

Basis for Conclusions
Prepared by the Staff of the IAESB
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International Education Standard (IES) 3

**Initial Professional
Development – Professional
Skills (Revised)**

IAESB

International Accounting
Education
Standards Board™

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The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

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BASIS FOR CONCLUSIONS

INTERNATIONAL EDUCATION STANDARD 3, INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS (REVISED)

The Basis for Conclusions document for International Education Standard (IES) 3 has been prepared by the Staff of the International Accounting Education Standards Board (IAESB). It relates to, but does not form part of IES 3, *Initial Professional Development – Professional Skills* (Revised).

Background

1. In October 2009 the IAESB approved a project to redraft and revise IES 3. The IAESB agreed that IES 3 should be redrafted with the aim of:
 - Improving clarity;
 - Ensuring consistency with concepts of the *Framework for International Education Standards for Professional Accountants* (2009) document; and
 - Clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

In addition, the IAESB agreed to consider the following issues when revising IES 3:

- (a) Determine whether the content requirements of, and approach to, general education should continue to exist in IES 3 or whether it is still appropriate for specification within any IES;
- (b) Clarify the level of core competence required of a professional accountant (to include various roles and future proofing) to ensure consistency within the Standard; and
- (c) Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone.

The revised IES 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD). More specifically, the revised IES 3 is primarily aimed at IFAC member bodies, but will also be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the development of aspiring professional accountants.

2. As part of its initiative to clarify the suite of 8 IESs, the IAESB agreed to a new structure to improve the clarity of its standards. The new structure will improve the readability of the IESs and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the Standards properly. The new structure includes 4 major sections: Introduction, Objectives, Requirements, and Explanatory Material. These sections place greater emphasis on the obligations and requirements of an IFAC member body in the learning and development of a professional accountant. In addition, the IAESB has also made amendments to the language of its Standards to improve the understanding of the requirements that IFAC member bodies undertake when implementing the Standards.
3. The IAESB issued an exposure draft of IES 3 ["ED-IES 3"] on August 1, 2012, with the deadline for response of November 1, 2012. The IAESB received 32 comment letters on ED-IES 3 from respondents representing different interests, including IFAC member bodies, regional organizations, public accounting firms, regulators, accounting organizations, academics, and individuals. In

addition, the IAESB Consultative Advisory Group (CAG) commented on the development of the Exposure Draft (ED) of the Revised IES 3 and the analysis of comments from the ED at the April 2012 and February 2013 CAG meetings, respectively. As a result of these comments, the IAESB has implemented a number of changes to finalize the text of the Revised IES 3. The following summarizes the more significant issues raised by respondents, and how the IAESB addressed them.

Issues Raised During Exposure Period

4. Respondents raised a range of issues related to:
 - Title, Scope; and Objective;
 - Requirements; and
 - Explanatory Material and Terminology.

Changes made to ED-IES 3 since their exposure to the public, are now discussed in turn below.

Title, Scope and Objective

Initial Professional Development

5. Respondents from several categories (IFAC member bodies¹, public accounting firms², and professional organizations³) to the ED-IES 3 indicated that the scope of IES 3 needed further clarification. Some of these respondents suggested indicating that although IES 3 is concerned principally with initial professional development (IPD), inevitably these founding principles will also apply in continuing professional development (CPD).
6. To improve clarity of IES 3 and to reinforce the view that the learning and development of professional skills are to be achieved by the end of IPD, the IAESB has made the following amendments:
 - The title of ED-IES 3, Professional Skills and General Education (Revised), was amended to the following, IES 3, *Initial Professional Development – Professional Skills* (Revised; “Revised IES 3”). The amendment to include IPD in the title reflects the IAESB’s view that IPD is the learning and development through which individuals first develop competence to perform a role of a professional accountant. The title also recognizes that professional skills are required of an aspiring professional accountant by the end of IPD. Professional skills are the (1) intellectual, (2) interpersonal and communication, (3) personal, and (4) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence. In addition, the title of the Revised IES 3 does not refer to general education. The IAESB views general education as an important part of developing professional competence. General education may be undertaken as a concurrent pathway alongside a member body’s professional accounting education program, or may be undertaken prior to this. The IAESB, therefore, prefers not to emphasize general education as a requirement within the development of professional skills. The IAESB does, however, recognize the need for general education in the development of the aspiring professional accountant and has

¹ IFAC Member Bodies: ACCA, AICPA, CGA-Canada, CICA

² Public Accounting Firms: BDO

³ Other Professional Organizations: FEE

used the Framework (2009) document to highlight the importance of general education as a component of IPD.

- Paragraph 1 of the Introduction section of the Revised IES 3 now explains that IES 3 prescribes the learning outcomes for professional skills that aspiring professional accountants are required to demonstrate by the end of IPD. In addition, this paragraph provides further context by identifying the following competence areas of professional skills: intellectual, interpersonal and communication, personal, and organizational. It also indicates that the professional accountant needs to integrate the 4 competence areas with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
- Paragraphs 2 and 3 of the Introduction section of the Revised IES 3 provide additional explanation on professional skills by identifying: (a) the responsibility of an IFAC member body (Paragraph 2) and (b) how IESs 2 and 4 specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD (Paragraph 3).

Other Issues

7. The IAESB made the following amendments to the wording of the scope paragraphs and objective statement to improve clarity:
 - The IAESB has included a new paragraph (Paragraph 4 of the Revised IES 3) in the Introduction section to identify the Framework (2009) and the IAESB *Glossary of Terms* as sources for the definitions and explanations of key terms.
 - Respondents from the following categories requested further clarification on the Objective paragraph: IFAC member bodies⁴, public accounting firms⁵, professional organizations⁶, and individuals⁷. These comments included suggestions to: (1) to state the objective as “the objective of the IES”; and (2) to place greater emphasis on the responsibility of the aspiring professional accountant. The IAESB has considered these suggestions and made amendments to the Objective paragraph (Paragraph 6 of the Revised IES 3) to (1) clarify that the objective is stated as “the objective of the IES” and (2) identify that objective as being to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

Requirements

8. In general, respondents from all of the categories agreed with the content of the 3 requirements of the Revised IES 3, subject to consideration of proposed editorial amendments to the wording of each requirement to improve clarity. The significant changes resulting from these amendments are discussed in the following sections.

⁴ IFAC Member Bodies: AAT, AICPA, CGA-Canada, CICPA, ICAEW, ICPAI, ICPAS, JICPA

⁵ Public Accounting Firms: DTT, EYG, KPMG

⁶ Professional Organizations: FEE

⁷ Individuals: Juvenal

Learning Outcomes for Professional Skills

9. The IAESB CAG raised concerns that proficiency levels used in Table A could be misinterpreted by readers. As a result the IAESB decided to change the format of the table by including the level of proficiency within the column describing the competence areas and to include a footnote to the table that indicates the level of proficiency for a competence area identifies the level to be achieved by the end of IPD.

Intellectual

10. Several respondents (BDO, CIPFA, KPMG, NZICA, and PWC) and the IAESB CAG requested that a learning outcome on professional judgment should be included in the competence area of intellectual because of its importance to the accountancy profession. The IAESB agreed with this view and included a new learning outcome on applying professional judgment to reach well-reasoned conclusions based on all relevant facts and circumstances.
11. Respondents (CAI, CICA, IDW, and PWC) and the IAESB CAG requested that the learning outcome (iii) on recommending solutions to multifaceted problems should be reviewed because it did not align with the expected level of proficiency of a newly qualified professional accountant and could be seen to be captured in learning outcomes within the other three competence areas. It was also suggested that it was important to recognize when specialist assistance is required and should be recognized in the competence area of intellectual. The IAESB agreed with these views and reworded learning outcome (iv) to identify the activities of reasoning, critical analysis, and innovative thinking that are needed to solve problems. The Board also included a learning outcome (iii) to recognize the need to consult with specialists to solve problems and reach conclusions. In addition editorial improvements were made to learning outcomes (i) and (v) of the competence area on Intellectual. Learning outcome (i) was amended to explain that evaluation should consist of research, analysis, and integration of information from a variety of sources. Whereas, learning outcome (v) was amended to recognize that an aspiring professional accountant would be expected to inherently capture the activities of identifying and of evaluating solutions when making a recommendation to an unstructured and multifaceted problems.
12. Respondents (KPMG, PWC, CICA, ICPAS, and SAIPA) requested that the advanced proficiency level for intellectual be reviewed, as there was a concern that it may not be appropriate for aspiring professional accountants by the end of IPD. The IAESB CAG also suggested that the proficiency levels for interpersonal and communication, and intellectual should be the same. The IAESB considered these views and changed the proficiency level for intellectual from advanced to intermediate.

Interpersonal and Communication

13. Respondents (CAI, FEE, ICAEW, ICAI, and IDW) requested that the level of proficiency and the activity verbs of learning outcomes (iii), (iv), (v) and (vi) should be reviewed. The IAESB reviewed and changed the activity verbs of these learning outcomes to reflect an intermediate level of proficiency and to ensure that verb prompted a form of evidence that could be used to satisfy the assessment requirement. In addition minor editorial improvements were made to learning outcomes (i), (v), and (vi) of interpersonal and communications to improve their clarity. The order of the learning outcome on demonstrating awareness of cultural and language differences was also changed to reflect better sequencing with skills that followed in the competence area of

interpersonal and communication These editorial improvements do not substantially change the content of these learning outcomes.

Personal

14. The IAESB CAG and several respondents (e.g., EYG, IRBA, and IAAER) requested that a learning outcome on professional skepticism should be included in professional skills because of its importance to the profession. In addition, respondents indicated that a learning outcome should be included to address the need to be proactive to challenges and to plan for solutions. The IAESB agreed with these two requests and included new learning outcomes (ii and v) on professional skepticism and on anticipating challenges so as to plan potential solutions.
15. For purposes of improving clarity and ensuring consistency with changes made to other competence areas the IAESB reviewed and changed the activity verbs of learning outcomes (i), (iv), and (vi) to reflect an intermediate level of proficiency. In addition editorial improvements were made to learning outcome (iii) of interpersonal and communications to improve its clarity. This editorial improvement did not substantially change the content of this learning outcome.

Organizational

16. The IAESB has decided to change the activity verbs of learning outcomes (iii), (iv), and (v) to reflect an intermediate level of proficiency and to ensure consistency with changes made to other competence areas of IES 3. In addition, editorial improvements were made to learning outcomes (ii), (ii), (v), and (vi) of interpersonal and communications to improve their clarity. These improvements included: replacing methodologies with practices in learning outcome (i); recognizing in learning outcome (ii) that the review of work should include one's own work as well as work of others; clarifying in learning outcome (v) that the application of leadership skills is to influence others to work towards organization goals; and recognizing in learning outcome (vi) that appropriate technology and tools should be applied to improving decision making so as to increase efficiency and effectiveness. These editorial improvements do not substantially change the content of these learning outcomes.

Review of Professional Accounting Education Programs

17. In general, respondents from each of the categories (e.g., IFAC member bodies, public accounting firms, academic accounting associations, professional organizations, and individuals) supported the new requirement on regular reviews and updates of the professional accounting education programs, subject to requests for further clarification in the Explanatory Material section. Respondents from both IESs 2 and 3 (CIPFA, ICPAU, ICPAI, DTT, KPMG, and PWC) requested clarification on the timing and frequency of reviewing professional accounting education programs. SAICA requested that the requirement be rewritten to acknowledge that not all IFAC member bodies have direct control over their professional accounting education program. In addressing these issues the IAESB has provided additional explanation in the Explanatory Material section on the timeframe for the review cycle and provides examples of factors that might trigger more frequent reviews (Paragraph A16 of the Revised IES 3). The IAESB recognizes the shared responsibility with other organizations which some IFAC member bodies may have over their professional accounting education programs. The IAESB, however, has decided not to rewrite the requirement in this IES because the obligations of IFAC member bodies under these circumstances are identified and discussed in IFAC's Statement of Membership Obligations (SMO) 2, *International*

Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB.

Assessment of Technical Competence

18. In general, respondents from each of the categories (e.g., IFAC member bodies, public accounting firms, regulators, academic accounting associations, professional organizations, and individuals) supported the requirement on assessment, subject to requests for further clarification in the Explanatory Material section. FEE questioned whether it might be better to consolidate the coverage of assessment in IES 3 into IES 6. Other respondents (e.g., HKICPA and CICPA) suggested that the coverage of assessment in both IESs 3 and 6 could be enhanced to provide more guidance on the selection and mix of assessment methods and their design with respect to size, maturity, and culture of organization so as to effectively assess technical competence. A few respondents (e.g., ICAI, CNCC-CSOEC, and ICPAI) provided editorial suggestions to improve the clarity of the requirement. The IAESB considered these comments, but decided not to make any changes to the content of the requirement because measuring the achievement of professional skills was viewed by the IAESB as an important element of professional competence and assessment activities should be included in the development of the aspiring professional accountant. The IAESB has provided further guidance in the Explanatory Material section by providing the following examples of appropriate assessment activities as part of professional accounting education programs: work-based simulations or group activities (Paragraph A18 of the Revised IES 3). In a similar manner the Explanatory Material section provides the following examples of appropriate assessment activities as part of practical experience: (Paragraph A18 of the Revised IES 3). The IAESB will also look for ways to provide additional guidance through either existing or new guidance on the design of assessment activities and the use of workplace assessment to evaluate professional skills.
19. Minor editorial improvements were made to Requirement paragraph 7 of the Revised IES 3 to improve the clarity and consistency. These editorial improvements do not substantially change the content of these paragraphs.

Explanatory Material and Terminology

20. Respondents of ED-IES 3 requested that the Explanatory Material section should be amended to provide additional explanation of the Requirements. The suggested amendments include: (1) improving the clarity of the scope section by defining IPD, identifying the components of IPD, explaining how professional skills achieved in IPD links to CPD; and explaining the breadth and depth of professional competence; (2) improving the clarity of Explanatory Material section on the Objective statement; and (3) clarifying Explanatory Material section to improve the understanding of the three requirements of IES 3.
21. In response the IAESB addressed these requests to improve the clarity of the Explanatory Material section and terminology being used in IES 3, as follows:
 - Paragraphs A1 to A5 of Explanatory Material section of Revised IES 3 are included to define IPD, to define professional competence, and to explain how technical competence links to CPD. More specifically, Paragraph A1 has been amended to include a definition of IPD and indicates what it includes. Paragraph A2 is a new paragraph that explains how general education assists in developing professional skills. Paragraph A3 is also a new paragraph that provides further understanding of IPD by explaining when IPD begins and ends.

Paragraph A4 defines professional competence and has been amended by adding a sentence on what it covers. Paragraph A5 is also a new paragraph which recognizes that professional skills developed in IPD lays the base for further development through CPD and refers to its coverage in IES 7, *Continuing Professional Development*.

- Paragraph A6 of the Explanatory Material section of Revised IES 3 describes the four competence areas. The paragraph has been reorganized to align with the organization of Table A. A few minor editorial improvements have been made to improve consistency with Table 1 and to increase the clarity of the descriptors. These editorial improvements do not substantially change the content of this paragraph.
 - Paragraph A8 has been included as a new paragraph and explains the role of the learning outcomes in establishing what is required for each specified competence area and the context in which learning outcomes can be demonstrated.
 - Paragraph A9 of the Explanatory Material section of the Revised IES 3 has been amended to explain the Objective statement by describing reasons for establishing professional skills which aspiring professional accountants need to develop and demonstrate.
 - Paragraphs A10 to A15 have been included in the Explanatory Material section of Revised IES 3 to explain the requirement on developing learning outcomes that are to be achieved by an aspiring professional accountant by the end of IPD. More specifically, Paragraph A10 has been amended to explain how the learning outcomes are to be demonstrated. Paragraph A11, a new paragraph, has been added to explain how the learning outcomes are to be achieved within a professional accounting education program. Paragraphs A12 and A13 have been amended to explain how the proficiency levels and learning outcomes relate to the competence areas and the design of professional accounting education programs. Finally, Paragraph A15 has been amended to identify what are the criteria to identify an appropriate approach to learning and development for professional skills to supplement the content of Table A.
 - Paragraph A17 has been amended to provide guidance on the frequency of the review cycle and an example of what may trigger the need for a review of the professional accounting education program.
 - Paragraphs A18 to A20 have been added to the Explanatory Material section of Revised IES 3 to explain the requirement on assessment. More specifically, paragraph A18 identifies the assessment principles from IES 6, *Initial Professional Development – Assessment of Professional Competence* to be used in designing assessment activities to measure the achievement of professional values, ethics, and attitudes. Paragraph A19 has been amended and reordered to provide factors to consider in the design of workplace assessment of professional skills. Finally, Paragraph A20 has been amended to include examples of assessment activities such as work-based simulations and group exercises, and to demonstrate how learning outcomes can be achieved by professional accounting education programs and practical experience.
22. Minor editorial improvements were made to paragraphs A7, A14, and A16 of the Revised IES 3 to improve the clarity and consistency. These editorial improvements do not substantially change the content of these paragraphs.

Respondents on Exposure Draft (July 2012)

ACRONYM	FULL NAME OF ORGANIZATION
AAT	Association of Accounting Technicians, United Kingdom
ACCA	The Association of Chartered Certified Accountants, United Kingdom
AICPA-PCEEC	American Institute of Certified Public Accountants' Pre-certification Education Executive Committee
BDO International	BDO Global Coordination B.V.
CAI	Chartered Accountants Ireland
CGA Canada	Certified General Accountants Association of Canada
CICA	The Canadian Institute of Chartered Accountants
CICPA	The Chinese Institute of Certified Public Accountants
CIPFA	The Chartered Institute of Public Finance and Accountancy
CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes + Conseil Superieur de l'Ordre des Experts-Comptables
CPA-Australia	CPA Australia
CPA-Ireland	CPA Ireland
DTT	Deloitte Touche Tohmatsu
EYG	Ernst & Young Global
FEE	Federation des Experts Comptables Europeens
HKICPA	Hong Kong Institute of Certified Public Accountants
IAAER	International Association for Accounting Education & Research
ICAA	The Institute of Chartered Accountants in Australia
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAI-India	The Institute of Chartered Accountants of India
ICPAK	Institute of Certified Public Accountants of Kenya
ICPAS	Institute of Certified Public Accountants of Singapore
ICPAU	Institute of Certified Public Accountants of Uganda
IDW	Institut der Wirtschaftsprufer
IRBA	Independent Regulatory Board for Auditors

IES 3, INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS (REVISED)

JICPA	The Japanese Institute of Certified Public Accountants
Juvenal	Denise Silva Ferreira Juvenal
KPMG International	KPMG International
NZICA	New Zealand Institute of Chartered Accountants
PWC	PricewaterhouseCoopers
SAICA	The South African Institute of Chartered Accountants
SAIPA	South African Institute Of Professional Accountants

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