix 1.

- (ii) A few more verbs can be included in the list of indicative verbs used to construct learning outcomes. The term “understand” may be considered for inclusion in the list of indicative verbs at Foundation level of proficiency and “appreciate” may be considered for inclusion in the list of indicative verbs at Intermediate level of proficiency in the IAESB classification of proficiency levels described in Annexure 1.

**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?**

**(i) Relevant ethical requirements**

*As per para 10 of proposed IES 4 Exposure Draft (June 2012), IFAC member bodies shall integrate **relevant ethical requirements** throughout professional accounting education programs for aspiring professional accountants. The term “relevant ethical requirements” has been defined in the IAESB Glossary of Terms as the ethical requirements to which professional accountants are subject, which ordinarily comprise Part A of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), together with any national requirements that are more restrictive.*

**Part A of the IESBA Code may be included as part of proposed IES 4 so that the standard becomes self-contained.**

**(ii) Formalization of reflective activity**

*Para 13 of the proposed IES 4 Exposure Draft (June 2012) requires IFAC member bodies to design learning and development activities on professional values, ethics and attitudes for aspiring professional accountants to include reflective activity that is, inter alia, formalized.*

**The term “formalized”, in relation to reflective activity, may be elucidated for the sake of clarity at the time of drafting the implementation guide.**

**(iii) Documentation of reflective activity**

*As per Para A32 of the Explanatory Material forming part of Proposed IES 4 Exposure Draft (June 2012), the documentation of reflective activity may include:*

- (a) Record of learning;
- (b) Reflective record;

- (c) *Personal development portfolio; or*
- (d) *Critical incident diary.*

The scope of information to be recorded in critical incident diary and how the same differs from a reflective record is not clear. Illustrative examples of the information to be documented under each category may be given at the time of drafting the implementation guide to throw some light in this regard.

**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)?**

**(i) Requirement of documentation of reflective activity – Consequent compliance concerns**

*As per Para 13 of Proposed IES 4 Exposure Draft (June 2012), IFAC member bodies shall design learning and development activities on professional values, ethics and attitudes for aspiring professional accountants to include reflective activity that is formalized and documented.*

**The requirement to document reflective activity is likely to pose compliance difficulties.**

**(a) Reflective activity – An introspective process which is difficult to document**

Reflective activity is more of an introspective process which is generally demonstrated in discussions with mentors/supervisors and in exercise of professional judgment. Documentation requirements in respect of such activity would not serve the intended purpose of intelligent introspection. Neither would it help in providing aspiring professional accountants with the professional values, ethics and attitudes required to perform the role of a professional accountant, which is the very objective of the proposed IES 4.

**(b) Time lag between performance of an activity and reflection of its implication**

There may be a considerable time lag between performance of an activity and reflection of its implication, since the activity may be performed at a particular point of time whereas its actual implication may be reflected at a much later point of time, say even after a year or so. At the time of performance of an activity, the aspiring professional accountant may not even be aware that it has a certain implication, due to which it becomes a reflective activity requiring documentation.

**(c) Administrative concerns for Mentors/Supervisors**

In addition, mandatory documentation requirement in respect of reflective activity may also pose administrative concerns for the Mentors and Supervisors. Therefore, there should be no mandatory requirement to document reflective activity.

**(ii) Role of performance reviews in assessing development of professional values, ethics & attitudes in the workplace**

*As per Para A38 of the Explanatory Material forming part of Proposed IES 4 Exposure Draft (June 2012), the means for assessing the development of professional values, ethics, and attitudes in the workplace may include reviews of ethical decision-making combined with performance reviews and appraisals.*

An issue requiring due consideration is whether performance reviews and appraisals should play any role in assessment of development of professional values, ethics and attitudes in the workplace. In fact, the converse is desirable, i.e. assessment of development of professional values, ethics and attitudes in the workplace should play an important role in performance reviews and appraisals.