

**SUPPLEMENT TO JUNE 2012 EXPOSURE DRAFT,  
PROPOSED IES 4 (REVISED):  
MAPPING DOCUMENT & TRACKED CHANGES DOCUMENTS**

Exhibit 1 of this supplement to the International Accounting Education Standards Board (IAESB) June 2012 Exposure Draft, Proposed IES 4, “*Initial Professional Development-Professional Values, Ethics, and Attitudes (Revised)*” has been prepared by IAESB staff to demonstrate how the text of extant IES 4 maps to the June 2012 Exposure Draft, proposed IES 4 (Revised). The highlighted text identifies material that is proposed to be deleted. An explanation of the proposed deletion and other comments are provided, where appropriate. Exhibit 2 of this supplement shows the tracked changes of the June 2012 Exposure Draft, proposed IES 4 (Revised) as compared to extant IES 4. Exhibit 3 of this supplement shows the tracked changes of the June 2012 Exposure Draft, proposed IES 4 (Revised) as compared to March 2011 IES 4 Exposure Draft.

The material included is provided only to assist readers of the June 2012 Exposure Draft of proposed IES 4 (Revised). It is for information purposes only and does not form part of the June 2012 Exposure Draft. The IAESB has not approved, disapproved, or otherwise acted upon this supplement. It is neither authoritative nor an official pronouncement nor statement of the IAESB.

**Exhibit 1. Mapping Document**

Note: Highlighting indicates material that has been deleted, unless otherwise noted.

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
<b>Purpose and Scope of this Standard</b>		
1. This Standard (IES) prescribes the professional values, ethics, and attitudes professional accountants should acquire during the education program leading to qualification.	Para.1	Wording amended in Para.1 to reflect: the emphasis on the prescribed learning outcomes that demonstrate professional values, ethics, and attitudes; the IAESB Drafting Conventions; and the content of Framework document (2009).

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
2. The aim of this IES is to ensure that candidates for membership of an IFAC member body are equipped with the appropriate professional values, ethics, and attitudes to function as professional accountants.		Paragraph deleted; content does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and objective.
3. IFAC recognizes that the accountancy profession throughout the world operates in environments with different cultures and regulatory requirements. IFAC has, nevertheless, established an international <i>Code of Ethics for Professional Accountants</i> . Professional values and ethics relate directly to IFAC's mission to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest.	Para. 4	Paragraph deleted; Some of the content captured in Para. 4 A5 and ensures consistency with the 5 fundamental principles identified in the <i>IESBA Code of Ethics for Professional Accountants</i> (2012)
<b>Introduction</b>		
4. Society has high expectations of the accountancy profession. It is essential for professional accountants to accept and observe ethical principles regulating all their relationships. Professional values, ethics, and attitudes identify professional accountants as members of a profession and should shape everything they do as professionals. It is the responsibility of member bodies to ensure that their members have an adequate understanding of the principles of professional ethics and the underlying rationale of the constraints that professional ethics place on professional accountants.		Paragraph deleted; Some of the content is captured in Para. A24
5. Since professional accountants have a role to play in decision making, they need to have a thorough appreciation of the potential ethical implications of professional and managerial decisions. They also need to be aware of the pressures of observing and upholding ethical principles that may fall on those involved in the decision-making process. This is true whether they are working in public practice, industry or commerce, the public sector or		Paragraph deleted; Some of the content is captured in Para. A26

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
education.		
6. Professional accountants operate in a world of change. Good governance, both corporate and public, depends greatly on adherence to professional values, ethics, and attitudes. In such circumstances, a clear understanding of, and education in, ethical principles is essential.		Paragraph deleted; content does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and providing relevant context
7. IFAC considers that member bodies have an obligation to their current and future members, as well as to society at large, to ensure that their members have a continuing understanding of professional values, ethics, and attitudes. This understanding needs to be sufficient to enable them to operate effectively and with integrity and discernment in an environment of change. The purpose of this IES is to assist member bodies in this task.		Paragraph deleted; Some of the content is captured in Para. 2
8. Professional values, ethics, and attitudes need to be treated in their own right within the education framework. If future professional accountants are to perceive professional values, ethics, and attitudes as important to their work, it is essential that they do not perceive the treatment of professional values, ethics, and attitudes as peripheral to their main education programs.		Paragraph deleted; content does not align with the guidelines of the Drafting Conventions on what content should be included in the scope and providing relevant context
9. Educators and professional bodies need to distinguish between teaching students about professional values, ethics, and attitudes and developing and instilling ethical behavior. Developing professional values, ethics, and attitudes needs to begin early in the education of a professional accountant and be re-emphasized throughout a career. The professional accountant needs to consider this as part of life-long learning.		Paragraph deleted; Some of the content is captured in Para. 3, and A4

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
10. Education programs need to deal with ethical rules in a positive, participative way, for example, by exploring links between ethical behavior, corporate failure and fraud. It is important for professional accountants to learn from their experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work and what approach should be taken in the future in similar circumstances.		Paragraph deleted; Some of the content is captured in Para. 13, A30, and A31
11. Definitions and explanations of the key terms used in the IESs are set out in the <i>Framework for International Education Pronouncements</i> .	Para.6	Paragraph amended; Para. 6 now refers to IAESB <i>Glossary of Terms</i> and Framework (2009) document to provide reference material for definitions and explanations of key terms
<b>Effective Date</b>		
12. This IES is effective from January 1, 2005.	Para.7	Date amended in Para.7 to reflect new effective date
<b>Professional Values, Ethics, and Attitudes</b>		
<b>13. The program of professional accounting education should provide potential professional accountants with a framework of professional values, ethics, and attitudes for exercising professional judgment and for acting in an ethical manner that is in the best interest of society and the profession.</b>	Para.9	Wording amended in new Para.9 to reflect IAESB Drafting Conventions and content of Framework (2009) document

Extant IES 4	New para. ref.	Comment on proposed deletion of highlighted material, significant edits, and other notes
<p><b>14. The required values, ethics, and attitudes of professional accountants include a commitment to comply with the relevant local codes of ethics which should be in conformity with the IESBA Code.</b></p>	Para. 10	New Paragraph 10's wording aligns with the IAESB's Drafting Conventions by stating that IFAC member bodies shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants
<p><b>15. The coverage of values and attitudes in education programs for professional accountants should lead to a commitment to:</b></p> <ul style="list-style-type: none"> <li>• <b>the public interest and sensitivity to social responsibilities;</b></li> <li>• <b>continual improvement and lifelong learning;</b></li> <li>• <b>reliability, responsibility, timeliness, courtesy and respect; and</b></li> <li>• <b>laws and regulations.</b></li> </ul>		Paragraph deleted; Some of the content is captured in Para. A3
<p><b>16. While the approach of each program to the learning of professional values, ethics, and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include:</b></p> <ul style="list-style-type: none"> <li>• <b>the nature of ethics;</b></li> <li>• <b>differences of detailed rules-based and framework approaches to ethics, their advantages and drawbacks;</b></li> <li>• <b>compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;</b></li> <li>• <b>professional behavior and compliance with technical standards;</b></li> </ul>	Para.11	Paragraph deleted; New Paragraph 11 aligns with the IAESB's Drafting Conventions and content reflects the prescribed learning outcomes required to demonstrate professional values, ethics, and attitudes.

Extant IES 4	New para. ref.	Comment on proposed deletion of highlighted material, significant edits, and other notes
<ul style="list-style-type: none"> <li>• concepts of independence, skepticism, accountability and public expectations;</li> <li>• ethics and the profession: social responsibility;</li> <li>• ethics and law, including the relationship between laws, regulations and the public interest;</li> <li>• consequences of unethical behavior to the individual, to the profession and to society at large;</li> <li>• ethics in relation to business and good governance; and</li> <li>• ethics and the individual professional accountant: whistle-blowing, conflicts of interest, ethical dilemmas and their resolution.</li> </ul>		
<b>Teaching Professional Values, Ethics, and Attitudes</b>		
<p>17. Because of the importance of professional values, ethics, and attitudes to future professional accountants, the presentation of the topic may at first be treated as a separate subject. As students progress, and gain a wider knowledge of other subjects, it will be appropriate to integrate subject matters. This will encourage students to look for and consider the possible ethical implications of problems being discussed in their study of other subjects.</p>	Para. A14	Paragraph reordered and some of the content appears in para. A14
<p>18. Students need to understand that values, ethics, and attitudes run through everything that professional accountants do and how they contribute to confidence and trust in the market. Subsequent treatment might address the particular ethical issues likely to be faced by all professional accountants and those more likely to be encountered by professional accountants in public practice in any particular cultural environment.</p>		Paragraph reordered; Some of the content is captured in Para.A13

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
<p>19. Students need to be encouraged to study the role of, and critically appraise, relevant codes of ethics. Students may be invited to view professional pronouncements in this area as a positive effort to create a framework of trust and integrity within which professional accountants can operate. Students need to be encouraged to examine the ethical pronouncements of other professions and examine and discuss other potential approaches for the accountancy profession. Rote learning of codes and subsequent tests of memory will not produce the desired effect.</p>		Paragraph deleted; Content does not directly support an explanation of the Requirements
<p>20. The presentation of professional values, ethics, and attitudes to accounting students can be enhanced greatly through the use of participative approaches. These may include:</p> <ul style="list-style-type: none"> <li>• the use of teaching materials such as multi-dimensional case studies;</li> <li>• role playing;</li> <li>• discussion of selected readings and videos;</li> <li>• analysis of real life business situations involving ethical dilemmas;</li> <li>• discussion of disciplinary pronouncements and findings; and</li> <li>• seminars using speakers with experience of corporate or professional decision making.</li> </ul>	Para.A21	Paragraph reordered; content captured in Para.A21
<p>21. Such participative work will lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. Distance learning programs may be limited in offering all these participative experiences, however, as many approaches as possible can be used to enhance the learning experience.</p>	Para.A22	Paragraph reordered; Some of the content is captured in Para.A22

<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
<p>22. It is important for professional accountants to learn from their ethical experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work, and what approach may be taken in the future in similar circumstances.</p>		<p>Paragraph deleted; Some of the content is captured in Para.A31</p>
<p><b>Workplace Learning and Professional Values, Ethics, and Attitudes</b></p>		
<p>23. Professional values, ethics, and attitudes affect the work of all professional accountants. Proper ethical behavior is as important as technical competence. Member bodies will require trainees to gain appropriate training and practical experience prior to admission to membership. Accordingly, the period of training and practical experience needs to be structured to give trainees an opportunity to observe the application of professional values, ethics, and attitudes in the work situation.</p>		<p>Paragraph deleted; Some of the content is captured in Para.A24, A25, and A26</p>
<p>24. Those responsible for the supervision of practical experience need to stress to their trainees the ethical dimensions of the role professional accountants play in the workplace. This may be done by encouraging them to identify any apparent ethical implications and conflicts in their work, to form preliminary views on such occurrences and to discuss them with their superiors.</p>		<p>Paragraph deleted; Some of the content is captured in Para.A26</p>
<p>25. In addition to discussions with the supervisors or mentors, there are other ways for trainees to discuss ethical issues, for example, discussions or</p>		<p>Paragraph deleted; Some of the content is captured in Para.A24</p>



<b>Extant IES 4</b>	<b>New para. ref.</b>	<b>Comment on proposed deletion of highlighted material, significant edits, and other notes</b>
interviews with other staff within the organization.		and A27
<p>26. Trainees, and those recently qualified as professional accountants, would also benefit from exposure to, and involvement in, discussions on relevant issues relating to the work of their employers that are perceived to have potential ethical implications, for example conflicts of interest related to:</p> <ul style="list-style-type: none"> <li>• professional accountants’ job responsibilities (including responsibilities defined by the policies of organizations and the instructions of supervisors) and their professional responsibilities (as defined by their professional codes of conduct amongst other sources);</li> <li>• confidentiality of information, including the limits of confidentiality;</li> <li>• the structure and purpose of professional associations (including lobbying activities on behalf of members); and</li> <li>• the variety of ways in which professional accountants can face conflicts of interest, including, for example, inappropriate advocacy and earnings management.</li> </ul>		Paragraph deleted; Content does not directly support an explanation of the Requirements
<p>27. Ethical problems and potential dilemmas may occur. Where there is doubt about the ethical aspects of a course of action or situation, trainees need to consult some recognized ethical reference point, within their work environment or member body, whichever may be the appropriate course of action.</p>	Para.A27	Paragraph reordered; Some of the content is captured in Para.A27

Exhibit 2. Tracked Changes Document- June 2012 Exposure Draft, proposed IES 4 (Revised) as compared to extant IES 4.

**PROPOSED INTERNATIONAL EDUCATION  
STANDARD 4 (Revised)**

**INITIAL PROFESSIONAL DEVELOPMENT -  
PROFESSIONAL VALUES, ETHICS, AND ATTITUDES**

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## Introduction

### Scope of this Standard (Ref Para A2–A8)

1. ~~1.~~ This International Education Standard (IES) prescribes the learning outcomes that demonstrate the professional values, ethics, and attitudes required of aspiring professional accountants should acquire during the education program leading to qualification by the end of Initial Professional Development (IPD).
2. ~~2.~~ The aim of this This IES is to ensure addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that candidates for membership of an IFAC member body are equipped with IPD meets the appropriate requirements of this IES. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support learning and development of professional values, ethics, and attitudes to function of aspiring professional accountants.
- 2.3. Learning and development continues throughout the career of a professional accountant; professional values, ethics, and attitudes achieved during IPD are therefore also relevant to Continuing Professional Development (CPD) as professional accountants' careers change, and they gain exposure to a wider range of ethical issues.
3. ~~IFAC recognizes that the accountancy profession throughout the world operates in environments with different cultures and regulatory requirements. IFAC has, nevertheless, established an international *Code of Ethics for Professional Accountants*. Professional values and ethics relate directly to IFAC's mission to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest.~~

## Introduction

4. ~~Society has high expectations of the accountancy profession. It is essential for professional accountants to accept and observe ethical principles regulating all their relationships. Professional values, ethics and attitudes identify professional accountants as members of a profession and should shape everything they do as professionals. It is the responsibility of member bodies to ensure that their members have an adequate understanding of the principles of professional ethics and the underlying rationale of the constraints that professional ethics place on professional accountants.~~
5. ~~Since professional accountants have a role to play in decision making, they need to have a thorough appreciation of the potential ethical implications of professional and managerial decisions. They also need to be aware of the pressures of observing and upholding ethical principles that may fall on those involved in the decision making process. This is true whether they are working in public practice, industry or commerce, the public sector or education.~~
6. ~~Professional accountants operate in a world of change. Good governance, both corporate and public, depends greatly on adherence to professional values, ethics and attitudes. In such circumstances, a clear understanding of, and education in, ethical principles is essential.~~
7. ~~IFAC considers that member bodies have an obligation to their current and future members, as well as to society at large, to ensure that their members have a continuing understanding of professional values, ethics and attitudes. This understanding needs to be sufficient to enable them to operate effectively and with~~

~~integrity and discernment in an environment of change. The purpose of this IES is to assist member bodies in this task.~~

- ~~8. Professional values, ethics and attitudes need to be treated in their own right within the education framework. If future professional accountants are to perceive professional values, ethics and attitudes as important to their work, it is essential that they do not perceive the treatment of professional values, ethics and attitudes as peripheral to their main education programs.~~
- ~~9. Educators and professional bodies need to distinguish between teaching students about professional values, ethics and attitudes and developing and instilling ethical behavior. Developing professional values, ethics and attitudes needs to begin early in the education of a professional accountant and be re-emphasized throughout a career. The professional accountant needs to consider this as part of life-long learning.~~
- ~~10. Education programs need to deal with ethical rules in a positive, participative way, for example, by exploring links between ethical behavior, corporate failure and fraud. It is important for professional accountants to learn from their experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work and what approach should be taken in the future in similar circumstances.~~
4. ~~11.~~ This IES integrates relevant ethical requirements into professional accounting education. These requirements ordinarily set out five fundamental principles of professional ethics: Integrity; Objectivity; Professional Competence and Due Care; Confidentiality; and Professional Behavior.
5. This IES specifies the learning outcomes that demonstrate professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD, while IES 2: *Initial Professional Development—Technical Competence*, and IES 3: *Initial Professional Development—Professional Skills*, specify other learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the learning outcomes that demonstrate the professional competence required of aspiring professional accountants by the end of IPD.
- ~~3-6.~~ Definitions and explanations of the key terms used in the IESs ~~are set out in~~ and the *Framework for International Education Pronouncements* Standards for Professional Accountants are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms*. Additional terms obtained from IAASB pronouncements have also been included in Explanatory Materials.

### ***Effective Date***

- 4.7. ~~12.~~ This IES is effective from January 1, 2005. [date to be agreed by IAESB but not before a TBD date].

### **Objective (Ref Para A9)**

8. The objective of an IFAC member body is to provide aspiring professional accountants with the professional values, ethics, and attitudes required to perform a role of a professional accountant.

## Requirements

### Framework of Professional Values, Ethics and Attitudes (Ref Para A10-A13)

5.9. 13. ~~The program of~~Through professional accounting education ~~should~~programs, IFAC member bodies shall provide ~~potential professional accountants with~~a framework of professional values, ethics, and attitudes for ~~exercising~~aspiring professional accountants (a) to exercise professional judgment, and ~~for acting~~(b) to act in an ethical manner that is in the ~~best~~public interest ~~of society and the profession~~.

14. ~~The Relevant Ethical Requirements (Ref Para A14)~~

10. IFAC member bodies shall integrate relevant ethical requirements throughout professional accounting education programs for aspiring professional accountants.

### Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref Para A15-A27)

11. IFAC member bodies shall prescribe the learning outcomes that demonstrate the professional competence required of aspiring professional accountants by the end of IPD. For professional values, ethics, and attitudes ~~of professional accountants~~, these learning outcomes shall, at a minimum, include those listed in Table A.

**Table A—Learning Outcomes for Professional Values, Ethics, and Attitudes**

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
(a) Professional skepticism and professional judgment	(i) Apply a skeptical mindset to critically assess financial information and other data relevant to the role of a professional accountant.	Intermediate
	(ii) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.	
(b) Ethical principles	(i) Explain the nature of ethics.	Intermediate
	(ii) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.	
	(iii) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care,	

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
	<u>confidentiality, and professional behavior to ethical dilemmas and determine an appropriate resolution.</u>	
	<u>(iv) Apply the relevant ethical requirements to professional behavior and compliance with standards<sup>1</sup>.</u>	
<u>(c) Commitment to the public interest</u>	<u>(i) Explain the role of ethics within the profession and in relation to the concept of social responsibility.</u>	<u>Intermediate</u>
	<u>(ii) Explain the role of ethics in relation to business and good governance.</u>	
	<u>(iii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.</u>	
	<u>(iv) Compare the consequences of unethical behavior to the individual, to the profession, and to society at large.</u>	

**Review of Professional Accounting Education Programs (Ref Para A28-29)**

12. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

**Reflective Activity (Ref Para A30-A34)**

13. 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.

<sup>1</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.

*Assessment of Professional Values, Ethics, and Attitudes (Ref Para A35-A38)*

14. IFAC member bodies shall establish appropriate assessment activities to assess the development of the professional values, ethics, and attitudes of aspiring professional accountants.

**Explanatory Material***References to Definitions Contained within IFAC Pronouncements*

- A1. This IES uses the following terms already defined within the International Auditing and Assurance Standards Board (IAASB) Glossary of Terms<sup>2</sup> and used within IAASB pronouncements. Table B shows these terms and the current definitions in the IAASB Glossary of Terms.

**Table B - IAASB Definitions Adopted in IES 4**

<u>Defined Term</u>	<u>Definition in IAASB Glossary of Terms</u>
<u>Professional Judgment</u>	<u>The application of relevant training, knowledge and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.</u>
<u>Professional Skepticism</u>	<u>An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.</u>

IAASB pronouncements govern audit, review, other assurance, and related services engagements that are conducted in accordance with international standards, and within the IAASB's pronouncements these terms are used in those contexts. Within this Standard, however, these terms are to be interpreted as applying to the broader context of a role of a professional accountant.

*Scope of this Standard (Ref Para 1-6)*

- A2. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as members of a profession. They include the principles of conduct (i.e., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.

~~15-A3.~~ Professional values, ethics, and attitudes include a commitment to **comply with the relevant local codes of ethics which should be in conformity with the IESBA Code.**(a) technical competence, (b) ethical behavior (e.g. independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g. due care, timeliness,

<sup>2</sup> Glossary of Terms, IAASB Handbook Of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements – 2012 Edition.

courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g. commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g. awareness and consideration of the public interest).

15. ~~The coverage~~A4. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. The inclusion of professional values, ethics, and attitudes in ~~education programs~~IPD lays the base for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant's career.

16. ~~A5. Relevant ethical requirements are defined as ethical requirements to which professional accountants should lead to a commitment to:~~are subject, which ordinarily comprise Part A of the *International Ethics Standards Board for Accountants: Code of Ethics for Professional Accountants* (IESBA Code),<sup>3</sup> together with any national requirements that are more restrictive.

(a) — the public interest and sensitivity to social responsibilities;

continual improvement andA6. There are many different ways to describe and categorize professional competence. Within these IESs, professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes. Each area of professional competence is then further described by a set of learning outcomes in the relevant IES.

A7. The aspiring professional accountant achieves professional competence through integrating technical competence with professional skills, and with professional values, ethics, and attitudes.

A8. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation and economics; competence areas within professional skills include intellectual and organizational skills; and competence areas within professional values, ethics, and attitudes include ethical principles and professional skepticism and professional judgment.

#### Objective (Ref Para 8)

A9. Requiring that aspiring professional accountants achieve learning outcomes that demonstrate appropriate professional values, ethics, and attitudes serves several purposes. First, the public interest is protected and the credibility of the profession is enhanced when only those who meet the profession's competence requirements are permitted to be professional accountants. Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that professional accountants have the competence expected of them by the public, employers, and clients. Third, professional accountants have a

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<sup>3</sup> Part A General Application of the IESBA Code, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.



continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders receive competent professional service.<sup>4</sup>

## Requirements

### Framework of Professional Values, Ethics, and Attitudes (Ref Para 9)

A10. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code.

A11. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.

A12. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member bodies foster a commitment to act in the public interest.

~~(b)~~ A13. In promoting a commitment to act in the public interest, it is important that aspiring professional accountants understand that professional accountants contribute to confidence and trust in the functioning of markets and the economy in general. Acting in the public interest includes (a) developing an awareness and concern for impact on the public, (b) developing a sensitivity to social responsibilities, (c) lifelong learning;

~~(c)~~ , (c) a predisposition to quality, reliability, responsibility, timeliness, and courtesy, and (d) a respect; and

for laws and regulations.

### ~~16. While the approach of each~~ Relevant Ethical Requirements (Ref Para 10)

A14. Within a professional accounting education program to the learning of, professional values, ethics, and attitudes will reflect its own national and cultural environment and objectives, as a minimum all programs should include:

~~(a)~~ the nature of ethics;

~~(b)~~ differences of detailed rules based and framework approaches to ethics, their advantages and drawbacks;

~~(c)~~ compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality;

~~(d)~~ professional behavior and compliance with technical standards;

~~(e)~~ concepts of independence, skepticism, accountability and public expectations;

~~(f)~~ ethics and the profession: social responsibility;

~~(g)~~ ethics and law, including the relationship between laws, regulations and the public interest;

~~(h)~~ consequences of unethical behavior to the individual, to the profession and to society at large;

<sup>4</sup> Professional Code of Conduct, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.

- ~~(i) ethics in relation to business and good governance; and~~
- ~~(j) ethics and the individual professional accountant: whistle blowing, conflicts of interest, ethical dilemmas and their resolution.~~

#### **Teaching Professional Values, Ethics and Attitudes**

~~17. Because of the importance of professional values, ethics and attitudes to future professional accountants, the presentation of the topic may at first initially be treated as a separate subject. As students~~ However, as aspiring professional accountants progress, and gain a wider knowledge of other subjects, it will be appropriate to integrate subject matters. ~~This will encourage students to look for~~ professional values, ethics, and attitudes may be integrated with other subject matter. This encourages aspiring professional accountants to recognize and consider the possible ethical implications of problems being discussed in their study of other subjects.

~~18. Students need to understand that~~ *Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref Para 11)*

#### **Developing learning outcomes**

A15. The requirements for professional values, ethics, and attitudes run through everything are set out in the form of learning outcomes that establishes the content and the depth of knowledge, understanding, and application required for each specified competence area. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment.

A16. The learning outcomes are the minimum to be achieved by an aspiring professional accountant by the end of IPD, regardless of their intended future accounting specialization or role. The minimum learning outcomes are those that provide the base to enable professional accountants do and how they contribute to confidence and trust in the market. Subsequent treatment might address the particular ethical issues likely to be faced by all to develop specializations in different accounting roles, such as an audit engagement partner or taxation specialist.

A17. Each learning outcome has been assigned a minimum level of proficiency that aspiring professional accountants and those more likely to be encountered by are expected to demonstrate by the end of IPD. There are many ways to classify and to describe proficiency levels of learning outcomes. The classification developed by the IAESB is described in Appendix 1.

A18. In professional accounting education programs, an IFAC member body 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. This may occur when an IFAC member body prepares professional accountants in to work within a particular industry sector (for example, the public practice in any sector) or for a particular cultural environment role (for example, a management accountant). The relative depth and weighting of the learning outcomes specified for any competence area may depend on the needs of individual IFAC member bodies and any requirements placed on them by regulatory authorities.

19. ~~Students need~~ Selecting learning and development activities

A19. ~~In determining the approach to achieving the learning outcomes, the mixture of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be encouraged~~ organized to study the role of, and critically appraise, relevant codes of ethics. Students may be invited to view professional pronouncements in this area as a positive effort to create a framework of trust and integrity within which ~~give aspiring professional accountants can operate. Students need to be encouraged to examine the ethical pronouncements of other professions and examine and discuss other potential approaches for the accountancy profession. Rote learning of codes and subsequent tests of memory will not produce~~ an adequate opportunity to observe the desired effect.

20. ~~The presentation~~ application of professional values, ethics, and attitudes ~~to accounting students can be enhanced greatly through the use of~~ in the workplace.

A20. ~~In establishing learning and development activities, IFAC member bodies, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.~~

A21. ~~IFAC member bodies, educators, and other stakeholders may consider using participative approaches that can enhance the development of professional values, ethics, and attitudes. These may include~~ but are not restricted to:

- (a) ~~the~~ The use of teaching materials such as ~~multi-dimensional~~ case studies;
- (b) ~~role~~ Role playing;
- (c) ~~discussion~~ Discussion of selected readings and ~~video~~ online materials;
- (d) ~~analysis~~ Analysis of real-life business situations involving ethical dilemmas;
- (e) ~~discussion~~ Discussion of disciplinary pronouncements and findings; ~~and~~
- (f) ~~seminars~~ Seminars using speakers with experience of corporate or professional decision making; ~~and~~

(g) ~~21. Such participative work will~~ Use of online forums and discussion boards.

A22. ~~Participative approaches may lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. Distance learning programs may be limited in offering all these participative experiences, however, as many approaches as possible~~ A variety of approaches can be used to enhance the learning experience.

22. ~~It is important for professional accountants to learn from their ethical experiences. With this in mind, education programs need to include reflection when students are required to consider an experience, what went well, what did not work, and what approach may be taken in the future in similar circumstances.~~

~~Workplace Learning and~~ **Professional Values, Ethics** skepticism and professional judgment

A23. ~~Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and Attitudes~~ development in these areas usually requires due care, and may need innovative learning methods in which mentoring, reflective activity, time, and experience often play a key role.

## 23 Ethical principles and issues

- A24. Professional values, ethics, and attitudes affect the work of all apply to everything that professional accountants undertake in their professional capacity. Having (a) a knowledge and understanding of ethical concepts, ethical behavior is as important as technical competence. Member bodies will require trainees to gain appropriate training and practical experience prior to admission to membership. Accordingly, the period of training and practical experience needs to be structured to give trainees an opportunity to observe the application theories and the fundamental principles of professional values, ethics, and attitudes in (b) the work situation.
24. Those responsible for the supervision of practical experience need opportunity to stress to practice their trainees the ethical dimensions of the role professional accountants play application in the a non-workplace. This may be done by encouraging them to setting can help the aspiring professional accountant to recognize and address ethical issues.
- A25. Learning and development for aspiring professional accountants may address (a) particular ethical issues likely to be faced by all professional accountants, (b) those ethical issues more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical issues.
- A26. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to (a) identify any apparent ethical implications and conflicts in their work, to or work environment, (b) form preliminary views on such occurrences, and to (c) discuss them with their superiors.
25. In addition to discussions with the supervisors or mentors, there are other ways for trainees to discuss ethical issues, for example, discussions or interviews with other staff within the organization.
26. Trainees, and those recently qualified as professional accountants, would also benefit from exposure to, and involvement in, discussions on relevant issues relating to the work of their employers that are perceived to have potential ethical implications, for example conflicts of interest related to:
- (a) professional accountants' job responsibilities (including responsibilities defined by the policies of organizations and the instructions of supervisors) and their professional responsibilities (as defined by their professional codes of conduct amongst other sources);
  - (b) confidentiality of information, including the limits of confidentiality;
  - (c) the structure and purpose of professional associations (including lobbying activities on behalf of members); and
  - (d) the variety of ways in which professional accountants can face conflicts of interest, including, for example, inappropriate advocacy and earnings management.
- 27A27. Ethical problems issues and potential dilemmas may for aspiring professional accountants are likely to occur. Where within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member body, where there is doubt about the ethical aspects of a course of action or situation, trainees need to consult some recognized ethical reference point, within their work environment or member body, whichever may be

A28. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate course-professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.

A29. The requirement to regularly review and update professional accounting education programs is a reflection of the rapidly changing, complex environment within which professional accountants operate.

**Reflective Activity (Ref Para 13)**

A30. Reflective activity is the iterative process by which professional accountants, at all stages of their career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.

A31. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of “real life” experiences, or consideration of cases that are in the public domain, may also offer suitable alternatives.

A32. The documentation of reflective activity may include a:

- (a) Record of learning;
- (b) Reflective record;
- (c) Personal development portfolio; or
- (d) Critical incident diary.

A33. In providing guidance to aspiring professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member bodies may take into account confidentiality, legal, and regulatory requirements. For example certain ethical situations could be sensitive and subject to legal or disciplinary actions, and are therefore not suitable for aspiring professional accountants to document and discuss.

A34. IFAC member bodies may also consider providing guidance on how to support reflective activity in practice for those responsible for supervising the practical experience of aspiring professional accountants.

**Assessment of Professional Values, Ethics, and Attitudes (Para 14)**

A35. IES 6: Initial Professional Development—Assessment of Professional Competence, provides the principles that apply to the design of assessment activities used to assess professional values, ethics, and attitudes. Assessment activities are defined as those activities designed to assess specific elements of professional competence.

A36. Various activities can be used by IFAC member bodies and other stakeholders to assess the professional values, ethics, and attitudes of aspiring professional accountants. Assessment activities appropriate for assessing professional values, ethics, and attitudes may include written examinations and workplace assessments.

A37. In addition to written examinations, there are a number of other means by which assessment within a formal education environment may be carried out, including:

- (a) Creating databanks of case studies requiring individuals to complete tests based on these case studies, which might for instance be disseminated in professional magazines or journals;
- (b) Using a case analysis system that requires students to maintain journals and notes on particular public domain cases;
- (c) Using objective testing of ethical aspects of initial professional development programs; and
- (d) Using case study group assignments and workshops to assess ethical analysis and decision making.

A38. Workplace assessment differs from, and in many respects is more difficult than, assessment within a formal education environment. The means for assessing the development of professional values, ethics, and attitudes in the workplace may include:

- (a) Discussion and facilitated resolution of ethical dilemmas as they arise in the workplace; and
- (b) Reviews of ethical decision making, combined with performance reviews and appraisals.

**Appendix 1.**  
(Re: Para A17)

**Classification of Proficiency Levels for Learning Outcomes**

The Classification of Proficiency Levels supports the IAESB’s use of learning outcomes in its publications such as, International Education Standards (IESs) 2, 3, 4, and 8. The classification includes descriptors of four levels of proficiency for learning outcomes. These descriptors will help to set learning outcomes to demonstrate technical competence, professional skills, and professional values, ethics, and attitudes in a variety of professional accounting roles and specializations. Examples of indicative verbs are also included to assist those who wish to develop additional learning outcomes.

In the present suite of IESs none of the learning outcomes are classified at Mastery level, however, this level has been included in the Classification in order to demonstrate the relative positioning of the Foundation through Advanced levels.

<b><u>Level of Proficiency</u></b>	<b><u>Description</u></b>
<u>Foundation</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</u></li> <li>• <u>Performing assigned tasks by using the appropriate professional skills;</u></li> <li>• <u>Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</u></li> <li>• <u>Solving frequently encountered problems and referring complex tasks or problems to supervisors or those with specialized expertise; and</u></li> <li>• <u>Providing information and explaining ideas in a clear manner, using oral and written communications.</u></li> </ul> <p><u>Learning outcomes relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>Indicative verbs used to construct learning outcomes typically include: define, describe, distinguish, explain, identify, illustrate, interpret, list, perform, recognize, solve, state, summarize.</u></p>
<u>Intermediate</u>	<u>Learning outcomes focus on:</u>

	<ul style="list-style-type: none"> <li>• <u>Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and to make decisions;</u></li> <li>• <u>Combining technical competence and professional skills to complete work assignments;</u></li> <li>• <u>Applying professional values, ethics, and attitudes to work assignments;</u></li> <li>• <u>Assessing, researching, and resolving complex problems with limited supervision; and</u></li> <li>• <u>Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</u></li> </ul> <p><u>Learning outcomes relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>In addition to those verbs used at the Foundation level, indicative verbs used to construct learning outcomes typically include: analyze, apply, calculate, classify, compare, consider, prepare, prioritize, produce, select.</u></p>
<p><u>Advanced</u></p>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Selecting and integrating principles and theories from different areas of technical competence to manage and to lead projects and work assignments, and making recommendations appropriate to stakeholder needs;</u></li> <li>• <u>Integrating technical competence and professional skills to manage and to lead projects and work assignments;</u></li> <li>• <u>Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</u></li> <li>• <u>Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</u></li> <li>• <u>Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders</u></li> </ul> <p><u>Learning outcomes at the advanced level relate to work situations that are</u></p>



	<p><u>characterized by high levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>In addition to those verbs used at the Foundation and Intermediate levels, Indicative verbs used to construct learning outcomes typically include: act, advise, anticipate, appraise, construct, design, develop, evaluate, integrate, lead, manage, negotiate, plan, recommend.</u></p>
<u>Mastery</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Integrating technical competence, professional skills, and professional values, ethics, and attitudes to lead complex projects, to resolve complex problems, and to advise internal and external stakeholders;</u></li> <li>• <u>Acting as a role model within the accounting profession by behaving in accordance with required professional values, ethics, and attitude;</u></li> <li>• <u>Providing thought leadership in areas requiring experience and expertise; and</u></li> <li>• <u>Communicating with impact to guide and to convince internal and external stakeholders at a senior level on vision and strategy of the organization or business.</u></li> </ul> <p><u>Learning outcomes at the mastery level relate to situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>Indicative verbs include all those listed for Foundation, Intermediate, and Advanced levels.</u></p>

**Exhibit 3. Tracked Changes Document- June 2012 Exposure Draft, proposed IES 4 (Revised) as compared to March 2011 IES 4 Exposure Draft.**

**PROPOSED INTERNATIONAL EDUCATION STANDARD 4**  
**INITIAL PROFESSIONAL DEVELOPMENT: PROFESSIONAL VALUES, ETHICS, AND ATTITUDES (~~Revised~~**REVISED**)**

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## Introduction

### Scope of this Standard *(Ref Para A2–A8)*

1. This International Education Standard (IES) prescribes the learning outcomes that demonstrate the professional values, ethics, and attitudes to be acquired by required of aspiring professional accountants through learning and development<sup>5</sup> during professional accounting education undertaken as part by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies, whose role it is to ensure that professional accounting education. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support ~~the~~ learning and development of professional values, ethics, and attitudes of aspiring professional accountants.
3. Learning and development ~~continue~~continues throughout the career of a professional accountant; ~~and aspects of this IES are~~professional values, ethics, and attitudes achieved during IPD are therefore also relevant to Continuing Professional Development (CPD). ~~Professional values, ethics, and attitudes achieved during IPD continue to develop) as the career of the professional accountant changes, giving accountants' careers change, and they gain~~ exposure to a widewider range of ethical issues.
4. This IES integrates ~~the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) relevant ethical requirements into professional accounting education. — The IESBA Code establishes ethical~~These requirements for professional accountants, and setsordinarily set out five fundamental principles of professional ethics: Integrity; Objectivity; Professional Competence and Due Care; Confidentiality; and Professional Behavior.
5. This IES specifies the learning outcomes that demonstrate professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD, while IES 2: Initial Professional Development—Technical Competence, and IES 3: Initial Professional Development—Professional Skills, specify other learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the learning outcomes that demonstrate the professional competence required of aspiring professional accountants by the end of IPD.
6. Definitions and explanations of the key terms used in the IESs and the Framework for International Education Standards for Professional Accountants are set out in the International Accounting Education Standards Board (IAESB) Glossary of Terms. Additional terms obtained from IAASB pronouncements have also been included in Explanatory Materials.

<sup>5</sup> ~~The term “learning and development” is used by the IAESB to incorporate all the different processes, activities, and outcomes contributing to the achievement of competence.~~

## *Effective Date*

~~5.7.~~ This IES is effective ~~on or after~~ ~~[from~~ [date to be agreed by IAESB but not before a TBD date].

## **Objective** (Ref Para A9)

~~6.8.~~ The objective of ~~an~~ IFAC member body is to ~~prepare~~ provide aspiring professional accountants ~~for demonstrating with~~ the professional values, ethics, and attitudes required to perform ~~the work roles~~ a role of a professional accountant. ~~This lays the foundation for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant's career.~~

## **Requirements**

### Framework of Professional Values, Ethics and Attitudes (Ref Para A10-A13)

~~7.9.~~ Through professional accounting education programs, IFAC member bodies shall provide, ~~through learning and development activities,~~ a framework of professional values, ethics, and attitudes for aspiring professional accountants (a) to exercise professional judgment, and (b) to act in an ethical manner that is in the public interest. ~~(Ref: Para. A2-A3)~~

### Relevant Ethical Requirements (Ref Para A14)

~~8.—10.~~ IFAC member bodies shall integrate ~~the IESBA Code, including any additional local relevant ethical~~ requirements, ~~into learning and development activities.~~ (Ref: Para. A4—A5)

~~The coverage of professional values, ethics, and attitudes in the learning and development activities of the aspiring throughout professional accountant shall be based on an understanding of (a) ethical concepts, (b) theories, and (c) the five fundamental principles of the IESBA Code, which foster a commitment to:~~ accounting education programs for aspiring professional accountants.

- ~~• the public interest~~ Learning Outcomes for Professional Values, Ethics, and sensitivity to social responsibilities;
- ~~• lifelong learning and CPD;~~
- ~~• quality;~~
- ~~• reliability, responsibility, timeliness, and courtesy; and~~  
respect of laws, regulations, and local societal norms. Attitudes (Ref: Para. A6—A11 A15-A27)

~~9.—11.~~ IFAC member bodies shall ~~establish that~~ prescribe the learning and ~~development~~ outcomes that demonstrate the professional competence required of aspiring professional accountants by the end of IPD. For professional values, ethics, and attitudes, these learning outcomes shall, at a minimum, ~~includes developing the ability to:~~

- ~~• explain the nature of ethics;~~

- ~~explain the advantages and drawbacks of detailed rules-based and framework approaches to ethics;~~
- ~~explain the role of ethics within the profession and~~include those listed in relation to the concept of social responsibility;Table A.
- ~~explain the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest;~~
- ~~explain the role of ethics in relation to business and good governance;~~
- ~~compare concepts of objectivity, professional skepticism, accountability, and public expectations;~~
- ~~compare the consequences of unethical behavior to the individual, to the profession, and to society at large;~~
- ~~apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and their resolution; and~~
- ~~apply the IESBA Code to professional behavior and compliance with technical standards. (Ref: Para. A12 – A15)~~

**Table A—Learning Outcomes for Professional Values, Ethics, and Attitudes**

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
(d) <u>Professional skepticism and professional judgment</u>	(iii) <u>Apply a skeptical mindset to critically assess financial information and other data relevant to the role of a professional accountant.</u>	<u>Intermediate</u>
	(iv) <u>Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.</u>	
(e) <u>Ethical principles</u>	(v) <u>Explain the nature of ethics.</u>	<u>Intermediate</u>
	(vi) <u>Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.</u>	
	(vii) <u>Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and</u>	

<u>Competence Area</u>	<u>Learning Outcomes</u>	<u>Minimum Level of Proficiency</u>
	<u>professional behavior to ethical dilemmas and determine an appropriate resolution.</u>	
	<u>(viii) Apply the relevant ethical requirements to professional behavior and compliance with standards<sup>6</sup>.</u>	
<u>(f) Commitment to the public interest</u>	<u>(v) Explain the role of ethics within the profession and in relation to the concept of social responsibility.</u>	<u>Intermediate</u>
	<u>(vi) Explain the role of ethics in relation to business and good governance.</u>	
	<u>(vii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.</u>	
	<u>(viii) Compare the consequences of unethical behavior to the individual, to the profession, and to society at large.</u>	

**Review of Professional Accounting Education Programs (Ref Para A28-29)**

12. IFAC member bodies shall regularly review and update professional accounting education programs that are designed to achieve the learning outcomes in this IES.

**Reflective Activity (Ref Para A30-A34)**

13. 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 ~~in relation to lessons learned from ethical dilemmas.~~ (Ref: Para. A16—A18).

<sup>6</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.

*Assessment of Professional Values, Ethics, and Attitudes (Ref Para A35-A38)*

14. IFAC member bodies shall establish appropriate assessment ~~processes that measure activities to assess the competence of professional accountants in relation to development of the~~ professional values, ethics, and attitudes. ~~(Ref: Para. A19) of aspiring professional accountants.~~

**Explanatory ~~Materials~~ Material**

*References to Definitions Contained within IFAC Pronouncements*

- A1. ~~An aspiring professional accountant is an individual who has commenced professional accounting education as part of IPD. (Ref: Para. 6)~~ This IES uses the following terms already defined within the International Auditing and Assurance Standards Board (IAASB) Glossary of Terms<sup>7</sup> and used within IAASB pronouncements. Table B shows these terms and the current definitions in the IAASB Glossary of Terms.

**Table B - IAASB Definitions Adopted in IES 4**

<u>Defined Term</u>	<u>Definition in IAASB Glossary of Terms</u>
<u>Professional Judgment</u>	<u>The application of relevant training, knowledge and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.</u>
<u>Professional Skepticism</u>	<u>An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.</u>

IAASB pronouncements govern audit, review, other assurance, and related services engagements that are conducted in accordance with international standards, and within the IAASB's pronouncements these terms are used in those contexts. Within this Standard, however, these terms are to be interpreted as applying to the broader context of a role of a professional accountant.

*Scope of this Standard (Ref Para 1-6)*

- A2. Professional values, ethics, and attitudes are defined ~~in the IAESB Glossary of Terms~~ as the professional behavior and characteristics that identify professional accountants as members of a profession. ~~(Ref: Para. 7)~~ They include the principles of conduct (i.e., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.

<sup>7</sup> Glossary of Terms, IAASB Handbook Of International Quality Control, Auditing, Review, Other Assurance, And Related Services Pronouncements – 2012 Edition.

- A3. Professional values, ethics, and attitudes include a commitment to (a) technical competence, (b) ethical behavior (e.g. independence, objectivity, confidentiality, and integrity), (c) professional manner (e.g. due care, timeliness, courteousness, respect, responsibility, and reliability), (d) pursuit of excellence (e.g. commitment to continual improvement and lifelong learning), and (e) social responsibility (e.g. awareness and consideration of the public interest).
- A4. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. The inclusion of professional values, ethics, and attitudes in IPD lays the base for the ongoing development and application of professional values, ethics, and attitudes throughout the professional accountant's career.
- A5. Relevant ethical requirements are defined as 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),<sup>8</sup> together with any national requirements that are more restrictive.
- A6. There are many different ways to describe and categorize professional competence. Within these IESs, professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes. Each area of professional competence is then further described by a set of learning outcomes in the relevant IES.
- A7. ~~A3. Under the IESBA Code~~The aspiring professional accountant achieves professional competence through integrating technical competence with professional skills, and with professional values, ethics, and attitudes.
- A8. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within technical competence include financial accounting and reporting, taxation and economics; competence areas within professional skills include intellectual and organizational skills; and competence areas within professional values, ethics, and attitudes include ethical principles and professional skepticism and professional judgment.

***Objective*** (Ref Para 8)

- A9. Requiring that aspiring professional accountants achieve learning outcomes that demonstrate appropriate professional values, ethics, and attitudes serves several purposes. First, the public interest is protected and the credibility of the profession is enhanced when only those who meet the profession's competence requirements are permitted to be professional accountants. Second, IFAC member bodies and regulatory authorities have a responsibility to ensure that professional accountants have the competence expected of them by the public, employers, and clients. Third, professional accountants have a

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<sup>8</sup> Part A General Application of the IESBA Code, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.



continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders receive competent professional service.<sup>9</sup>

**Framework of Professional Values, Ethics, and Attitudes (Ref Para 9)**

A10. A framework of professional values, ethics, and attitudes may be established by the relevant ethical requirements, for example the conceptual framework approach set out in the IESBA Code.

13. A11. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer. (Ref: Para. 7)

~~A4. Professional~~A12. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member bodies foster a commitment to act in the public interest.

A13. In promoting a commitment to act in the public interest, it is important that aspiring professional accountants understand that professional accountants contribute to confidence and trust in the functioning of markets and the economy in general. Acting in the public interest includes (a) developing an awareness and concern for impact on the public, (b) developing a sensitivity to social responsibilities, (c) lifelong learning, (c) a predisposition to quality, reliability, responsibility, timeliness, and courtesy, and (d) a respect for laws and regulations.

**Relevant Ethical Requirements (Ref Para 10)**

14. A14. Within a professional accounting education program, professional values, ethics, and attitudes may ~~at first~~initially be treated as a separate subject. ~~As~~However, as aspiring professional accountants progress and gain a wider knowledge of other subjects, professional values, ethics, and attitudes may be integrated with other subject matter. This encourages aspiring professional accountants to recognize and consider the possible ethical implications of problems being discussed in their study of other subjects. (Ref: Para. 8)

~~A5. In setting the learning and development for aspiring professional accountants, IFAC member bodies, educators, and other stakeholders are advised to consider how to integrate the IESBA Code with local regulations and requirements. (Ref: Para. 8)~~

~~A6. Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref Para 11)~~

**Developing learning outcomes**

~~A15. The requirements for professional values, ethics, and attitudes apply to everything that professional accountants do. Having a knowledge and understanding of ethical concepts and theories can help the aspiring professional accountant to recognize and address ethical dilemmas. (Ref: Para. 9)~~

<sup>9</sup> Professional Code of Conduct, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.

are set out ~~A7.~~ In fostering a commitment to the public interest, it is important that aspiring professional accountants understand that professional accountants contribute to confidence and trust in the capital markets. Learning and development may address (a) particular ethical issues likely to be faced by all professional accountants, and also (b) those ethical issues more likely to be encountered by professional accountants in the workplace. (Ref: Para. 9)

~~A8.~~ IFAC member bodies, educators, and other stakeholders are encouraged to distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and instilling an appropriate environment for ethical behavior. ~~Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning.~~ (Ref: Para. 9)

~~A9.~~ Learning and development for aspiring professional accountants may be structured in such a way that the necessary periods of training and practical experience give aspiring professional accountants an opportunity to observe the application of professional values, ethics, and attitudes in the workplace. (Ref: Para. 9)

~~A10.~~ The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants (a) to identify any apparent ethical implications and conflicts in their work, (b) to form preliminary views on such occurrences, and (c) to discuss them with their supervisors. (Ref: Para. 9)

~~A11.~~ Those responsible for the design and supervision of practical experience programs are encouraged to recognize that ethical problems and potential dilemmas for the aspiring professional accountant may occur within the period of practical experience. Where there is doubt about the ethical aspects of a course of action or situation, guidance may be given to aspiring professional accountants about the need to consult employers, mentors, supervisors within their work environment or an IFAC member body, whichever is appropriate. (Ref: Para. 9)

15. ~~A12.~~ The learning outcomes establish both of learning outcomes that establishes the content and the depth of knowledge, understanding, and application required for each specified competence area. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional values, ethics, and attitudes, taking into consideration the national and cultural environment ~~and objectives.~~ (Ref: Para. 10).

A16. The learning outcomes are the minimum to be achieved by an aspiring professional accountant by the end of IPD, regardless of their intended future accounting specialization or role. The minimum learning outcomes are those that provide the base to enable professional accountants to develop specializations in different accounting roles, such as an audit engagement partner or taxation specialist.

A17. ~~A13.~~ In determining the approach to each of the learning outcomes, some aspects of classroom-based education may be replaced by practical experience. (Ref: Para. 10)

~~A14.~~ Each learning outcome has been assigned a minimum level of proficiency that aspiring professional accountants are expected to demonstrate by the end of IPD. There are many

ways to classify and to describe proficiency levels of learning outcomes. The classification developed by the IAESB is described in Appendix 1.

A18. In professional accounting education programs, an IFAC member body 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. This may occur when an IFAC member body prepares professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant). The relative depth and weighting of the learning outcomes specified for any competence area may depend on the needs of individual IFAC member bodies and any requirements placed on them by regulatory authorities.

### Selecting learning and development activities

A19. In determining the approach to achieving the learning outcomes, the mixture of learning and development activities may include a combination of structured learning programs and practical experience. This combination may be organized to give aspiring professional accountants an adequate opportunity to observe the application of professional values, ethics, and attitudes in the workplace.

A20. In establishing learning and development activities, IFAC member bodies, educators, and other stakeholders may distinguish between (a) educating aspiring professional accountants about professional values, ethics, and attitudes, and (b) developing and maintaining an appropriate environment for ethical behavior. Development of professional values, ethics, and attitudes may be achieved through IPD, and continues throughout a career, forming part of CPD activities and lifelong learning. ~~are encouraged to use~~

A21. IFAC member bodies, educators, and other stakeholders may consider using participative approaches that can enhance the learningdevelopment of professional values, ethics, and attitudes. These may include but are not restricted to:

~~(g)~~(h) ~~the~~The use of teaching materials such as case studies;

~~(h)~~(i) ~~role~~Role playing;

~~(i)~~(j) ~~discussion~~Discussion of selected readings and online materials;

~~(j)~~(k) ~~analysis~~Analysis of real-life business situations involving ethical dilemmas;

~~(k)~~(l) ~~discussion~~Discussion of disciplinary pronouncements and findings; ~~and~~

~~(l)~~(m) ~~seminars~~Seminars using speakers with experience of corporate or professional decision making. ~~(Ref: Para. 10); and~~

(n) A15 Use of online forums and discussion boards.

A22. Participative approaches may lead those involved to a greater awareness of the ethical implications and potential conflicts for individuals and businesses that may arise from having to make complex management decisions. A variety of approaches can be used to enhance the learning experience. ~~(Ref: Para. 10)~~

**Professional skepticism** ~~A16. The practice of documenting experiences and considering what approach may be taken~~ **professional judgment**

A23. Professional development in the future in similar circumstances can be used by areas of professional skepticism and professional judgment is not always straightforward. Planning

effective learning and development in these areas usually requires due care, and may need innovative learning methods in which mentoring, reflective activity, time, and experience often play a key role.

### **Ethical principles and issues**

- A24. Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (a) a knowledge and understanding of ethical concepts, ethical theories and the fundamental principles of professional ethics, and (b) the opportunity to practice their application in a non-workplace setting can help the aspiring professional accountant to recognize and address ethical issues.
- A25. Learning and development for aspiring professional accountants may address (a) particular ethical issues likely to be faced by all professional accountants, (b) those ethical issues more likely to be encountered by professional accountants in their respective roles, and (c) key considerations in developing appropriate responses to such ethical issues.
- A26. The emphasis on ethical principles may be achieved by encouraging aspiring professional accountants to (a) identify any apparent ethical implications and conflicts in their work or work environment, (b) form preliminary views on such occurrences, and (c) discuss them with their supervisors.
- A27. Ethical issues and potential dilemmas for aspiring professional accountants are likely to occur within the period of practical experience. Those responsible for designing and supervising practical experience programs may provide guidance to aspiring professional accountants about the need to consult employers, mentors, or supervisors within their work environment or an IFAC member body, where there is doubt about the ethical aspects of a course of action or situation.

### **Review of Professional Accounting Education Programs (Ref Para 12)**

- A28. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of the professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A29. The requirement to regularly review and update professional accounting education programs is a reflection of the rapidly changing, complex environment within which professional accountants operate.

### **Reflective Activity (Ref Para 13)**

16. A30. Reflective activity is the iterative process by which professional accountants, at all stages of their careers. (Ref: Para. 11)career, continue to develop their professional competence by reviewing their experiences (real or simulated) with a view to improving their future actions.

A31. The most realistic experiences on which to reflect may occur in the workplace. Where this is not possible or appropriate, simulations of “real life” experiences, or consideration of cases that are in the public domain, may also offer suitable alternatives.

17. A32. The documentation of reflective activity ~~A17.~~ The evidence of reflective activity can take many forms, which may include a:

(e) Record of learning;

(a)(f) Reflective record of learning;

~~• reflective record;~~

(b)(g) personalPersonal development portfolio; or

(e)(h) ~~critical~~Critical incident diary. (Ref: Para. 11)

~~A18. The most realistic experience on which professional accountants reflect may occur in the workplace. Simulations of “real life” experiences may also offer a suitable alternative. (Ref: Para. 11)~~

~~A19. Differing measurement approaches to A33. In providing guidance to aspiring professional accountants on the nature, format, and content of documentation to be maintained for reflective activity and the types of ethical situations to be documented, IFAC member bodies may take into account confidentiality, legal, and regulatory requirements. For example certain ethical situations could be sensitive and subject to legal or disciplinary actions, and are therefore not suitable for aspiring professional accountants to document and discuss.~~

A34. IFAC member bodies may also consider providing guidance on how to support reflective activity in practice for those responsible for supervising the practical experience of aspiring professional accountants.

#### *Assessment of Professional Values, Ethics, and Attitudes (Para 14)*

A35. IES 6: Initial Professional Development—Assessment of Professional Competence, provides the principles that apply to the design of assessment activities used to assess professional values, ethics, and attitudes. Assessment activities are defined as those activities designed to assess specific elements of professional competence.

~~A36. Various activities can be employedused by IFAC member bodies, educators, and other stakeholders. In determining the most appropriate forms of assessment, IFAC member bodies, educators, and other stakeholders are advised to consider an appropriate mixto assess the professional values, ethics, and attitudes of aspiring professional accountants. Assessment activities appropriate for assessing professional values, ethics, and attitudes may include written examinations and workplace assessments.~~

A37. In addition to written examinations, there are a number of other means by which assessment within a formal education environment may be carried out, including:

(a) Creating databanks of case studies requiring individuals to complete tests based on input, output, and process measures. (Refthese case studies, which might for instance be disseminated in professional magazines or journals;

(b) Using a case analysis system that requires students to maintain journals and notes on particular public domain cases;

(c) Using objective testing of ethical aspects of initial professional development programs;  
and

(d) Using case study group assignments and workshops to assess ethical analysis and  
decision making.

A38. Workplace assessment differs from, and in many respects is more difficult than, assessment  
within a formal education environment. The means for assessing the development of  
professional values, ethics, and attitudes in the workplace may include:

(c) Discussion and facilitated resolution of ethical dilemmas as they arise in the workplace;  
and

(d) Reviews of ethical decision making, combined with performance reviews and  
appraisals.

**Appendix 1.**  
(Re: Para-12 A17)

### **Classification of Proficiency Levels for Learning Outcomes**

The Classification of Proficiency Levels supports the IAESB’s use of learning outcomes in its publications such as, International Education Standards (IESs) 2, 3, 4, and 8. The classification includes descriptors of four levels of proficiency for learning outcomes. These descriptors will help to set learning outcomes to demonstrate technical competence, professional skills, and professional values, ethics, and attitudes in a variety of professional accounting roles and specializations. Examples of indicative verbs are also included to assist those who wish to develop additional learning outcomes.

In the present suite of IESs none of the learning outcomes are classified at Mastery level, however, this level has been included in the Classification in order to demonstrate the relative positioning of the Foundation through Advanced levels.

<b><u>Level of Proficiency</u></b>	<b><u>Description</u></b>
<u>Foundation</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</u></li> <li>• <u>Performing assigned tasks by using the appropriate professional skills;</u></li> <li>• <u>Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</u></li> <li>• <u>Solving frequently encountered problems and referring complex tasks or problems to supervisors or those with specialized expertise; and</u></li> <li>• <u>Providing information and explaining ideas in a clear manner, using oral and written communications.</u></li> </ul> <p><u>Learning outcomes relate to work situations that are characterized by low levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>Indicative verbs used to construct learning outcomes typically include: define, describe, distinguish, explain, identify, illustrate, interpret, list, perform, recognize, solve, state, summarize.</u></p>

<p><u>Intermediate</u></p>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and to make decisions;</u></li> <li>• <u>Combining technical competence and professional skills to complete work assignments;</u></li> <li>• <u>Applying professional values, ethics, and attitudes to work assignments;</u></li> <li>• <u>Assessing, researching, and resolving complex problems with limited supervision; and</u></li> <li>• <u>Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</u></li> </ul> <p><u>Learning outcomes relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>In addition to those verbs used at the Foundation level, indicative verbs used to construct learning outcomes typically include: analyze, apply, calculate, classify, compare, consider, prepare, prioritize, produce, select.</u></p>
<p><u>Advanced</u></p>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Selecting and integrating principles and theories from different areas of technical competence to manage and to lead projects and work assignments, and making recommendations appropriate to stakeholder needs;</u></li> <li>• <u>Integrating technical competence and professional skills to manage and to lead projects and work assignments;</u></li> <li>• <u>Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</u></li> <li>• <u>Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</u></li> <li>• <u>Consistently presenting and explaining relevant information in a</u></li> </ul>



	<p><u>persuasive manner to a wide-range of stakeholders</u></p> <p><u>Learning outcomes at the advanced level relate to work situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>In addition to those verbs used at the Foundation and Intermediate levels, Indicative verbs used to construct learning outcomes typically include: act, advise, anticipate, appraise, construct, design, develop, evaluate, integrate, lead, manage, negotiate, plan, recommend.</u></p>
<u>Mastery</u>	<p><u>Learning outcomes focus on:</u></p> <ul style="list-style-type: none"> <li>• <u>Integrating technical competence, professional skills, and professional values, ethics, and attitudes to lead complex projects, to resolve complex problems, and to advise internal and external stakeholders;</u></li> <li>• <u>Acting as a role model within the accounting profession by behaving in accordance with required professional values, ethics, and attitude;</u></li> <li>• <u>Providing thought leadership in areas requiring experience and expertise; and</u></li> <li>• <u>Communicating with impact to guide and to convince internal and external stakeholders at a senior level on vision and strategy of the organization or business.</u></li> </ul> <p><u>Learning outcomes at the mastery level relate to situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</u></p> <p><u>Indicative verbs include all those listed for Foundation, Intermediate, and Advanced levels.</u></p>