

**International Accounting  
Education Standards Board™**

**Handbook of International  
Education Pronouncements**

***2017 Edition***

**IES™**

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# **INTERNATIONAL EDUCATION STANDARDS**

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# **HANDBOOK OF INTERNATIONAL EDUCATION PRONOUNCEMENTS**

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## CHANGES OF SUBSTANCE FROM THE 2015 EDITION OF THE HANDBOOK AND RECENT DEVELOPMENTS

This handbook replaces the 2015 edition of the *Handbook of International Education Pronouncements*. The organization of this handbook supports the International Education Standards (IES) by presenting the underlying concepts and definitions. More specifically, this handbook includes the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (Framework 2015), the IAESB Glossary of Terms (Glossary 2015), and IESs 1–6 that address entry to professional accounting education programs and Initial Professional Development (IPD) of an aspiring professional accountant, as well as IES 7, *Continuing Professional Development* (2014) and IES 8, *Professional Competence for Engagement Partners for Audits of Financial Statements* (2016) that cover CPD for professional accountants and engagement partners.

During the last quarter of 2015 and first quarter of 2016, the IAESB conducted a maintenance review of the Framework (2015), Glossary (2015), and suite of 8 IESs. This review considered only drafting changes and was limited to the following: (i) pure terminology changes, matters of language, typographical corrections, or other drafting issues; and (ii) drafting changes necessary in order to improve consistency, clarity, and accuracy within the body of an IES and between the Framework (2015), Glossary (2015), and the suite of IESs. Conversely, any substantive changes of structure and/or content of the standards, or any change expected to materially impact on users of the standards was considered out-of-scope for the maintenance review and, if necessary, would be addressed by a separate IAESB standards project. The drafting changes were exposed to public consultation over 90 days and respondents' comments were analyzed and deliberated by the IAESB in finalizing these documents. The approved drafting changes to the Framework (2015), Glossary (2015), and suite of 8 IESs are [shown here](#). All drafting changes have been incorporated into the 2017 edition of the Handbook.

This handbook does not include the 3 International Education Practice Statements (IEPSs) because these pronouncements do not align well with concepts and terminology that are being used in the extant IESs. The IAESB will decide during its work plan whether to revise the IEPSs to ensure that they align with the extant IESs or replace the IEPSs with non-authoritative guidance materials.

### Implementation Support

The IAESB is currently working to support the adoption and implementation of the extant IESs. Guidance projects include the development of implementation support materials for a learning outcomes approach, as well as IES 1 and IES 8.

### *Learning Outcomes Approach*

The IAESB has developed a [suite of guidance material to support the implementation of a learning outcomes approach](#) by those responsible for IPD professional accounting education programs, CPD programs, and the development of professional competence through practical experience.

### *Entry to Professional Accounting Education Programs*

The IAESB has developed a [suite of guidance material to support the implementation of IES 1, Entry Requirements to Professional Accounting Education Programs](#) (2014), including materials that assist Professional Accountancy Organizations in understanding the multitude of factors that influence an individual's success or failure within a professional accounting education program.

### *Professional Competence for Engagement Partners*

The IAESB has prepared a Questions & Answers publication and a webcast series to address questions or issues that might arise on implementation of IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (2016) by [professional accountancy organizations](#), [public accounting firms](#), or [engagement partners](#).



## **INTRODUCTION TO THE INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD**

The IAESB is an independent standard-setting body that develops education standards, implementation support materials, and application guidance for use by IFAC member bodies and other interested stakeholders in professional accounting education, such as: universities and education providers, employers, regulators, government authorities, accountants, and prospective accountants. Under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAESB, and the IAESB Consultative Advisory Group, which provides public interest input, the IAESB develops its standards and guidance. IFAC provides financial, operational, and administrative support to the IAESB. This arrangement enables the highly qualified volunteers serving on the IAESB to focus purely on its standard-setting activities.

The IAESB's objective is to serve the public interest by: developing and setting high-quality international education standards that enhance the competence of aspiring professional accountants and professional accountants, thereby strengthening the worldwide accountancy profession and contributing to strengthened public trust.

The IAESB contains no more than 18 members. The determination of the size of the IAESB takes account of the implications on capacity and of the diversity and complement of talent resources needed for anticipated standards development activities. The size of the IAESB is approved by the PIOB based on recommendation of the Nominating Committee and after endorsement of the IFAC Board.

The appointment of members of the IAESB, including the Chair and Deputy Chair, are approved by the Public Interest Oversight Board (PIOB) based on the recommendation of the Nominating Committee and after endorsement of the IFAC Board.

The IAESB comprises practitioners and non-practitioners<sup>1</sup>, of whom no more than half nine shall be practitioners and no less than three shall be public members. A public member is an individual who satisfies the requirements of a non-practitioner and is also expected to reflect, and is seen to reflect, the wider public interest. All board members are required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities as a member of the IAESB.

In developing its standards, independently, the IAESB is required to be transparent in its activities, and to adhere to due process as approved by the PIOB. Board meetings, including meetings by teleconference, are open to the public, and agenda papers are available at [www.iaesb.org/meetings](http://www.iaesb.org/meetings).

For further information on IAESB pronouncements and activities, visit the Board's website at [www.iaesb.org](http://www.iaesb.org).

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<sup>1</sup> A non-practitioner is an individual who is not a member or employee of an audit practice firm and, in respect to individuals who have been members or employees of such firms, are normally subject to a cooling-off period of three years.

## **THE INTERNATIONAL FEDERATION OF ACCOUNTANTS' ROLE**

The International Federation of Accountants (IFAC) serves the public interest by contributing to the development of strong and sustainable organizations, markets, and economies. It advocates for transparency, accountability, and comparability of financial reporting; helps develop the accountancy profession; and communicates the importance and value of accountants to the global financial infrastructure. Founded in 1977, IFAC is currently comprised of over 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

As part of its public interest mandate, IFAC contributes to the development, adoption, and implementation of high-quality international educational standards, primarily through its support of the International Accounting Education Standards Board (IAESB). IFAC provides human resources, facilities management, communications support, and funding to this independent standard-setting board, and facilitates the nominations and selection process for board members.

The IAESB sets its own agendas and approves its publications in accordance with its due process and without IFAC's involvement. IFAC has no ability to influence the agendas or publications. IFAC publishes the handbooks, standards, and other publications and owns the copyrights.

The IAESB's independence is safeguarded in a number of ways:

- formal, independent public interest oversight for standard setting by the PIOB (see [www.ipiob.org](http://www.ipiob.org) for more information), which includes a rigorous due process involving public consultation;
- a public call for nominations, and formal, independent oversight of the nominations/selection process by the PIOB;
- full transparency, both in terms of due process for standard setting, as well as public access to agenda materials, meetings, and a published basis for conclusions with each final standard;
- the involvement of a Consultative Advisory Group and observers in the standard-setting process; and
- the requirement that IAESB members, as well as nominating/employing organizations, commit to the board's independence, integrity, and public interest mission.

Visit the IFAC website at [www.ifac.org](http://www.ifac.org) for further information.

# FRAMEWORK FOR INTERNATIONAL EDUCATION STANDARDS FOR PROFESSIONAL ACCOUNTANTS AND ASPIRING PROFESSIONAL ACCOUNTANTS (2015)

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## PART ONE—INTRODUCTION, PURPOSE, AND SCOPE

### Introduction

1. This *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (the “Framework”) establishes the concepts that the International Accounting Education Standards Board (“IAESB”) uses in its publications. The Framework also provides an introduction to the IAESB publications and related obligations of International Federation of Accountants (“IFAC”) member bodies.
2. The IAESB acts in the public interest to raise the level of confidence and trust of stakeholders in the work of professional accountants.
3. The IAESB’s mission is to serve the public interest by strengthening the worldwide accountancy profession through the development and enhancement of professional accounting education. The IAESB seeks to achieve its mission through the development, adoption, and implementation of International Education Standards (“IESs”). The IESs improve the quality of professional accounting education worldwide by prescribing requirements for:
  - Entry to professional accounting education programs;
  - Initial Professional Development (“IPD”) of aspiring professional accountants; and
  - Continuing Professional Development (“CPD”) of professional accountants.
4. The accountancy profession includes, but is not limited to:
  - Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
  - Partnering in decision making, and in formulating and implementing organizational strategies;
  - Auditing financial and non-financial information, and providing other assurance and advisory services; and
  - Preparing and analyzing relevant tax information.
5. The accountancy profession serves the financial and, in some circumstances, the non-financial information needs of a broad range of decision makers including, but not limited to (a) the public, (b) present and potential investors, (c) management and employees within organizations, (d) suppliers and creditors, (e) customers, and (f) government authorities. The accountancy profession’s ability to satisfy users’ information needs contributes to an efficient economy that creates value to society.

6. Development, adoption, and implementation of IESs provide an effective approach to developing professional competence. Other desirable outcomes include:
  - Reducing international differences in the requirements to perform a role as a professional accountant;
  - Facilitating the global mobility of professional accountants; and
  - Providing international benchmarks of good practice for professional accounting education.
7. Terminology in accounting education is not universal; the same term might be used in different ways in various jurisdictions. Definitions and explanations of the key terms used in the Framework and IESs are set out in the *IAESB Glossary of Terms*.

## **Purpose of the Framework**

8. The Framework provides a conceptual base for the IAESB to continue developing and supporting adoption and implementation of the IESs. The Framework assists IFAC member bodies in their activities related to the learning and development of professional accountants and aspiring professional accountants.
9. The Framework is also useful to other stakeholders who support the learning and development of professional accountants and aspiring professional accountants. These other stakeholders include:
  - Universities, employers, and other stakeholders who play a part in the design, development, delivery, and assessment of professional accounting education programs for professional accountants and aspiring professional accountants;
  - Regulators who are responsible for oversight of the accountancy profession;
  - Government authorities with responsibility for legal and regulatory requirements related to professional accounting education;
  - Professional accountants and aspiring professional accountants who manage their own learning and development; and
  - Any other stakeholders interested in the work of the IAESB and its approach to developing publications on professional accounting education.
10. The benefits of the Framework include:
  - An efficient and effective standard-setting process by providing a conceptual base for the IAESB's publications;

- IESs that are consistent, because they are based on a common set of concepts relevant to professional accounting education; and
- Increased transparency and accountability of the IAESB for its decisions, because the concepts underlying the IAESB's decisions are included in the Framework.

## Scope of the Framework

11. The Framework describes the learning concepts underpinning the IESs; however, the Framework does not establish requirements that apply to IFAC member bodies. The IAESB applies the concepts set out in the Framework when developing the IESs. The concepts in this Framework may also be applied to other aspects of professional accounting education not covered by a specific IES.
12. For the purposes of the IESs and other IAESB publications, the IAESB defines a professional accountant as an individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.
13. Professional accountancy organizations include, but are not limited to, IFAC member bodies. When a professional accountancy organization or a licensing authority is not an IFAC member body, the IESs serve as an international benchmark of good practice.
14. A code of ethics establishes a set of ethical principles for professional accountants. A code of ethics will ordinarily comprise the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), whether in its entirety or used as a basis for a locally developed code of ethics such that the standards therein are no less stringent than those stated in the IESBA Code.
15. The IAESB defines an aspiring professional accountant as an individual who has commenced a professional accounting education program as part of IPD.
16. The IAESB may also establish requirements for roles that are widely practiced by professional accountants in the accountancy profession or that are a matter of public interest.

## PART TWO—EDUCATIONAL CONCEPTS

### Professional Competence

17. The overall objectives of professional accounting education are to (a) develop the professional competence of aspiring professional accountants, and (b) develop and maintain the professional competence of professional accountants.
18. Professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

### Learning Outcomes, Competence Areas, and Proficiency Levels

19. A number of the IESs include learning outcomes that establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.
20. An example of a learning outcome for the technical competence of a professional accountant working in a financial accounting role is to “prepare financial statements, including consolidated financial statements, in accordance with International Financial Reporting Standards (“IFRSs”) or other relevant standards”. Achieving this learning outcome requires knowledge of the IFRSs, the ability to assess their relevance to the situation, and the ability to apply the requirements of the relevant IFRSs.
21. The IESs include competence areas that are categories for which a set of related learning outcomes can be specified. Examples include *Financial accounting and reporting* and *Management accounting*.
22. Within IPD, a competence area is assigned a level of proficiency that describes the context in which the relevant learning outcomes are expected to be achieved. The level of proficiency for a competence area is based on consideration of the ambiguity, complexity, and uncertainty of the work environment. Appendix 1 provides details of the foundation, intermediate, and advanced levels of proficiency. These levels describe the typical progression that occurs in the development of professional competence throughout the career of a professional accountant. The IESs prescribe the level of proficiency for competence areas to be achieved by the end of IPD.
23. An IFAC member body may (a) include additional competence areas; (b) increase the level of proficiency for competence areas; or (c) develop additional learning outcomes. For example, these changes may be necessary

when an IFAC member body prepares professional accountants or aspiring professional accountants to work within a particular industry sector or for a particular role.

## Learning and Development

24. Learning and development is an ongoing process of developing and maintaining professional competence throughout the career of a professional accountant. The IAESB defines primary types of learning and development as follows:

### *Education*<sup>1</sup>

Education is a structured and systematic process aimed at developing knowledge, skills, and other capabilities; a process that is typically but not exclusively conducted in academic environments.

### *Training*

Training describes learning and development activities that complement education and practical experience. Training emphasizes practical application, and is usually conducted in the workplace or a simulated work environment.

### *Practical Experience*

Practical experience refers to workplace and other activities that are relevant to developing professional competence.

25. In addition to education, training, and practical experience, learning and development activities can include informal learning such as (a) coaching, (b) networking, (c) mentoring, (d) observation, (e) reflection, and (f) self-directed and unstructured gaining of knowledge.
26. The extent to which the different types of learning and development are used may vary. For example, during the initial stages of IPD more emphasis may be placed on education including professional accounting education, than in later stages of learning and development. During CPD the balance may shift more to learning and development through practical experience and training.

## General Education

27. General education (a) develops essential knowledge, skills, and attitudes, (b) helps prepare an individual for entry to a professional accounting education program, and (c) supports lifelong learning and development.
28. General education helps professional accountants and aspiring professional accountants integrate technical competence, professional skills, and

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<sup>1</sup> The IAESB uses the term “education” in its own title and publications; however, its terms of reference include the entire learning and development process.



professional values, ethics, and attitudes developed through professional accounting education. It supports the development of decision making skills, judgment, and skepticism. Examples of general education topics include, but are not limited to (a) understanding ideas and events in history, (b) knowledge of different cultures, and (c) awareness of economic, political and social forces in the world.

29. General education may be obtained in a number of different ways and within different settings. General education commences before entry into a professional accounting education program and can continue during IPD and CPD.

## **Initial Professional Development**

30. IPD is the learning and development through which aspiring professional accountants first develop professional competence leading to performing a role as a professional accountant.
31. IPD includes professional accounting education, practical experience, and assessment. The IAESB defines these terms as follows:

### *Professional Accounting Education*

Education and training that build on general education, and develop (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.

### *Practical Experience*

Practical experience refers to workplace and other activities that are relevant to developing professional competence.

### *Assessment*

Evaluation of professional competence developed through learning and development.

32. IPD continues until aspiring professional accountants can demonstrate the professional competence required for a role as a professional accountant. One result of demonstrating this professional competence may be admission to membership in an IFAC member body.
33. Qualification, licensing or certification (“qualification”) is the formal recognition of an individual having attained a professional designation, or having been admitted to membership in an IFAC member body. Internationally, there are significant legal and regulatory differences that determine the point of qualification of professional accountants and it may occur from very early to very late in a career. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification for its members.

## **Continuing Professional Development**

34. CPD is the learning and development that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuing development of the learning outcomes for (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes which were achieved during IPD.
35. Change is a significant characteristic of the environment in which professional accountants work, requiring them to develop and maintain their professional competence throughout their careers. Pressures for change come from many sources including, but not limited to, (a) public expectations, (b) globalization, (c) advances in technology, (d) business complexity, (e) societal changes, and (f) increase in regulation and oversight. As a result, continuous learning is integral to CPD as professional accountants need actively to pursue the education, training, knowledge, and skills which they need to anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, and other areas.
36. Professional competence requirements may change as professional accountants take on new roles during their careers. For example, a professional accountant in business may wish to become an accounting educator; or an accounting technician may wish to work in an audit role. CPD that includes many of the same elements as IPD also develops the additional breadth and depth of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes which may be necessary when moving into a new role.
37. CPD includes practical experience that provides individuals with the opportunity to develop their professional competence within the workplace. As a professional accountant's career progresses, emphasis tends to shift from structured learning activities to practical experience and informal learning.

## **Assessment, Measurement, and Monitoring**

38. Assessment, measurement, and monitoring are central to demonstrating professional competence and determining that learning and development has been effective.
39. Assessment is used to gather evidence that the individual being assessed has demonstrated the professional competence to perform a role as a professional accountant. In addition, assessment provides valuable information that may be used to improve the quality of professional accounting education programs. Effective assessment activities achieve high levels of validity, sufficiency, reliability, equity, and transparency. A mix of different assessment activities is often adopted to assess professional competence.

40. Assessment includes the measurement of professional competence. In the context of assessment, measurement includes evaluating, and providing verifiable evidence of the achievement of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
41. Measurement approaches focus on measuring observable outputs (for example, workplace performance, workplace simulations, written examinations, and self-assessment), quantifiable inputs (for example, CPD hours or equivalent learning units), or a combination of both.
42. Monitoring is the systematic process of collecting, reviewing, and confirming the evidence that demonstrates professional competence has been developed or maintained.

## PART THREE—IAESB PUBLICATIONS

### International Education Standards

43. The IESs are authoritative and are used by IFAC member bodies when setting education requirements for professional accountants and aspiring professional accountants.
44. The IESs establish requirements for (a) entry to professional accounting education programs, (b) IPD of aspiring professional accountants, and (c) CPD of professional accountants.
45. The IAESB is conscious of (a) the diversity of culture and language, educational, legal, and social systems globally, and (b) the variety of roles performed by professional accountants. The IESs have been developed as principle-based standards that provide IFAC member bodies flexibility in implementing the IES's requirements. Each IFAC member body needs to determine how best to implement the requirements of the IESs and is subject to the *Statements of Membership Obligations* ("SMOs"). The IAESB also recognizes that individual IFAC member bodies may adopt learning and development requirements that go beyond the IESs.
46. The process that the IAESB follows in developing its standards is set out in the *IAESB Terms of Reference*.
47. The IESs are written in accordance with the *IAESB Drafting Conventions* that are set out in Appendix 2.

### Other IAESB Publications

48. In support of the IESs, the IAESB issues other publications and additional support material to assist IFAC member bodies in achieving good practice in learning and development.

## **PART FOUR—IFAC MEMBERSHIP OBLIGATIONS**

### **IFAC Membership Obligations Relating to IESs**

49. Individual IFAC member bodies determine the competences and criteria for membership that are appropriate to the professional accountant roles performed by their members. The SMOs set out the obligations of IFAC member bodies and associate bodies. Obligations related to the IESs may be found in *Statement of Membership Obligations 2, International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* (“SMO 2”).
50. Some IFAC member bodies are subject to the requirements of law or regulation within their jurisdictions. IESs cannot legally override educational requirements or restrictions placed on individual IFAC member bodies by such laws or regulations. In cases where IESs set a higher requirement than laws or regulations, SMO 2 requires that, where the IFAC member body has no responsibility or shared responsibility for areas covered by the IESs, it uses its best endeavors to comply with the requirements of the IESs. In these instances, the IFAC member body would (a) determine its level of responsibility, (b) assume the appropriate set of actions to best meets its obligations under SMO 2, and (c) encourage those responsible to implement the requirements of the IESs into relevant laws or regulations.

## Appendix 1

### DESCRIPTION OF LEVELS OF PROFICIENCY

This description of levels of proficiency supports the IAESB's use of learning outcomes in the IESs and other publications. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>Performing assigned tasks by using the appropriate professional skills;</li> <li>Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>Combining technical competence and professional skills to complete work assignments;</li> </ul>

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

## Appendix 2

### IAESB DRAFTING CONVENTIONS

#### Language and Structure

In developing the IESs, the selection of appropriate wording will be guided, wherever possible, by these *IAESB Drafting Conventions* and the *IAESB Glossary of Terms* (the “Glossary”). Definitions found in the IAESBs pronouncements are included in the Glossary. The Glossary is intended to support translation, interpretation, and application. The definitions are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise.

The structure of the IESs shall be organized to include the following as separate sections: Introduction, Objective, Requirements, and Explanatory Material.

#### *Introduction*

The introductory material includes information regarding the scope and effective date that provides context relevant to a proper understanding of each IES.

#### *Objective*

The IESs contain a clear statement of the objective of the standard. The objective assists an IFAC member body to understand the overall aim of the standard, and what needs to be accomplished, as well as to decide whether more needs to be done to achieve the objective.

#### *Requirements*

The objective is supported by clearly stated requirements that are necessary to achieve the objective. Requirements are always expressed using the term “shall.”

#### *Explanatory Material*

The explanatory material is intended to explain the scope, objective, and requirements in more detail. The explanatory material assists IFAC member bodies in the application of the requirements and may include examples of how to meet them. The explanatory material does not impose any additional requirements; its purpose is to assist in application.



## IAESB GLOSSARY OF TERMS (APRIL 2015)

1. This glossary comprises a collection of defined terms, many of which have been specifically defined within existing IAESB pronouncements. The IAESB acknowledges that terms may be understood to have different common meanings, nuances of meaning, and applications among the various countries in which member bodies operate. The glossary does not prescribe the use of terms by member bodies. Rather, the glossary is a list of defined terms, with special meanings, for their use within the IESs and IEPs produced by the IAESB.
2. Words marked with an asterisk (\*) indicate terms that are defined elsewhere in the glossary.

*Aspiring professional accountant*—An individual who has commenced a professional accounting education program\* as part of Initial Professional Development.\*

*\*Assessment*—Evaluation of professional competence\* developed through learning and development.\*

*\*Assessment activity*—Those activities designed to assess specific areas of professional competence.\*

*Combination approach*—A combination approach combines elements of input-based\* and output-based\* approaches.

*Competence area*—A category for which a set of related learning outcomes\* can be specified.

*\*Content validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* provides adequate coverage of the particular aspect of professional competence\* being assessed.

*Continuing professional development (CPD)*—Learning and development\* that takes place after initial professional development,\* and that develops and maintains professional competence\* to enable professional accountants\* to continue to perform their roles\* competently.

*\*Cooperative education*—A program of education,\* generally leading to a degree, which includes alternating periods (e.g., terms, semesters, trimesters) of academic study and full-time work experience. This will generally result in additional time required to complete degree requirements.

*\*Education*—Systematic process aimed at acquiring and developing knowledge, skills, and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

*Equity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is fair and without bias.

*Face validity (of assessment)*—In relation to assessment,\* whether an assessment activity\* is perceived to measure what it is intended to measure.

*Financial statements*—A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.

The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance.

*Firm*—A sole practitioner, partnership, corporation, or other entity of professional accountants.

*Formal education*—The non-workplace based component of an accounting education program.

*Good practice*—Those elements considered essential to the education\* and development of professional accountants\* and performed at a standard necessary to the achievement of professional competence.\*

*Initial professional development (IPD)*—Learning and development\* through which aspiring professional accountants\* first develop competence leading to performing a role\* as a professional accountant.

*Input measure*—An input-based measure focuses on the investment made in learning and development,\* for example, the number of hours an individual is expected to attend a course or the subject areas covered.

*Input-based approach*—An approach that establishes an amount of learning activity required for professional accountants\* to develop and maintain professional competence.\*

*Intellectual skills*—Skills relating to the ability of a professional accountant\* to solve problems, to make decisions, and to exercise good judgment.

*Interpersonal and communication skills*—Skills relating to the ability of a professional accountant\* to work and interact effectively with others.

*Learning and Development*—An ongoing process of developing and maintaining professional competence\* throughout the career of a professional.

*Learning outcome*—The content and the depth of knowledge, understanding, and application required for a specified competence area.\*

*Monitoring*—Systematic process of collecting, reviewing, and confirming the evidence that demonstrates professional competence has been developed or maintained.

*Organizational skills*—Skills relating to the ability of a professional accountant\* to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.

*Output measure*—An output-based measure focuses on whether the professional accountant\* has developed the specified competence.

*Output-based approach*—An approach that requires professional accountants\* to demonstrate, by way of achieved learning outcomes,\* that they develop and maintain professional competence.\*

*Personal skills*—Skills relating to the personal attitudes and behavior of a professional accountant.\*

*Practical experience*—Workplace and other activities that are relevant to developing professional competence.

*Practical experience supervisor*—A professional accountant\* who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience.\*

*Predictive validity (of assessment)*—In relation to assessment,\* whether the content of the assessment activity\* relates to the particular aspect of professional competence\* that it is intended to assess

*Professional accountant*—An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accountancy profession and who is required to comply with a code of ethics as directed by a professional accountancy organization or a licensing authority.\*

*Professional accounting education*—Education and training that builds on general education, and imparts (a) professional knowledge,\* (b) professional skills,\* and (c) professional values, ethics, and attitudes.\*

*Professional accounting education program*—Programs designed to support aspiring professional accountants\* to develop the appropriate professional competence\* by the end of initial professional development.\* 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.

*Professional competence*—The ability to perform a role\* to a defined standard.

*Professional judgment*—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.

*Professional knowledge*—Those topics that make up the subject of accountancy as well as other business disciplines that, together, constitute the essential body of knowledge for professional accountants.\*

*Professional skepticism*—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.

*Professional skills*—Intellectual, interpersonal and communication, personal, and organizational skills that a professional accountant integrates with technical competence\* and professional values, ethics, and attitudes\* to demonstrate professional competence.\*

*Professional values, ethics, and attitudes*—The characteristics that identify professional accountants\* as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of, professional behavior.

*Qualification*—Qualification as a professional accountant\* means, at a given point in time, an individual is considered to have met, and continues to meet, the requirements for recognition as a professional accountant.\*

*Reflective activity*—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.

*Relevant ethical requirements*—Those ethical requirements to which professional accountants\* are subject, which ordinarily comprise the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with any national requirements that are more restrictive.

*Reliability (of assessment)*—In relation to assessment,\* whether an assessment activity\* consistently produces the same result, given the same set of circumstances, quality or state describing whether a measurement approach consistently produces the same result, given the same set of circumstances.

*Role*—A function that has a specific set of expectations attached.

*Specialization*—The formal recognition by a member body of a group of its members possessing distinctive competence in a field, or fields, of activity related to the work of the professional accountant.\*

*Sufficiency (of assessment)*—In relation to assessment,\* whether an assessment activity\* has a balance of depth and breadth, knowledge and application and, combines material from different areas applied to a range of situations and contexts.

*Sufficiency (of practical experience)*—Whether practical experience\* has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.

The breadth of practical experience is affected by factors such as: nature of role; level of proficiency, prior level of formal education,\* national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence.\*

The depth of practical experience\* is affected by factors such as: the variety and complexity of tasks; level of supervisory and mentoring support.

*Technical competence*—Technical competence is defined as the ability to apply professional knowledge\* to perform a role to a defined standard.

*Training*—Learning and development\* activities that complement education\* and practical experience.\* Training emphasizes practical application, and is usually conducted in the workplace or a simulated work environment.

*Transparency (of assessment)*—In relation to assessment,\* whether details of an assessment activity,\* such as competence areas\* to be assessed and timing of the activity, are disclosed publicly.

*Validity*—Quality or state describing whether a measurement approach measures what needs to be measured.

*Verifiable evidence*—Evidence that is objective, capable of being proven and stored in written or electronic form.

*Work log*—A record maintained by an individual of the nature of the assignments and tasks completed, and of the time incurred in completing those assignments and tasks. A work log might also include documentation of competences developed as a result of completing work assignments.

## PREFACE

The IESs establish requirements for (a) entry to professional accounting education programs, (b) IPD of aspiring professional accountants, and (c) CPD of professional accountants. The due process that the IAESB follows in developing its standards is set out in the document, *Due Process and Working Procedures* (2010). The structure of each IES is organized to include the following sections: Introduction (e.g., Scope and Effective date), Objective, Requirements, and Explanatory Materials.

The *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) provides a conceptual base that underpins the IESs; however, the Framework does not establish requirements that apply to IFAC member bodies.

Definitions found in the IAESBs pronouncements are included in the *IAESB Glossary of Terms*. The glossary is intended to support translation, interpretation, and application. The definitions are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise.

The IAESB has also developed Interpretation Guidance materials to support the understanding of the extant IESs which can be found in the *Clarity Center* of the IAESB website. Interpretation Guidance materials include: *Basis of Conclusions documents* for the extant IESs; a *Bridging Document* that provides an overview of the changes resulting from the revision project; a *Staff Answered Questions document* (2015) that explains the standard-setting process, the responsibility of IFAC member bodies in implementing the IESs, the due process activities followed by the IAESB in establishing the extant IESs; and staff prepared slides and speaking notes that explain the key principles of, and major changes to, each of the IESs.

# INTERNATIONAL EDUCATION STANDARD 1

## ENTRY REQUIREMENTS TO PROFESSIONAL ACCOUNTING EDUCATION PROGRAMS (2014)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs, while requirements relating to entry to the profession are covered by:
  - (a) IES 2, *Initial Professional Development – Technical Competence* (2015),
  - (b) IES 3, *Initial Professional Development – Professional Skills* (2015),
  - (c) IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015),
  - (d) IES 5, *Initial Professional Development – Practical Experience* (2015), and
  - (e) IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for setting and communicating entry requirements for professional accounting education programs. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who deliver and support delivery of professional accounting education programs.
3. This IES explains the principle of allowing flexible access to professional accounting education programs under the auspices of an IFAC member body, while ensuring that aspiring professional accountants have a reasonable chance of successful completion of professional accounting education programs. This IES explains (a) reasonable chance of successful completion, (b) the suitability of entry requirements, and (c) different forms of entry requirements.
4. This IES recognizes that entry requirements may vary by jurisdiction, due to (a) different pathways through professional accounting education programs, and (b) differences between various jurisdictions in governance and regulatory arrangements. This IES also recognizes that completion of a full, professional qualification is just one of a range of exit points from a professional accounting education program.
5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).



### **Effective Date**

6. This IES is effective from July 1, 2014.

### **Objective (Ref: Para. A4–A6)**

7. The objective of this IES is to establish educational entry requirements to professional accounting education programs that are fair, proportionate, and protect the public interest.

### **Requirements (Ref: Para. A7–A12)**

8. IFAC member bodies shall specify educational entry requirements for professional accounting education programs that will allow entrance only to those with a reasonable chance of successfully completing the professional accounting education program, while not representing excessive barriers to entry.
9. IFAC member bodies shall explain the rationale for the principles to be used when setting educational entry requirements to stakeholders, including relevant education providers and individuals considering a career as a professional accountant.
10. IFAC member bodies shall make relevant information publicly available to help individuals assess their own chances of successfully completing a professional accounting education program.

## **Explanatory Material**

### **Scope of this Standard (Ref: Para. 1–5)**

- A1. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of Initial Professional Development (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 professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A2. IFAC member bodies have varying levels of control over entry requirements to professional accounting education programs. For example, in some jurisdictions entry requirements may be set by universities or governments. There are various pathways into the accountancy profession. For example, (a) traditional degree level entry, (b) gaining experience by working in industry, and (c) entry from the secondary education level. Moreover, different jurisdictions and IFAC member bodies will have different labor market challenges.
- A3. There are a number of steps an IFAC member body may take to seek to meet its membership obligations. For example, this might be illustrated by a situation where a university rather than the IFAC member body sets entry requirements to a professional accounting education program. Here, the IFAC member body might work with the university to explain the purpose of the IES, and communicate that compliance with its requirements would enable students more easily to be considered for membership in the IFAC member body.

### **Objective (Ref: Para. 7)**

- A4. All IESs are designed to protect the public interest. This IES does this by dealing with entry requirements to professional accounting education programs, which are important to help individuals considering a career as a professional accountant make informed decisions about their education choices. These entry requirements also provide that access to professional accounting education programs is limited to those likely to succeed. Entry to the accountancy profession is safeguarded by IESs 2, 3, 4, 5, and 6, which cover technical competence, professional skills, professional values, ethics, and attitudes, practical experience, and assessment, and which are designed to ensure that members of the accountancy profession achieve an appropriate level of professional competence.
- A5. This IES serves the public interest by addressing issues relating to the provision of sufficient numbers of high-quality aspiring professional accountants.

It does this by setting out principles for entry requirements for professional accounting education programs that are neither too high (causing unnecessary barriers to entry to the profession), nor too low (causing individuals to believe falsely they have a likelihood of completing the education successfully). Such entry requirements may help with the efficient use of resources and assist individuals considering a career as a professional accountant to make informed career decisions.

- A6. IFAC member bodies can contribute to efficient and effective career decisions by informing individuals considering a career as a professional accountant of the technical competence, professional skills, and professional values, ethics, and attitudes expected of those successfully completing professional accounting education programs. Individuals are only able to make informed decisions when provided with the necessary information. IFAC member bodies may collect and analyze the data on an ongoing basis so that advice to individuals considering a career as a professional accountant can be based on reliable information. The information to be provided by IFAC member bodies may cover:
- (a) Varying entry points to professional accounting education programs;
  - (b) Encouraging individuals considering a career as a professional accountant to commence a professional accounting education program only when they have considered their chances of successful completion;
  - (c) Pass rates relating to the qualification;
  - (d) Transparent information regarding the expectations and costs associated with professional accounting education programs; and
  - (e) Self-diagnostic tools such as competency maps setting out the skills, knowledge, and attitudes to be acquired on successful completion of the professional accounting education program.

#### **Requirements (Ref: Para. 8–10)**

- A7. Determining a reasonable chance of successful completion is a matter of judgment, depending on number of factors. The intention is to (a) help individuals considering a career as professional accountant be as fully informed as possible when deciding to embark on professional accounting education programs, and to (b) encourage those providing professional accounting education programs to share as much helpful and relevant information as possible. The phrase may be understood differently by each IFAC member body as regards different professional accounting education programs. IFAC member bodies may set out the key factors for reasonable chance of successful completion, such that the entry requirements for any

professional accounting education program provide individuals considering a career as a professional accountant with the necessary foundations to enable them to develop the required competence of a professional accountant. This may involve taking into account factors such as (a) the economic, business, and regulatory environment, (b) the prerequisite knowledge required, (c) the expected learning to be acquired, (d) the role of the accountant, and (e) any other relevant factors.

- A8. The entry requirements may be justified with reference to the technical competence, professional skills, and professional values, ethics, and attitudes needed to successfully complete a professional accounting education program. This does not preclude requiring a university degree, or the qualifications needed to commence a university degree. When setting entry requirements, the IFAC member body may consider whether they are appropriate in each case, and are neither excessive nor trivial. An excessive barrier to entry may include prescribing specific subject qualifications from certain institutions, or a minimum length of specific work experience. The purpose of avoiding such excessive barriers is to allow flexibility of access to professional accounting education programs, not to dilute standards either of professional accounting education programs themselves or of the accountancy profession. Rather, there is a range of entry and exit routes for professional accounting education programs, and different ways of achieving IPD.
- A9. IFAC member bodies may adopt different entry requirements, because professional accounting education programs vary by jurisdiction and type. For example, some professional accounting education programs may have as entry requirements only a good level of numeracy and literacy. Conversely, the entry requirements of professional accounting education programs for certain specialized roles may specify that an individual must hold a university degree or equivalent.
- A10. Aspiring professional accountants may have developed their (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes through various pathways, including work experience, study, or qualifications. The flexibility of pathways to professional accounting education programs in no way dilutes the rigor of that education, nor of the standards required of aspiring professional accountants to complete IPD. IFAC member bodies may reflect these different pathways by adopting flexible entry requirements that accommodate all those with a reasonable chance of successfully completing a professional accounting education program. The purpose of this flexibility is to allow broad access to professional accounting education programs; it is not intended to create different categories of professional accountant. An example of this flexibility can be found where an IFAC member body specifies a prequalification entry requirement (e.g., a university degree or equivalent), but allows direct entrance to its professional

accounting education program for those without a university degree if they have, for example, a period of relevant practical experience.

- A11. An IFAC member body may prescribe specific criteria used to determine that individuals meet the entry requirements to a professional accounting education program. These may include qualifications, courses, entry tests, or experience. Entry requirements may include the assessment of one (or a combination) of qualifications, experience, or other requirements deemed appropriate by the IFAC member body. This information could be made widely available by, for example, publishing it in the brochures for professional accounting education programs; or by including it on the website of the IFAC member body.
- A12. IFAC member bodies can help individuals considering a career as a professional accountant consider their chances of successfully completing a professional accounting education program by encouraging them to consider the content covered, its level, and methods of assessment of the program.

# INTERNATIONAL EDUCATION STANDARD 2

## INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL COMPETENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A6)

1. This International Education Standard (IES) prescribes the learning outcomes for technical competence that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Technical competence is the ability to apply professional knowledge to perform a role to a defined standard.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES specifies the competence areas and learning outcomes that describe the technical competence required of aspiring professional accountants by the end of IPD. *IES 3, Initial Professional Development – Professional Skills* (2015), and *IES 4, Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

5. This IES is effective from July 1, 2015.

### Objective (Ref: Para. A7)

6. The objective of this IES is to establish the technical competence that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Technical Competence (Ref: Para. A8–A12)

7. IFAC member bodies shall prescribe the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Technical Competence**

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(a) Financial accounting and reporting  (Intermediate)	(i) Apply accounting principles to transactions and other events.
	(ii) Apply International Financial Reporting Standards (IFRSs) or other relevant standards to transactions and other events.
	(iii) Evaluate the appropriateness of accounting policies used to prepare financial statements.
	(iv) Prepare financial statements, including consolidated financial statements, in accordance with IFRSs or other relevant standards.
	(v) Interpret financial statements and related disclosures.
	(vi) Interpret reports that include non-financial data, for example, sustainability reports and integrated reports.
(b) Management accounting  (Intermediate)	(i) Apply techniques to support management decision making, including product costing, variance analysis, inventory management, and budgeting and forecasting.
	(ii) Apply appropriate quantitative techniques to analyze cost behavior and the drivers of costs.
	(iii) Analyze financial and non-financial data to provide relevant information for management decision making.
	(iv) Prepare reports to support management decision making, including reports that focus on planning and budgeting, cost management, quality control, performance measurement, and benchmarking.
	(v) Evaluate the performance of products and business segments.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).



<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(c) Finance and financial management  (Intermediate)	(i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.
	(ii) Analyze an organization's cash flow and working capital requirements.
	(iii) Analyze the current and future financial position of an organization, using techniques including ratio analysis, trend analysis, and cash flow analysis.
	(iv) Evaluate the appropriateness of the components used to calculate an organization's cost of capital.
	(v) Apply capital budgeting techniques in the evaluation of capital investment decisions.
	(vi) Explain income, asset-based, and market valuation approaches used for investment decisions, business planning, and long-term financial management.
(d) Taxation  (Intermediate)	(i) Explain national taxation compliance and filing requirements.
	(ii) Prepare direct and indirect tax calculations for individuals and organizations.
	(iii) Analyze the taxation issues associated with non-complex international transactions.
	(iv) Explain the differences between tax planning, tax avoidance, and tax evasion.
(e) Audit and assurance  (Intermediate)	(i) Describe the objectives and stages involved in performing an audit of financial statements.
	(ii) Apply relevant auditing standards (for example, International Standards on Auditing), and applicable laws and regulations to an audit of financial statements.
	(iii) Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.
	(iv) Apply quantitative methods that are used in audit engagements.

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
(f) Governance, risk management and internal control  (Intermediate)	(i) Explain the principles of good governance, including the rights and responsibilities of owners, investors, and those charged with governance; and explain the role of stakeholders in governance, disclosure, and transparency requirements.  (ii) Analyze the components of an organization's governance framework.  (iii) Analyze an organization's risks and opportunities using a risk management framework.  (iv) Analyze the components of internal control related to financial reporting.
(g) Business laws and regulations  (Intermediate)	(i) Explain the laws and regulations that govern the different forms of legal entities.  (ii) Explain the laws and regulations applicable to the environment in which professional accountants operate.
(h) Information technology  (Intermediate)	(i) Analyze the adequacy of general information technology controls and relevant application controls.  (ii) Explain how information technology contributes to data analysis and decision making.  (iii) Use information technology to support decision making through business analytics.
(i) Business and organizational environment  (Intermediate)	(i) Describe the environment in which an organization operates, including the main economic, legal, political, social, technical, international, and cultural forces.  (ii) Analyze aspects of the global environment that affect international trade and finance.  (iii) Identify the features of globalization, including the role of multinationals, e-commerce, and emerging markets.

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(j) Economics  (Foundation)	(i) Describe the fundamental principles of microeconomics and macroeconomics.
	(ii) Describe the effect of changes in macroeconomic indicators on business activity.
	(iii) Explain the different types of market structures, including perfect competition, monopolistic competition, monopoly, and oligopoly.
(k) Business strategy and management  (Intermediate)	(i) Explain the various ways that organizations may be designed and structured.
	(ii) Explain the purpose and importance of different types of functional and operational areas within organizations.
	(iii) Analyze the external and internal factors that may influence the strategy of an organization.
	(iv) Explain the processes that may be used to implement the strategy of an organization.
	(v) Explain how theories of organizational behavior may be used to enhance the performance of the individual, teams, and the organization.

### **Review of Professional Accounting Education Programs (Ref: Para. A13–A14)**

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

### **Assessment of Technical Competence (Ref: Para. A15–A16)**

9. IFAC member bodies shall establish appropriate assessment activities to assess the technical competence of aspiring professional accountants.

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## Explanatory Material

### Scope of this Standard (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A3. The inclusion of technical competence in IPD lays the base for performing a role as a professional accountant. Further development of technical competence is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2014).
- A4. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A5. 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; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.
- A6. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

### Objective (Ref: Para. 6)

- A7. Establishing the technical competence that aspiring professional accountants need to develop and demonstrate, serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

**Learning Outcomes for Technical Competence (Ref: Para. 7)**

- A8. Table A lists the learning outcomes for technical competence to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or taxation specialist.
- A9. In the design of professional accounting education programs, the 11 competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area may be achieved across more than one course or subject dedicated to that area. For example, the learning outcomes for financial accounting and reporting may be achieved across two or more financial accounting and reporting courses or subjects. The achievement of some learning outcomes may extend across several different courses or subjects, none of which may be devoted solely to that competence area. For example, the learning outcomes within information technology may be achieved through the integration of relevant material within courses that focus on management accounting and/or auditing and assurance. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A. For example, economics is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program.
- A10. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A11. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.
- A12. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

### **Review of Professional Accounting Education Programs (Ref: Para. 8)**

- A13. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications 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 may involve substantive input from stakeholders other than IFAC member bodies.
- A14. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

### **Assessment of Technical Competence (Ref: Para. 9)**

- A15. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to assess the technical competence and other elements of professional competence.
- A16. Various assessment activities can be used to assess the technical competence of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the evaluation of prior learning leading to the awarding of exemptions from aspects of IPD.

# Appendix 1

## Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB’s use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>Performing assigned tasks by using the appropriate professional skills;</li> <li>Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>Combining technical competence and professional skills to complete work assignments;</li> </ul>

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>



# INTERNATIONAL EDUCATION STANDARD 3

## INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL SKILLS (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A7)

1. This International Education Standard (IES) prescribes the learning outcomes for professional skills that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD). Professional skills are the (a) intellectual, (b) interpersonal and communication, (c) personal, and (d) organizational skills that a professional accountant integrates with technical competence and professional values, ethics, and attitudes to demonstrate professional competence.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. This IES specifies the competence areas and learning outcomes that describe the professional skills required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2015), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together, these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
4. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

5. This IES is effective from July 1, 2015.

### Objective (Ref: Para. A8)

6. The objective of this IES is to establish the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Learning Outcomes for Professional Skills (Ref: Para. A9–A14)

7. IFAC member bodies shall prescribe the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

**Table A: Learning Outcomes for Professional Skills**

Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
(a) Intellectual  (Intermediate)	(i) Evaluate information from a variety of sources and perspectives through research, analysis, and integration.
	(ii) Apply professional judgment, including identification and evaluation of alternatives, to reach well-reasoned conclusions based on all relevant facts and circumstances.
	(iii) Identify when it is appropriate to consult with specialists to solve problems and reach conclusions.
	(iv) Apply reasoning, critical analysis, and innovative thinking to solve problems.
	(v) Recommend solutions to unstructured, multi-faceted problems.
(b) Interpersonal and communication  (Intermediate)	(i) Display cooperation and teamwork when working towards organizational goals.
	(ii) Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.
	(iii) Demonstrate awareness of cultural and language differences in all communication.
	(iv) Apply active listening and effective interviewing techniques.
	(v) Apply negotiation skills to reach solutions and agreements.
	(vi) Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(vii) Present ideas and influence others to provide support and commitment.
(c) Personal  (Intermediate)	(i) Demonstrate a commitment to lifelong learning.
	(ii) Apply professional skepticism through questioning and critically assessing all information.
	(iii) Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.
	(iv) Manage time and resources to achieve professional commitments.
	(v) Anticipate challenges and plan potential solutions.
	(vi) Apply an open mind to new opportunities.
(d) Organizational  (Intermediate)	(i) Undertake assignments in accordance with established practices to meet prescribed deadlines.
	(ii) Review own work and that of others to determine whether it complies with the organization's quality standards.
	(iii) Apply people management skills to motivate and develop others.
	(iv) Apply delegation skills to deliver assignments.
	(v) Apply leadership skills to influence others to work towards organizational goals.
	(vi) Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision making.

### **Review of Professional Accounting Education Programs (Ref: Para. A15–A16)**

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

### **Assessment of Professional Skills (Ref: Para. A17–A19)**

9. IFAC member bodies shall establish appropriate assessment activities to assess the professional skills of aspiring professional accountants.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–4)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A3. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. The inclusion of professional skills in IPD lays the base for performing a role as a professional accountant. Further development of professional skills is a focus of Continuing Professional Development (CPD), which is covered in IES 7, *Continuing Professional Development* (2014).
- A5. Within this IES, professional skills are categorized into four competence areas:
  - (a) *Intellectual* relates to the ability of a professional accountant to solve problems, to make decisions, and to exercise professional judgment;
  - (b) *Interpersonal and communication* relate to the ability of a professional accountant to work and interact effectively with others;
  - (c) *Personal* relates to the personal attitudes and behavior of a professional accountant; and
  - (d) *Organizational* relates to the ability of a professional accountant to work effectively with or within an organization to obtain the optimal results or outcomes from the people and resources available.
- A6. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional skills include intellectual and organizational; competence areas within technical competence include

financial accounting and reporting, taxation, and economics; and competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment.

- A7. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area. Learning outcomes can be achieved within the context of a work environment or professional accounting education program.

**Objective (Ref: Para. 6)**

- A8. Establishing the professional skills that aspiring professional accountants need to develop and demonstrate by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Learning Outcomes for Professional Skills (Ref: Para. 7)**

- A9. Table A lists the learning outcomes for professional skills to be achieved by aspiring professional accountants by the end of IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.
- A10. In the design of professional accounting education programs, the four competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also, the learning outcomes associated with one competence area (for example, organizational) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within intellectual) may extend across several different courses or subjects, none of which may be devoted solely to that competence area.
- A11. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A12. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.
- A13. In professional accounting education programs, an IFAC member body may:
  - (a) include additional competence areas; (b) increase the level of proficiency

for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

- A14. IFAC member bodies, educators, and other stakeholders are encouraged to identify the most appropriate approach to learning and development for professional skills, taking into consideration the national and cultural environment. An appropriate approach is likely to include a mixture of learning and development activities which combine structured learning programs and practical experience. For example, practical experience supervisors play an important role in helping aspiring professional accountants to develop professional skills within the workplace.

#### **Review of Professional Accounting Education Programs (Ref: Para. 8)**

- A15. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications 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 may involve substantive input from stakeholders other than IFAC member bodies.
- A16. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

#### **Assessment of Professional Skills (Ref: Para. 9)**

- A17. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015), provides the principles that apply to the design of assessment activities used to assess the professional skills and other elements of professional competence.
- A18. Various assessment activities can be used to assess the professional skills of aspiring professional accountants. Work-based simulations or group exercises are examples of activities that enable aspiring professional accountants to develop and demonstrate achievement of learning outcomes related to professional skills, within a professional accounting education program. Practical experience also enables aspiring professional accountants to participate in assessment activities to demonstrate their professional skills.

Examples of such activities include (a) keeping a diary, (b) participating in 360 degree assessments, (c) compiling portfolios of evidence of achievement of learning outcomes, or (d) being monitored by a practical experience supervisor.

A19. Assessment of professional skills in the workplace may require a different approach to that of written examinations in order to achieve high levels of reliability, validity, equity, transparency, and sufficiency. For example, assessment design may include:

- (a) Specification of learning outcomes that are clear and detailed in order to minimize ambiguity and increase the reliability and transparency of the assessment;
- (b) Training of workplace assessors in order to achieve consistency between assessors and equity between aspiring professional accountants; and
- (c) Creation of work-based simulations in order to provide sufficient, equitable, and reliable assessments of professional skills.



## Appendix 1

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB's use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help IFAC member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> </ul>

Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

# INTERNATIONAL EDUCATION STANDARD 4

## INITIAL PROFESSIONAL DEVELOPMENT – PROFESSIONAL VALUES, ETHICS, AND ATTITUDES (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A3–A11)

1. This International Education Standard (IES) prescribes the learning outcomes that aspiring professional accountants are required to achieve by the end of Initial Professional Development (IPD) for professional values, ethics, and attitudes. Professional values, ethics, and attitudes are the characteristics that identify professional accountants as members of a profession. They include the principles of conduct (e.g., ethical principles) generally associated with and considered essential in defining the distinctive characteristics of professional behavior.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements of this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Learning and development continue 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 careers of professional accountants change, and professional accountants gain exposure to a wider range of ethical issues.
4. This IES integrates relevant ethical requirements into professional accounting education. These relevant ethical 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 competence areas and learning outcomes that describe the professional values, ethics, and attitudes required of aspiring professional accountants by the end of IPD. IES 2, *Initial Professional Development – Technical Competence* (2015), and IES 3, *Initial Professional Development – Professional Skills* (2015), specify competence areas and learning outcomes relevant to their areas of focus within IPD. Together these IESs specify the competence areas and learning outcomes that describe the professional competence required of aspiring professional accountants by the end of IPD.
6. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

## Effective Date

7. This IES is effective from July 1, 2015.

## Objective (Ref: Para. A12)

8. The objective of this IES is to establish the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate by the end of IPD, in order to perform a role as a professional accountant.

## Requirements

### Framework of Professional Values, Ethics, and Attitudes (Ref: Para. A13–A15)

9. IFAC member bodies shall provide, through professional accounting education programs, a framework of professional values, ethics, and attitudes for aspiring professional accountants to (a) exercise professional judgment, and (b) act in an ethical manner that is in the public interest.

### Relevant Ethical Requirements (Ref: Para. A16)

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. A17–A31)

11. IFAC member bodies shall prescribe the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of IPD. These learning outcomes shall include those listed in Table A.

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

Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
(a) Professional skepticism and professional judgment  (Intermediate)	(i) Apply a questioning mindset critically to assess financial information and other relevant data.
	(ii) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

<sup>1</sup> The level of proficiency for a competence area to be achieved by the end of IPD (as outlined in Appendix 1).

<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(b) Ethical principles	(i) Explain the nature of ethics.
	(ii) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.
	(iii) Identify ethical issues and determine when ethical principles apply.
	(iv) Analyze alternative courses of action and determine the ethical consequences of these.
	(v) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate approach.
	(vi) Apply the relevant ethical requirements to professional behavior in compliance with standards <sup>2</sup> .
(c) Commitment to the public interest  (Intermediate)	(i) Explain the role of ethics within the profession and in relation to the concept of social responsibility.
	(ii) Explain the role of ethics in relation to business and good governance.
	(iii) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
	(iv) Analyze the consequences of unethical behavior to the individual, the profession, and the public.

### **Review of Professional Accounting Education Programs (Ref: Para. A32–A33)**

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

<sup>2</sup> Standards include auditing standards, accounting standards, and other standards related to the work being performed by the professional accountant.

**Reflective Activity** (Ref: Para. A34–A38)

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.

**Assessment of Professional Values, Ethics, and Attitudes** (Ref: Para. A39–A42)

14. IFAC member bodies shall establish appropriate assessment activities to assess 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 defined within the IAASB *Glossary of Terms*<sup>3</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**

Defined Term	Definition in IAASB <i>Glossary of Terms</i>
Professional Skepticism	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.
Professional Judgment	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.

- A2. IAASB pronouncements govern audit, review, assurance, and related service engagements that are conducted in accordance with international standards. References in the IAASB's pronouncements regarding 'professional skepticism' and 'professional judgment' are therefore limited to the context of audit, assurance, and related service engagements. Within this IES, however, these terms are to be interpreted as applying to the broader context of a role as a professional accountant.

### Scope of this Standard (Ref: Para. 1–6)

- A3. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A4. Professional values, ethics, and attitudes are defined as the professional behavior and characteristics that identify professional accountants as members of a profession. These include the ethical principles generally associated

<sup>3</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2016–2017 Edition, Volume I*.



with, and considered essential in defining the distinctive characteristics of professional behavior.

- A5. Professional values, ethics, and attitudes include a commitment to (a) technical competence and professional skills, (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).
- A6. Relevant ethical requirements<sup>4</sup> are defined as those ethical requirements to which professional accountants are subject, which ordinarily comprise the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with any national requirements that are more restrictive.
- A7. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A8. Internationally, there are significant legal and regulatory differences that determine the point of qualification (or licensing) of professional accountants. Each IFAC member body may define the appropriate relationship between the end of IPD and the point of qualification (or licensing) for its members.
- A9. The inclusion of professional values, ethics, and attitudes in IPD lays the base for performing a role as a professional accountant. Further development of professional values, ethics, and attitudes is a focus of CPD that is covered in IES 7, *Continuing Professional Development* (2014).
- A10. A competence area is a category for which a set of related learning outcomes can be specified. Competence areas within professional values, ethics, and attitudes include ethical principles as well as professional skepticism and professional judgment; competence areas within technical competence include financial accounting and reporting, taxation, and economics; and competence areas within professional skills include intellectual and organizational.
- A11. Learning outcomes establish the content and the depth of knowledge, understanding, and application required for each specified competence area.

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<sup>4</sup> Glossary of Terms, *IAASB Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2016–2017 Edition, Volume I*.

Learning outcomes can be achieved within the context of a work environment or a professional accounting education program.

**Objective (Ref: Para. 8)**

- A12. Establishing the professional values, ethics, and attitudes that aspiring professional accountants need to develop and demonstrate serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

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

- A13. 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<sup>5</sup>.
- A14. Under relevant ethical requirements, professional accountants accept a responsibility to act in the public interest. Consequently, the actions of a professional accountant are not intended exclusively to satisfy the needs of an individual client or employer.
- A15. By establishing learning and development activities that cover professional values, ethics, and attitudes, IFAC member bodies promote a commitment for the aspiring professional accountant to act in the public interest. 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; (d) a predisposition to quality, reliability, responsibility, timeliness, and courtesy; and (e) a respect for laws and regulations. This supports the view that professional accountants contribute to confidence and trust in the functioning of markets and the economy in general.

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

- A16. Within a professional accounting education program, professional values, ethics, and attitudes may initially be treated as a separate course or subject. However, as aspiring professional accountants progress, the integration of professional values, ethics, and attitudes with other courses or subjects, encourages the recognition and consideration of wider ethical implications.

**Learning Outcomes for Professional Values, Ethics, and Attitudes (Ref: Para. 11)**

*Developing Learning Outcomes*

- A17. Table A lists the learning outcomes for professional values, ethics, and attitudes to be achieved by aspiring professional accountants by the end of

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<sup>5</sup> Introduction and Fundamental Principles, *IESBA Handbook of the Code of Ethics for Professional Accountants – 2016 Edition*.

IPD, regardless of their intended future accounting specialization or role. These learning outcomes provide the base to enable professional accountants to develop specializations in different accounting roles, for example an audit engagement partner or a taxation specialist.

- A18. In the design of professional accounting education programs, the three competence areas listed in Table A may not be identical to the names of prescribed courses or subjects. Also the learning outcomes associated with one competence area (for example, ethical principles) may be achieved across more than one course or subject. The achievement of some learning outcomes (for example, those within professional skepticism and professional judgment) may extend across several different courses or subjects, none of which may be devoted solely to that competence area. In addition, the sequence in which the competence areas are included in a professional accounting education program may differ from the sequence presented in Table A (for example, commitment to the public interest is listed towards the end of the list of competence areas in Table A, but may be covered fairly early in a professional accounting education program).
- A19. There are many ways to describe and classify levels of proficiency. The description developed by the IAESB is provided in Appendix 1, Description of Levels of Proficiency.
- A20. In Table A, each competence area has been assigned a level of proficiency that aspiring professional accountants are expected to achieve by the end of IPD. This level of proficiency indicates the context in which the relevant learning outcomes are expected to be demonstrated. Together, the learning outcomes and the level of proficiency of the competence area provide information to help IFAC member bodies design their professional accounting education programs.
- A21. In professional accounting education programs, an IFAC member body may: (a) include additional competence areas; (b) increase the level of proficiency for some competence areas; or (c) develop additional learning outcomes that are not specified in this IES. This may occur when an IFAC member body prepares aspiring professional accountants to work within a particular industry sector (for example, the public sector) or for a particular role (for example, a management accountant or an auditor).

#### *Selecting Learning and Development Activities*

- A22. 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.
- A23. In determining the approach to achieving the learning outcomes, the mix 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 experience the application of professional values, ethics, and attitudes in the workplace.

- A24. 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.
- A25. 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 would not be restricted to:
- (a) Role playing;
  - (b) Discussion of selected readings and online materials;
  - (c) Analysis of case studies that involve business situations involving ethical dilemmas;
  - (d) Discussion of disciplinary pronouncements and findings;
  - (e) Seminars using speakers with experience of corporate or professional decision making; and
  - (f) Use of online forums and discussion boards.
- A26. Participative approaches may lead aspiring professional accountants 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.

#### *Professional Skepticism and Professional Judgment*

- A27. Professional development in the areas of professional skepticism and professional judgment is not always straightforward. Planning effective learning and development in these areas involves due care and may include learning methods in which mentoring, reflective activity, time, and practical experience play a key role.

#### *Ethical Principles and Issues*

- A28. Professional values, ethics, and attitudes apply to everything that professional accountants undertake in their professional capacity. Having (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 aspiring professional accountants to recognize and address ethical issues.

- A29. Learning and development for aspiring professional accountants on ethical principles and issues 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.
- A30. 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 practical experience supervisors.
- A31. 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)**

- A32. Professional accounting education programs are designed to support aspiring professional accountants to develop the appropriate professional competence by the end of IPD. Such programs may include formal education delivered through qualifications and courses offered by universities, other higher education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs offered during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A33. The requirement to review and update professional accounting education programs on a regular basis reflects the rapidly-changing and complex environment within which professional accountants operate. A typical review cycle may be three to five years, but it may be appropriate to undertake a more frequent review, for example to take account of changes in legislation, regulations, and standards relevant to professional accountants.

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

- A34. 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.*

- A35. 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 relevant cases that are in the public domain may also offer suitable alternatives.
- A36. The documentation of reflective activity may include:
- (a) Records of learning;
  - (b) Reflective records;
  - (c) Personal development portfolios; or
  - (d) Critical incident diaries.
- A37. In providing guidance to aspiring professional accountants and 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 consider factors, for example confidentiality, legal, and regulatory requirements. For example certain ethical situations could be sensitive and subject to legal or disciplinary actions, and would therefore not be suitable for aspiring professional accountants to document and discuss.
- A38. IFAC member bodies may also consider providing guidance on how to support reflective activity in practice for practical experience supervisors.

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

- A39. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015) provides the principles that apply to the design of assessment activities used to assess the professional values, ethics, and attitudes and other elements of professional competence.
- A40. Various assessment activities can be used to assess the professional values, ethics, and attitudes of aspiring professional accountants. Appropriate assessment activities may include (a) written examinations consisting of questions requiring short answers, (b) case studies, (c) written essays, (d) objective testing, (e) workplace assessments, and (f) the recognition of prior learning.
- A41. 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 and requiring aspiring professional accountants to complete tests based on these case studies;

- (b) Using a case analysis system that requires aspiring professional accountants to maintain journals and notes on particular public domain cases;
  - (c) Using objective testing of ethical aspects of professional accounting education programs; and
  - (d) Using case study group assignments and workshops to assess ethical analysis and decision-making.
- A42. 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

### Description of Levels of Proficiency

This description of levels of proficiency supports the IAESB's use of learning outcomes in its publications such as International Education Standards (IES) 2, 3, and 4. It provides descriptions of three levels of proficiency. These descriptions, together with the learning outcomes, provide information to help member bodies design their professional accounting education programs for a variety of professional accounting roles and specializations.

Level of Proficiency	Description
Foundation	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>Performing assigned tasks by using the appropriate professional skills;</li> <li>Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity, and uncertainty.</p>
Intermediate	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>Combining technical competence and professional skills to complete work assignments;</li> </ul>



Level of Proficiency	Description
	<ul style="list-style-type: none"> <li>Applying professional values, ethics, and attitudes to work assignments; and</li> <li>Presenting information and explaining ideas in a clear manner, using oral and written communications, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments and to make recommendations appropriate to stakeholder needs;</li> <li>Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>Assessing, researching and resolving complex problems with limited supervision;</li> <li>Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

# INTERNATIONAL EDUCATION STANDARD 5

## INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. This International Education Standard (IES) prescribes the practical experience that aspiring professional accountants are required to complete by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements set out in this IES. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the practical experience of aspiring professional accountants.
3. Practical experience refers to workplace and other activities that are relevant to developing professional competence. Practical experience is a component of IPD. IPD is learning and development through which aspiring professional accountants first develop professional competence leading to perform a role as a professional accountant.
4. Practical experience during IPD builds on general education and professional accounting education programs. The public expects professional accountants to apply their experience and knowledge in carrying out their roles. However, the variety of roles that professional accountants perform means that the required practical experience may vary from one IFAC member body to another, and even within an individual IFAC member body that offers different types of membership. IFAC member bodies are able to adapt practical experience requirements to meet (a) their own needs, (b) the requirements of the relevant regulatory authorities, as well as (c) public expectations that professional accountants are competent.
5. After the completion of IPD, practical experience may be required to bring professional accountants to a level of professional competence needed for other roles, such as (a) that of a statutory auditor, (b) other forms of specialization, or (c) those roles that are regulated. Practical experience is a part of the lifelong learning that professional accountants engage in to develop and maintain professional competence relevant to their role during CPD. Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, *Continuing Professional Development* (2014).
6. Practical experience supervisors and employers have important roles in planning and monitoring practical experience gained by aspiring professional accountants.

7. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### **Effective Date**

8. This IES is effective from July 1, 2015.

### **Objective (Ref: Para. A5–A6)**

9. The objective of this IES is to establish the practical experience that is sufficient for aspiring professional accountants, and needs to be completed by the end of IPD, in order to perform a role as a professional accountant.

### **Requirements (Ref: Para. A7–A21)**

#### **Practical Experience (Ref: Para. A7–A9)**

10. IFAC member bodies shall require that aspiring professional accountants complete practical experience by the end of IPD.
11. IFAC member bodies shall require sufficient practical experience to enable aspiring professional accountants to demonstrate that they have gained the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes necessary for performing a role of a professional accountant.
12. IFAC member bodies shall establish their preferred approach to measure practical experience using one of the following three approaches:
  - output-based;
  - input-based; or
  - a combination approach.

#### *Output-Based Approach (Ref: Para. A10)*

13. Those IFAC member bodies implementing an output-based approach shall require aspiring professional accountants to demonstrate, using output measures, that they have obtained practical experience.

#### *Input-Based Approach (Ref: Para. A11–A13)*

14. Those IFAC member bodies implementing an input-based approach shall require aspiring professional accountants to demonstrate, using input measures, that they have obtained practical experience.

*Combination Approach* (Ref: Para. A14)

15. Those IFAC member bodies implementing a combination of output- and input-based approaches shall comply with the requirements of output- and input-based approaches, as applicable, set out in paragraphs 14 and 15.

**Practical Experience Supervision and Monitoring** (Ref: Para. A15–A21)

16. IFAC member bodies shall require that practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor.
17. IFAC member bodies shall require that practical experience of aspiring professional accountants is recorded in a consistent form prescribed by an IFAC member body or, where applicable, a regulatory body, and is supported by verifiable evidence.
18. IFAC member bodies shall require that the practical experience supervisor undertake a periodic review of the records of practical experience of aspiring professional accountants.
19. IFAC member bodies shall establish appropriate assessment activities to assess that sufficient practical experience has been completed by aspiring professional accountants.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–7)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. IPD is the learning and development through which aspiring professional accountants first develop competence leading to a performing role as a professional accountant. IPD builds on general education and includes professional accounting education, practical experience, and assessment. IPD continues until aspiring professional accountants can demonstrate the professional competence required for their chosen roles in the accountancy profession.
- A2. Professional accounting education programs are designed to support aspiring professional accountants 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 education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A3. Professional competence can be described and categorized in many different ways. Within the IES, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A4. Practical experience provides a professional environment in which aspiring professional accountants develop competence by:
  - (a) becoming aware of the environment in which services are provided;
  - (b) enhancing their understanding of organizations, how business works, and professional work relationships;
  - (c) being able to relate accounting work to other business functions and activities;
  - (d) developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015)); and
  - (e) having an opportunity to develop at progressive levels of responsibility while under appropriate levels of supervision.

**Objective (Ref: Para. 9)**

- A5. Sufficient practical experience has a blend of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. The breadth of practical experience is affected by factors such as: nature of role; level of complexity; national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence. The depth of practical experience is affected by factors such as the variety and complexity of tasks as well as the level of supervisory and monitoring support.
- A6. Establishing what constitutes the sufficient practical experience that aspiring professional accountants need to complete by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants and promotes the credibility of the accountancy profession.

**Practical Experience (Ref: Para. 10–12)**

- A7. IPD builds on general education and includes professional accounting education, practical experience, and assessment. The exact combination of these components may vary depending on a range of factors including, for example, the complexity and variety of tasks, special knowledge required, level of autonomy, and the level of judgment required by the role the aspiring professional accountant is expected to undertake at the end of IPD. The combination of practical experience and education might also vary according to (a) rules established by individual IFAC member bodies, (b) national and local laws, (c) the requirements of regulatory authorities, and (d) public expectations.
- A8. In determining what constitutes an appropriate balance between professional accounting education and practical experience, IFAC member bodies may consider the following:
  - (a) Some professional accounting education programs that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, may contribute to the practical experience requirement.
  - (b) Study for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, by itself, study does not necessarily demonstrate achievement of the professional competence to perform a role as a professional accountant. Experience gained at work equips aspiring professional accountants with many of the skills needed to become competent professional accountants.

- (c) Practical experience may be obtained after completion of a professional accounting education program or concurrently with such a program.
- A9. In setting the approach and requirements for practical experience, IFAC member bodies may consider a number of factors, including:
- (a) the public interest, including knowledge of the local environment, public expectations, and any relevant regulatory requirements;
  - (b) the needs of the aspiring professional accountants, including an understanding of the roles that they are expected to undertake upon completion of IPD;
  - (c) the needs of the employer, including efficiency and cost-effectiveness, and whether that employer is in industry, government, or public practice; and
  - (d) the needs of the IFAC member body, including regulatory requirements, efficiency, and cost-effectiveness.

*Output-Based Approach (Ref: Para. 13)*

- A10. The evidence that could be used for assessment purposes in an output-based approach could include
- (a) measurement of learning outcomes achieved in accordance with a competency map;
  - (b) reviews of a research project or reflective essay; and
  - (c) work logs compared against an appropriate competency map. Work logs are records maintained by individuals, which document the nature of assignments, tasks completed, and time incurred in completing those assignments and tasks.

*Input-Based Approach (Ref: Para. 14)*

- A11. Input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification. Input-based approaches have limitations; for example, they do not always directly measure the learning outcomes or competence developed. Traditionally, input-based approaches are based on time, for example, hours spent on relevant activities, or total duration (days, months, or years) of practical experience.
- A12. Evidence that could be used for measurement in an input-based approach includes attendance records, time sheets, workplace diaries, and a work log or journal. IFAC member bodies setting a requirement using an input-based approach may consider the structure and relevance of education programs completed by aspiring professional accountants. Professional accounting education programs that deliver outcomes similar to the outcomes derived



from measured work-based experience (such as internships) may contribute to the total requirement for practical experience. Equally, where a substantial professional accounting education program has been completed, such as a Master's degree in accounting, an IFAC member body may elect to reduce the practical experience component. For example, an IFAC member body choosing the input-based approach might consider three years of practical experience (as preferred and implemented by several IFAC member bodies), or two years with a Master's degree in accounting or other relevant subject, or a minimum of five years total of combined accounting education and sufficient practical experience.

- A13. Regardless of the balance of the component parts, there is typically an expectation by the public that a professional accountant has completed a professional accounting education program and has obtained sufficient practical experience.

*Combination Approach* (Ref: Para. 15)

- A14. Approaches that combine input-based and output-based approaches might be constructed by the IFAC member body. Input units might be considered as contributing to the professional competences being measured. Achievement of particular competences might either be used to verify input, or in some cases replace a portion of the input requirement.

**Practical Experience Supervision and Monitoring** (Ref: Para. 16–19)

- A15. A practical experience supervisor is a professional accountant who is responsible for guiding, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience. Practical experience supervisors can represent an important link between aspiring professional accountants and IFAC member bodies. They may be responsible for planning the practical experience period, and provide guidance to aspiring professional accountants. In some environments practical experience supervisors may also provide mentoring support to aspiring professional accountants. IFAC member bodies may provide training for practical experience supervisors, and put in place both assistance and quality control programs.
- A16. Practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants.
- A17. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form.
- A18. The purpose of the periodic review by the practical experience supervisor of the record of practical experience, supported by verifiable evidence, is to check that requirements set by the IFAC member body or regulatory authority are being met. In addition, this periodic review can also be used to monitor an individual's progress. If the aspiring professional accountant's

progress does not match expectations, the practical experience supervisor has an opportunity to review the situation to discover the reasons why and what can be done to improve progress. This periodic monitoring will (a) provide an opportunity for the practical experience supervisor, the employer, and the aspiring professional accountant to review the practical experience obtained to date, and (b) contribute to future development of the aspiring professional accountant.

A19. In assessing the sufficiency of the practical experience acquired by aspiring professional accountants, IFAC member bodies may consider the following activities:

- (a) Establishing a system, which may take a sampling approach, to monitor and report the practical experience obtained;
- (b) Providing detailed written guidance for employers, practical experience supervisors, and aspiring professional accountants regarding the program of practical experience and their respective roles and responsibilities;
- (c) Establishing a mechanism for approving the suitability of employers to provide the appropriate practical experience for aspiring professional accountants;
- (d) Assessing and approving the practical experience environment before commencement of experience. For example, the nature and scope of practical experience and the training arrangements of employers can be reviewed to ensure that aspiring professional accountants would receive appropriate direction, supervision, mentoring, counseling, and evaluation;
- (e) Establishing a system of periodic reporting by employers to cover changes, if any, in the planned nature, scope, and content of practical experience undertaken by aspiring professional accountants;
- (f) Assessing, prior to completion of IPD, the practical experience gained, based on written submissions (possibly supported by oral submissions) made by aspiring professional accountants and practical experience supervisors (see also IES 6, *Initial Professional Development – Assessment of Professional Competence*);
- (g) Encouraging employers to provide feedback to aspiring professional accountants and to practical experience supervisors, and to communicate when competences have been achieved;
- (h) Monitoring previously approved employers and practical experience supervisors. IFAC member bodies may advise on areas for improvement

or might recommend withdrawal of approval if conditions have so changed that relevant experience criteria are not being met; and

- (i) Undertaking a periodic and timely study of the competences required by professional accountants to help to ensure that sufficient practical experience is acquired and supported by verifiable evidence, e.g., a work log.

- A20. IES 6, *Initial Professional Development – Assessment of Professional Competence* (2015) provides the principles that apply to the design of assessment activities used to assess the sufficiency of practical experience.
- A21. Various activities can be used to assess the sufficiency of practical experience of aspiring professional accountants. Appropriate assessment activities may include workplace assessments as presented in IES 2, *Initial Professional Development – Technical Competence* (2015), IES 3, *Initial Professional Development – Professional Skills* (2015) and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015) in their respective areas of focus within IPD.

# INTERNATIONAL EDUCATION STANDARD 6

## INITIAL PROFESSIONAL DEVELOPMENT – ASSESSMENT OF PROFESSIONAL COMPETENCE (2015)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A3)

1. This International Education Standard (IES) prescribes the requirements for the assessment of the professional competence that aspiring professional accountants are required to demonstrate by the end of Initial Professional Development (IPD).
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility to assess whether aspiring professional accountants have achieved the appropriate level of professional competence by the end of IPD. In addition, this IES may be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the learning and development of aspiring professional accountants.
3. Within the IESs, assessment is the evaluation of professional competence developed through learning and development. IPD is the learning and development through which aspiring professional accountants first develop competence leading to performing a role as a professional accountant. Learning and development is, however, an ongoing process of developing and maintaining professional competence throughout the career of a professional accountant, and so continues through Continuing Professional Development (CPD). During IPD the focus is on the achievement of professional competence. During CPD the focus is on the development and maintenance of professional competence.
4. This IES specifies requirements for the assessment of professional competence, while
  - IES 2, *Initial Professional Development – Technical Competence* (2015), IES 3, *Initial Professional Development – Professional Skills* (2015), and IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015), specify assessment requirements relevant to their areas of focus within IPD; and
  - IES 5, *Initial Professional Development – Practical Experience* (2015), specifies requirements for the assessment of practical experience.
5. Definitions and explanations of the key terms used in the IES and the *Framework for Professional Accountants and Aspiring Professional Accountants (2015)* are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

6. This IES is effective from July 1, 2015.

## **Objective (Ref: Para. A4)**

7. The objective of this IES is to establish whether aspiring professional accountants have demonstrated an appropriate level of professional competence by the end of IPD in order to perform a role as a professional accountant.

## **Requirements**

### **Formal Assessment of Professional Competence (Ref: Para. A5–A8)**

8. IFAC member bodies shall formally assess whether aspiring professional accountants have achieved an appropriate level of professional competence by the end of IPD, drawing on the outcomes of a range of assessment activities that are undertaken during IPD.

### **Principles of Assessment (Ref: Para. A9–A20)**

9. IFAC member bodies shall design assessment activities that have high levels of reliability, validity, equity, transparency, and sufficiency within professional accounting education programs.

### **Verifiable Evidence (Ref: Para. A21–A22)**

10. IFAC member bodies shall base the assessment of the professional competence of aspiring professional accountants on verifiable evidence.

## Explanatory Material

### Scope of this Standard (Ref: Para. 1–5)

- A1. Professional competence can be described and categorized in many different ways. Within these IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A2. During IPD, assessment may be undertaken by a range of stakeholders, including the IFAC member body, employers, regulators, licensing bodies, universities, colleges, and private education providers. Although the assessment of professional competence during IPD is the responsibility of IFAC member bodies, other stakeholders may provide substantive input into assessment activities.
- A3. Professional accountants continue to engage in lifelong learning to develop and maintain professional competence relevant to their role during CPD. Changes in the working environment, career progression, or new roles may require that professional accountants increase their level of professional competence and acquire new competences. This is covered in IES 7, *Continuing Professional Development* (2014).

### Objective (Ref: Para. 7)

- A4. Establishing whether aspiring professional accountants have demonstrated an appropriate level of professional competence by the end of IPD serves several purposes. It protects the public interest, enhances the quality of the work of professional accountants, and promotes the credibility of the accountancy profession.

### Formal Assessment of Professional Competence (Ref: Para. 8)

- A5. To formally assess whether professional competence has been achieved, the IFAC member body may draw on the outcomes of one or more assessment activities that take place during IPD. The configuration of the assessment activities during IPD may vary, and may include, but are not limited to:
  - (a) A single multi-disciplinary examination conducted by the end of IPD;
  - (b) A series of examinations that focus on specific areas of professional competence, conducted throughout IPD; or
  - (c) A series of examinations and workplace assessments conducted throughout IPD.

- A6. Assessment activities are those activities designed to assess specific areas of professional competence. During IPD, assessment activities can be selected to match the particular aspect of professional competence being assessed. Examples of assessment activities may include, but are not limited to:
- (a) Written examinations;
  - (b) Oral examinations;
  - (c) Objective testing;
  - (d) Computer-assisted testing;
  - (e) Workplace assessment of competence by employers; and
  - (f) Review of a portfolio of evidence on completion of workplace activities.
- A7. The types of assessment activities selected may depend on factors specific to each IFAC member body, which may include, but are not limited to:
- (a) The remoteness and spread of geographical locations where aspiring professional accountants are based;
  - (b) Available educational and other resources of the IFAC member body;
  - (c) The number and backgrounds of aspiring professional accountants being assessed; and
  - (d) The availability of learning and development opportunities provided by employers.
- A8. Factors relevant to determining an appropriate level of professional competence to be achieved by professional accountants may include, but are not limited to:
- (a) The complexity and variety of tasks undertaken by professional accountants;
  - (b) The expectations of stakeholders (such as the public, employers, and regulators) relating to the nature and extent of professional competence;
  - (c) Specialized knowledge required by professional accountants working in particular industries;
  - (d) The level of professional judgment required to undertake an assignment or complete a task;
  - (e) The varied roles of professional accountants, such as the preparer of financial statements, tax advisor, or management accountant; and
  - (f) The complexity of the working environment.



## Principles of Assessment (Ref: Para. 9)

- A9. 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.
- A10. The principles of assessment apply to individual assessment activities that are conducted during IPD. However, it may not always be possible to achieve high levels of reliability, validity, equity, transparency, and sufficiency for each individual assessment activity.
- A11. An assessment activity has a high level of reliability if it consistently produces the same result, given the same set of circumstances. Reliability is not an absolute measure, and different assessment activities may have different levels of reliability. An assessment activity has high reliability if the majority of assessors, acting independently, consistently come to the same judgment, given the same set of circumstances.
- A12. There are many ways that assessment activities can be designed to increase reliability. For example:
- (a) The reliability of a written examination may be increased by avoiding the use of ambiguous wording in examination questions or instructions;
  - (b) The reliability of an objective test may be increased by undertaking an internal or external review of the content of the testing before it is finalized; and
  - (c) The reliability of a workplace assessment may be increased by selecting assessors who have comparable high levels of ability, and by providing them with suitable training to enable them to assess the task.
- A13. An assessment activity has a high level of validity if it measures what it was intended to measure. Validity is not an absolute measure, and different assessment activities may have different levels of validity. Validity has multiple forms and includes the following:
- (a) Face validity—An assessment activity has high face validity if the assessment activity is perceived to measure what it is intended to measure;
  - (b) Predictive validity—An assessment activity has high predictive validity if the content of the assessment activity relates to the particular aspect of professional competence that it is intended to assess; and

- (c) Content validity—An assessment activity has high content validity if the assessment activity provides adequate coverage of the particular aspect of professional competence being assessed.
- A14. There are many ways to design assessment activities to increase validity. For example:
- (a) Face validity may be increased when assessing the competence of aspiring professional accountants to apply a particular accounting standard, if an examination includes a comprehensive and relevant case study rather than a simple case study based on incomplete information;
  - (b) Predictive validity may be increased for assessing competence in leadership, by relying on a workplace assessment of how well an aspiring professional accountant leads a team rather than relying on the outcomes of a written examination; and
  - (c) Content validity may be increased if an examination covers more, rather than a few, aspects of the particular area of professional competence being assessed.
- A15. An assessment activity has a high level of equity if it is fair and without bias. Equity is not an absolute measure, and different assessment activities may differ in their level of equity. Equity can be improved when those who design assessment activities are aware of the possibility of bias.
- A16. There are many ways to design assessment activities to increase equity. For example:
- (a) Equity may be increased by ensuring that assessment activities rely only on computer-based technologies that are available to all aspiring professional accountants; and
  - (b) Equity may be increased by reviewing examination papers to remove assumptions relating to cultural knowledge that are not commonly shared by all aspiring professional accountants.
- A17. An assessment activity has a high level of transparency when details of an assessment activity, such as the competence areas to be assessed and timing of the activity, are disclosed publicly. A high level of transparency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Transparency is not an absolute measure, and different assessment activities may differ in their levels of transparency. Clear and accessible communications to stakeholders may lead to achieving a high level of transparency.
- A18. There are many ways to increase the transparency of assessment activities. For example:

- (a) In relation to the entirety of assessment activities that are undertaken during IPD, transparency may be increased by making publicly available a statement that explains the areas of professional competence to be assessed, the types of assessment activities included, and the timing of those assessment activities during IPD;
  - (b) Transparency may be increased in a workplace assessment when employers communicate to employees a clearly defined competency framework against which the employees' competence will be assessed; and
  - (c) Transparency in the setting and conduct of an examination may be increased by making information relating to the development, scoring, and management of the examination publicly available.
- A19. An assessment activity has a high level of sufficiency if it (a) has a balance of depth and breadth, knowledge, and application, and (b) combines material from different areas applied to a range of situations and contexts. A high level of sufficiency is also relevant when considering the entirety of the assessment activities that are undertaken during IPD. Sufficiency is not an absolute measure, and different assessment activities may differ in their levels of sufficiency.
- A20. There are many ways to design assessment activities to increase sufficiency. For example:
- (a) Sufficiency may be increased across IPD by including assessment activities that assess the required technical competence, professional skills, and professional values, ethics, and attitudes (breadth) at the appropriate level of detail (depth); and
  - (b) Sufficiency in relation to a workplace assessment may be increased by requiring aspiring professional accountants to demonstrate professional competence across a wide range of professional skills, and professional values, ethics, and attitudes that are applied to many different situations.

**Verifiable Evidence (Ref: Para. 10)**

- A21. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form. Basing the assessment of professional competence on verifiable evidence may satisfy the needs of third parties who oversee or regulate an IFAC member body. It will also increase the confidence of stakeholders that aspiring professional accountants have achieved the appropriate level of professional competence by the end of IPD.

A22. Examples of verifiable evidence include:

- (a) Certificates of successful course completion;
- (b) Recorded outcomes of successful achievement in examinations; and
- (c) A record of achievement provided by employers on competence achieved by aspiring professional accountants.

# INTERNATIONAL EDUCATION STANDARD 7

## CONTINUING PROFESSIONAL DEVELOPMENT (2014)

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## Introduction

### Scope of this Standard (Ref: Para. A1–A4)

1. This International Educational Standard (IES) prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility for the CPD of professional accountants as set out in 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 CPD of professional accountants.
3. Although it is the responsibility of the professional accountant to develop and maintain professional competence by undertaking relevant CPD activities, this IES is addressed to the IFAC member bodies because their role is to:
  - (a) Foster a commitment to lifelong learning among professional accountants;
  - (b) Facilitate access to CPD opportunities and resources for professional accountants; and
  - (c) Adopt prescribed requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures, so as to help professional accountants develop and maintain the professional competence necessary to protect the public interest.
4. CPD is a continuation of Initial Professional Development (IPD), the learning and development through which aspiring professional accountants first develop competence leading to performing the role as a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuing development of the (a) technical competence, (b) professional skills, (c) professional values, ethics, and attitudes, and (d) competence achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant. In addition, professional accountants may take on new roles during their careers that require new competences. In such cases, CPD that includes many of the same elements as IPD may be necessary for roles that require additional breadth or depth of knowledge, skills, and values.

5. In addition to education, practical experience, and training, CPD also includes learning and development activities, such as (a) coaching and mentoring, (b) networking, (c) observation, feedback, and reflection, and the (d) self-directed and unstructured gaining of knowledge.
6. Measuring the attainment of CPD can be achieved by three different approaches:
  - (a) Output-based approaches—by requiring professional accountants to demonstrate, by way of outcomes, that they have developed and maintained professional competence;
  - (b) Input-based approaches—by establishing an amount of learning activity for professional accountants to develop and maintain professional competence; and
  - (c) Combination approaches—by combining elements of the input- and output-based approaches, setting the amount of required learning activity, and demonstrating the outcomes achieved, whereby professional accountants develop and maintain professional competence.
7. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015).

### Effective Date

8. This IES is effective from January 1, 2014.

### Objective

9. The objective of an IFAC member body is to have professional accountants develop and maintain their competence subsequent to IPD through the undertaking of CPD that is necessary, in the public interest, to provide high quality services to meet the needs of clients, employers, and other stakeholders.

### Requirements

#### Promotion of CPD (Ref: Para. A5)

10. IFAC member bodies shall promote the importance of, and a commitment to, CPD and maintenance of professional competence.

**Access to CPD (Ref: Para. A6–A9)**

11. IFAC member bodies shall facilitate access to CPD opportunities and resources to assist professional accountants in meeting their personal responsibility for CPD and maintenance of professional competence.

**Mandatory CPD for all Professional Accountants (Ref: Para. A10–A13)**

12. IFAC member bodies shall require all professional accountants to undertake CPD to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.
13. IFAC member bodies shall establish their preferred approach to measuring professional accountants' CPD activity from the three models: output-based, input-based, or combination approaches.

*Output-Based Approach (Ref: Para. A14–A15)*

14. IFAC member bodies implementing an output-based approach shall require each professional accountant to demonstrate the development and maintenance of appropriate professional competence by periodically providing evidence that has been:
  - (a) Verified by a competent source; and
  - (b) Measured using a valid competence assessment method.

*Input-Based Approach (Ref: Para. A16–A20)*

15. IFAC member bodies implementing an input-based approach shall require each professional accountant to:
  - (a) Complete at least 120 hours (or equivalent learning units) of relevant professional development activity in each rolling three-year period, of which 60 hours (or equivalent learning units) shall be verifiable;
  - (b) Complete at least 20 hours (or equivalent learning units) of relevant professional development activity in each year; and
  - (c) Measure learning activities to meet the above requirements.

*Combination Approach (Ref: Para. A21)*

16. IFAC member bodies implementing a combination of input- and output-based approaches shall comply with the requirements of input- and output-based approaches, as applicable, set out in this IES.

**Monitoring and Enforcement (Ref: Para. A22–A31)**

17. IFAC member bodies shall establish a systematic process to (a) monitor whether professional accountants meet the IFAC member body's CPD requirements, and (b) provide appropriate sanctions for failure to meet those requirements.



## Explanatory Material

### Scope of this Standard (Ref: Para. 1–7)

- A1. The knowledge needed to function effectively as a professional accountant continues to grow. Professional accountants face increased expectations to display professional competence. These pressures apply to professional accountants in all sectors. Continuing development and maintenance of professional competence and lifelong learning are critical if the professional accountant is to meet public expectations. Because the accountancy profession operates in an environment of change, it may be appropriate for IFAC member bodies to periodically review their CPD policies and the application of this IES.
- A2. Undertaking CPD does not, by itself, guarantee that all professional accountants will provide high-quality professional service at all times. The latter requires ethical behavior, professional judgment, an objective attitude, and an appropriate level of supervision. Further, not every professional accountant who participates in a CPD program will obtain the full benefits of that program. This will depend on the professional accountant's commitment and capacity to learn. However, CPD plays an important part in enabling professional accountants to develop and maintain professional competence that is relevant to their role. Therefore, despite some inherent limitations, CPD is an important element in maintaining public confidence and trust.
- A3. A well-established program of CPD that is measured, monitored, and evaluated may form part of an IFAC member body's quality assurance processes. Other quality assurance processes may include quality assurance reviews of (a) professional accountants' work (which may include a review of the CPD undertaken by the professional accountant), (b) investigation, and (c) disciplinary processes for misconduct.
- A4. Lifelong learning represents all learning and development activity, formal or informal, undertaken with the aim of enhancing knowledge, skills, values, ethics, and attitudes from personal, civic, social, and employment-related perspectives. Lifelong learning has relevance to all professional accountants, irrespective of whether they are involved in accounting fields or other areas.

### Promotion of CPD (Ref: Para. 10)

- A5. The following represent examples of activities that may contribute to the promotion of CPD and maintenance of professional competence:
  - (a) Communicating the value of CPD regularly to professional accountants;
  - (b) Promoting the variety of CPD opportunities available to professional accountants; and

- (c) Working with employers to emphasize the importance of CPD within performance management processes.

**Access to CPD (Ref: Para. 11)**

A6. IFAC member bodies may directly provide relevant CPD programs for professional accountants and facilitate access to programs offered by others, including employers.

A7. The following are some examples of learning activities that may be undertaken as part of a planned program of CPD activity:

- (a) Participation in courses, conferences, and seminars;
- (b) Self-directed learning;
- (c) On-the-job training;
- (d) Participation in and work on technical committees;
- (e) Developing or delivering a course or CPD session in an area related to professional responsibilities;
- (f) Formal study related to professional responsibilities;
- (g) Participation as a speaker in conferences, briefing sessions, or discussion groups;
- (h) Writing articles, papers, or books of a technical, professional, or academic nature;
- (i) Research, including reading professional literature or journals, for application in the professional accountant's role;
- (j) Professional re-examination or formal testing;
- (k) Providing professional development support as a mentor or coach; and
- (l) Receiving professional development support from a mentor or coach.

IFAC member bodies may provide guidance to professional accountants on the CPD obtained from a single, repetitive activity (for example, teaching the same introductory accounting course to different audiences).

A8. IFAC member bodies may provide tools to help professional accountants plan relevant CPD, such as:

- (a) Competency maps, which provide a list of key competences for certain roles or sectors of the profession; and
- (b) Learning plan templates, which assist professional accountants to identify learning and development needs and how to meet them.

- A9. IFAC member bodies may consider providing guidance that encourages professional accountants to discuss their CPD with employers, colleagues, and IFAC member bodies to help them identify competency or learning gaps in order to specify relevant learning opportunities to meet those needs.

**Mandatory CPD for all Professional Accountants (Ref: Para. 12–13)**

- A10. CPD applies to all professional accountants, regardless of sector or size of the organization in which they operate, because:
- (a) All professional accountants have an obligation of due care to their clients, employers, and relevant stakeholders, and are expected to demonstrate their ability to competently discharge this responsibility;
  - (b) Professional accountants in all sectors are subject to public accountability and the maintenance of public trust;
  - (c) The public is likely to rely on the designation and professional standing of the professional accountant. Professional accountants carry a professional designation. Lack of competence of a professional accountant has the potential to damage the reputation and standing of the professional accountant, the employer, and the profession as a whole;
  - (d) Rapidly changing environments may impact upon the relevance of a professional accountant's competence; and
  - (e) Employers recruiting professional accountants rely, to some extent, on the professional designation as proof of professional competence.
- A11. In setting the requirement for CPD, IFAC member bodies are encouraged to consider what is relevant and appropriate for professional accountants in special circumstances, for example:
- (a) For individuals on career breaks; and
  - (b) For individuals who have retired from full-time practice, but who continue to use their professional accountant designation, or continue to do work in some capacity.
- A12. IFAC member bodies may choose to develop requirements or guidance on which CPD activities they consider relevant to the professional role(s) and function(s) professional accountants typically have. Alternatively, they may choose to rely on the judgment of professional accountants to make decisions on the relevance of CPD activities. They may also choose to set requirements in certain areas, and allow professional accountants the flexibility to choose relevant CPD activities in others.

- A13. In protecting the public interest, IFAC member bodies may prescribe specific or additional CPD for professional accountants working in specialist areas, specialist roles, or areas of high risk.

*Output-Based Approach* (Ref: Para. 14)

- A14. Reliability of verification in output-based systems is important. IFAC member bodies are encouraged to consider how to incorporate the following key aspects into their approach:

- (a) The clear identification of the outcome or competence achieved; and
- (b) Use of a competent source that is able to confirm that the outcome or competence has been developed and maintained.

- A15. The following examples represent evidence that could be used for verification purposes in an output-based approach:

- (a) Evaluation or assessment of written or published material by a reviewer;
- (b) Assessments of learning outcomes achieved;
- (c) Publication of a professional article or of the results of a research project;
- (d) Periodic re-examination;
- (e) Specialist or other qualification;
- (f) Records of work performed (work logs) that have been verified against a competency map;
- (g) Objective assessments measured against a competency map developed either by the employer or by the professional body to reflect the individual's level of competence;
- (h) Independent practice inspections that assess CPD; and
- (i) Assessments or sign offs by specialist associations that document enhancements of competences, and assessments by regulators.

*Input-Based Approach* (Ref: Para. 15)

- A16. Input-based systems traditionally have been used to measure development and maintenance of competence because of the ease of measurement and verification. Input-based approaches have limitations; for example, they do not always measure the learning outcomes or competence developed. IFAC member bodies may partially overcome these limitations by communicating the underlying objectives of continuing improvement of professional competence and a commitment to lifelong learning.

- A17. This IES measures input-based CPD activity in terms of hours or equivalent learning units. IFAC member bodies may choose to use other measures that will be understood by professional accountants. Examples of measures of input-based CPD include:
- (a) Time spent on learning activity;
  - (b) Units allocated to the learning activity by a CPD provider; and
  - (c) Units prescribed for learning activity by the IFAC member body.
- A18. This IES is based on the concept that IFAC member bodies expect a proportion of the learning activities that professional accountants undertake to be verifiable. Some learning activities, for example on-the-job training, may be measurable, but may not be able to be verified. These activities also contribute to the development and maintenance of professional competence, but would not be considered to form part of the 60 hours of verifiable CPD in the three-year rolling period.
- A19. IFAC member bodies may consider providing guidance to professional accountants on what proportion of the 20 hours minimum annual requirement should be verifiable. In providing such guidance, IFAC member bodies may consider local legal and regulatory requirements, and the expectations of other stakeholders.
- A20. The following examples represent evidence that could be used for verification in an input-based approach:
- (a) Course outlines and teaching materials;
  - (b) Confirmation of participation by a provider, instructor, employer, mentor, or tutor; and
  - (c) Independent assessments that a learning activity has occurred.

*Combination Approach* (Ref: Para. 16)

- A21. Alternatives for adopting a combination approach to CPD include:
- (a) Applying requirements of both input- and output-based systems, whereby inputs contribute to the output competences being measured for a portion of the knowledge areas in a predominantly output-based system;
  - (b) Allowing professional accountants who may not meet the input requirement to provide verification that competence has been developed and maintained; or
  - (c) Specifying a certain number of hours of input as an indication of likely effort required to achieve competence, and monitoring this, together

with verifying the competence achieved as a result of the learning activities.

**Monitoring and Enforcement** (Ref: Para. 17)

A22. IFAC member bodies may also provide guidance on the evidence to be obtained or created to demonstrate that professional competence was developed or maintained. Guidance may cover the responsibilities of professional accountants for:

- (a) Retention of appropriate records and documents related to their CPD; and
- (b) Provision, on request, of verifiable evidence to demonstrate their compliance with the CPD requirements of the IFAC member body.

In designing their approach to monitoring, IFAC member bodies may determine which roles involve high risk, or have the greatest responsibility to the public, and adopt more rigorous monitoring accordingly.

A23. A monitoring process could require professional accountants to periodically:

- (a) Submit a declaration as to whether they meet their professional obligation to maintain the necessary knowledge and skills to perform competently;
- (b) Submit a declaration confirming compliance with any specific CPD requirements imposed by the IFAC member body; or
- (c) Provide evidence of learning activities or verification of the competences they have developed and maintained through their chosen CPD activities.

A24. Supplementary monitoring processes could involve:

- (a) Auditing a sample of professional accountants to check compliance with CPD requirements;
- (b) Reviewing and assessing learning plans or CPD documents as part of quality assurance programs; or
- (c) Requiring public practice employers to include CPD programs and effective monitoring systems in their quality assurance programs, and to track CPD activities as part of their time recording systems.

A25. IFAC member bodies may conduct a set of monitoring processes on a cyclical basis. In determining the duration of a cyclical monitoring process, the IFAC member body may consider what is reasonable in its environment, taking into consideration (a) the public interest, and the (b) expectations of the public, regulators, and other stakeholders. Experience of some IFAC member bodies

suggest that cycles of more than five years may not meet these expectations, while cycles of less than one year are likely to be overly burdensome on the IFAC member body and professional accountants.

- A26. A system of mandatory CPD will operate more effectively and in the public interest when professional accountants who fail to meet their CPD obligations are brought into compliance on a timely basis. IFAC member bodies are encouraged to determine the types of sanctions they will impose for non-compliance, after considering the legal and environmental conditions in their jurisdiction.
- A27. The initial steps taken to address non-compliance are likely to focus on bringing the professional accountant into compliance within a reasonable period. IFAC member bodies are encouraged to strike a balance between (a) a sanction that, in substance, amounts to permitting a professional accountant to defer or avoid compliance with the CPD requirement, and (b) one that is excessively punitive.
- A28. Some IFAC member bodies may have the legal authority to expel non-compliant professional accountants or to deny them the right to practice. Expulsion or denial of the right to practice may be applied to professional accountants who have made it clear, through a pattern of non-compliance or through their response to the IFAC member body's inquiries, that they are likely to continue to fail to comply with the CPD requirements. Publication of the names of professional accountants who willfully fail to comply is an option that may be considered. Publication of names can (a) act as a general deterrent for professional accountants, and (b) provide a clear signal to the public of the profession's commitment to maintaining competence.
- A29. Imposing sanctions is not an action to be taken lightly. A professional accountant's willful failure to develop and maintain professional competence is, however, a violation of a professional duty that justifies disciplinary action, in that it diminishes the ability to act in the public interest.
- A30. An effective monitoring and enforcement process requires adequate resources. IFAC member bodies may also consider establishing a board or committee of members to oversee CPD requirements and the monitoring and enforcement process.
- A31. As part of their public interest responsibility, IFAC member bodies are encouraged to report publicly the extent to which their members comply with the CPD requirements set out in this IES.

# INTERNATIONAL EDUCATION STANDARD 8

## PROFESSIONAL COMPETENCE FOR ENGAGEMENT PARTNERS RESPONSIBLE FOR AUDITS OF FINANCIAL STATEMENTS (2016)

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## Introduction

### Scope of this Standard (Ref: Para. A2–A16)

1. This International Education Standard (IES) prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements<sup>1</sup>.
2. This IES is addressed to International Federation of Accountants (IFAC) member bodies. IFAC member bodies have a responsibility for the Continuing Professional Development (CPD) of professional accountants, and for fostering a commitment to lifelong learning among professional accountants. Under IES 7, *Continuing Professional Development*<sup>2</sup> (2014), IFAC member bodies require all professional accountants to develop and maintain professional competence relevant and appropriate to their work and professional responsibilities. IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements* (2016) applies this IES 7 requirement to the role of an Engagement Partner. It is the responsibility of the professional accountant performing the role of an Engagement Partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience.
3. This IES is intended to be read in conjunction with Statement of Membership Obligations (SMO) 1 – *Quality Assurance*, International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, and International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Together, these pronouncements place responsibilities on IFAC member bodies, Engagement Partners, and firms as part of the system of quality control for audits of financial statements. Also, in many jurisdictions, a regulator may have an oversight role in this system of quality control. Each of these stakeholders may have an impact on the professional competence of the Engagement Partner.
4. IFAC member bodies or other stakeholders may also apply the requirements of this IES to professional accountants performing an equivalent role to that of an Engagement Partner on audits of other historical financial information in compliance with the ISAs or other types of engagements providing assurance and related services.

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<sup>1</sup> For the purpose of this IES, hereafter referred to as “Engagement Partner” per the definition set out in International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*, Para 7(a).

<sup>2</sup> IES 7, *Continuing Professional Development* (2014), Para. 12.

5. Definitions and explanations of the key terms used in the IES and the *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants* (2015) are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms* (2015). Additional terms from the International Auditing and Assurance Standards Board (IAASB) pronouncements are also included in the Explanatory Material.

### Effective Date

6. This IES is effective from July 1, 2016.

### Objective (Ref: Para. A17–A18)

7. The objective of this IES is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner.

### Requirements (Ref: Para. A19–A31)

8. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes including, but not limited to, those listed in Table A.
9. IFAC member bodies shall require professional accountants performing the role of an Engagement Partner to undertake CPD that develops and maintains the professional competence required for this role.

**Table A: Learning Outcomes for the Professional Competence of an Engagement Partner**

Competence Area	Learning Outcomes
<b>Technical Competence</b>	
(a) Audit	(i) Lead the identification and assessment of the risks of material misstatement as part of an overall audit strategy.
	(ii) Evaluate responses to the risks of material misstatement.
	(iii) Evaluate whether the audit was performed and documented in accordance with applicable auditing standards (e.g., ISAs) and relevant laws and regulations.
	(iv) Develop an appropriate audit opinion and related audit report, including a description of key audit matters as applicable.

Competence Area	Learning Outcomes
(b) Financial accounting and reporting	(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.
	(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.
	(iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern.
(c) Governance and risk management	(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.
(d) Business environment	(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.
(e) Taxation	(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.
(f) Information technology	(i) Evaluate the information technology (IT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.

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Competence Area	Learning Outcomes
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.
	(ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
<b>Professional Skills</b>	
(i) Intellectual	(i) Resolve audit issues using inquiry, abstract and logical thought, and critical analysis to consider alternatives and analyze outcomes.
(j) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.
	(ii) Resolve audit issues through effective consultation when necessary.
(k) Personal	(i) Promote and undertake lifelong learning.
	(ii) Act as a role model to the engagement team.
	(iii) Act in a mentoring or coaching capacity to the engagement team.
(l) Organizational	(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.
	(ii) Manage audit engagements by providing leadership and project management of engagement teams.
<b>Professional Values, Ethics, and Attitudes</b>	
(m) Commitment to the public interest	(i) Promote audit quality in all activities with a focus on protecting the public interest.
(n) Professional skepticism and professional judgment	(i) Apply a skeptical mindset and professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.

Competence Area	Learning Outcomes
(o) Ethical principles	(i) Apply the ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior in the context of an audit and determine an appropriate resolution to ethical dilemmas.
	(ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.
	(iii) Protect the confidential information of the entity in accordance with ethical responsibilities and relevant legal requirements.

## Explanatory Material

### References to Definitions Contained within IAASB Pronouncements (Ref: Para. 5)

A1. This IES uses the following terms already defined within IAASB pronouncements<sup>3</sup>.

**Table B: IAASB Definitions Adopted in IES 8**

Defined Term	Source of Term	Definition in Use
Auditor's Expert	ISA 620 <i>Using the Work of an Auditor's Expert</i> , Paragraph 6(a)	An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
Engagement Partner*	ISA 220 <i>Quality Control for an Audit of Financial Statements</i> , Paragraph 7 (a)	The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal, or regulatory body.
Engagement Team	ISA 220 <i>Quality Control for an Audit of Financial Statements</i> , Paragraph 7 (d)	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor's external expert engaged by the firm or a network firm. The term "engagement team" also excludes individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013) <sup>4</sup> .

<sup>3</sup> The ISA definitions detailed above are contained within the IAASB *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements – 2016–2017 Edition, Volume I*.

<sup>4</sup> ISA 610, *Using the Work of Internal Auditors* (Revised 2013).

Defined Term	Source of Term	Definition in Use
Financial Statements	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (f)</i>	A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or of the changes therein for a period of time in accordance with a financial reporting framework. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.
Firm*	ISA 220 <i>Quality Control for an Audit of Financial Statements, Paragraph 7 (e)</i>	A sole practitioner, partnership or corporation or other entity of professional accountants.
Professional Judgment	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (k)</i>	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.
Professional Skepticism	ISA 200 <i>Overall Objective of the Independent Auditor, and the Conduct of the Audit in Accordance with International Standards on Auditing, Paragraph 13 (l)</i>	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 audit evidence.
* "Partner" and "firm" should be read as also referring to their public sector equivalents.		

**Scope of this Standard** (Ref: Para. 1–5)

- A2. Professional competence can be described and categorized in many different ways. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes.
- A3. CPD is a continuation of Initial Professional Development (IPD). IPD is the learning and development through which individuals first develop competence leading to performing the role as a professional accountant. CPD is learning and development that takes place after IPD, and that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuous development of the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes achieved during IPD, refined appropriately for the professional activities and responsibilities of the professional accountant.
- A4. As outlined in IES 7<sup>5</sup>, CPD includes practical experience. As the career of an Engagement Partner progresses, practical experience becomes increasingly important in developing and maintaining the necessary depth and breadth of professional competence. Practical experience for Engagement Partners may be evidenced by annual self-declarations, records of chargeable time, and the results of qualitative monitoring activities such as performance reviews, engagement quality assurance reviews and regulatory inspections.
- A5. In addition to professional competence and practical experience, other factors outside the scope of this IES determine whether a professional accountant has, where required, the appropriate authority from a professional, legal, or regulatory body to perform the role of Engagement Partner.
- A6. In many jurisdictions, legislation, regulation, or a regulator (referred to collectively as a “licensing regime”) sets or enforces the requirements as to who may perform the role of an Engagement Partner. Licensing regimes vary widely in their requirements. Where licensing is not within the authority of the IFAC member body, IFAC member bodies shall use their best endeavors as described in SMO 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB*<sup>6</sup> to influence

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<sup>5</sup> See IES 7, *Continuing Professional Development* (2014), Para. 5.

<sup>6</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the IAESB. The SMO specifically addresses (Para 9) the situation where an IFAC member body has no responsibility or shared responsibility for adopting and implementing professional accounting education standards and guidance.



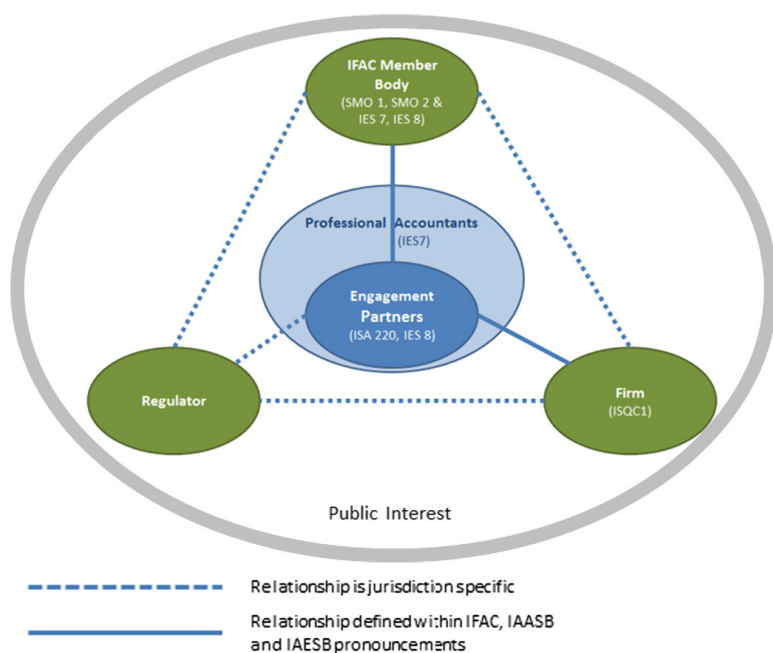
the licensing regime so that the IFAC member body can meet the professional competence requirements set out in this IES.

- A7. A firm, which by definition includes sole practitioners, determines who can issue an audit opinion as a legal representative of that firm. Most firms operate in a partnership structure, and the partners in the partnership decide who in that firm can perform the role of Engagement Partner.

### *Stakeholders That Impact the Professional Competence of Engagement Partners*

- A8. Figure 1 illustrates stakeholders that impact the professional competence of Engagement Partners. Relationships between stakeholders can be dependent on the jurisdiction or as a consequence of requirements contained in IAASB and IAESB pronouncements and obligations contained in IFAC pronouncements.
- A9. In accordance with IES 7<sup>7</sup>, IFAC member bodies require all professional accountants to undertake CPD to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.

**Figure 1: Stakeholders That Impact the Professional Competence of Engagement Partners**



<sup>7</sup> See IES 7, *Continuing Professional Development* (2014), Para. 12.

- A10. IES 7<sup>8</sup> also requires IFAC member bodies to establish a systematic process to monitor whether professional accountants meet the IFAC member body's CPD requirements.
- A11. ISA 220<sup>9</sup> addresses the responsibilities of the Engagement Partner with respect to whether the engagement team and any auditor's experts who are not part of the team, collectively have the appropriate competence and capabilities. Unless information provided by the firm or other parties suggest otherwise, ISA 220<sup>10</sup> indicates that the engagement team may rely on the firm's system of quality control in relation to the competence of personnel through their recruitment and formal training.
- A12. ISQC 1<sup>11</sup> requires the firm to establish policies and procedures designed to provide reasonable assurance that the firm has sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to (a) perform engagements in accordance with professional standards and applicable legal and regulatory frameworks, and (b) enable the firm or Engagement Partners to issue reports that are appropriate in the circumstances.
- A13. In many jurisdictions, regulators may have an oversight role in relation to IFAC member bodies, firms, and Engagement Partners.
- A14. By complying with the requirements of this IES and fulfilling their obligations under SMO 1<sup>12</sup> and SMO 2<sup>13</sup>, IFAC member bodies assist firms in complying with the requirements of ISQC 1 and assist Engagement Partners in complying with the requirements of ISA 220. Collectively these pronouncements promote clarity and consistency with respect to the professional competence required of the Engagement Partner and the engagement team, which serves to protect the public interest.

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<sup>8</sup> See IES 7, *Continuing Professional Development* (2014), Para. 17.

<sup>9</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. 14.

<sup>10</sup> See ISA 220, *Quality Control for an Audit of Financial Statements*, Para. A2.

<sup>11</sup> See ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, Para. 29.

<sup>12</sup> Statement of Membership Obligations 1 – *Quality Assurance* sets out the requirements of an IFAC member body with respect to quality assurance review systems for its members who perform audits, review and other assurance and related services engagements of financial statements. The SMO specifically addresses the situation where an IFAC member body has no responsibility or shared responsibility for setting the rules and operating the quality assurance review system.

<sup>13</sup> Statement of Membership Obligations 2 – *International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB* sets out the requirements of an IFAC member body with respect to international education standards and other pronouncements issued by the IAESB. The SMO specifically addresses the situation where an IFAC member body has no responsibility or shared responsibility for adopting and implementing professional accounting education standards and guidance.

*Progressive Nature of Professional Competence*

- A15. Only those professional accountants who develop and maintain the professional competence that is demonstrated by achievement of the learning outcomes listed in Table A will be able to deal with the complex situations that Engagement Partners may face during their careers. A professional accountant aspiring to be an Engagement Partner will usually serve for several years on engagement teams, and may progress through supervisory and managerial roles under the supervision of an Engagement Partner. This progression through increasing levels of responsibility is a common path through which a professional accountant may prepare to assume the role of an Engagement Partner. Those serving as an Engagement Partner develop and maintain their professional competence through leading or serving on audit engagements, and through other learning activities as part of their CPD.

*Audit of Financial Statements and Other Assurance Engagements*

- A16. This IES is applicable to Engagement Partners responsible for the audits of financial statements. The professional competence that is demonstrated by the achievement of the learning outcomes in Table A may also be helpful when performing audits of other historical financial information in compliance with the ISAs or other types of assurance and related services. Similarly, much of the professional competence required for an audit of financial statements may be relevant to those Engagement Partners responsible for assurance engagements relating to non-financial statement information, such as environmental or social measures.

**Objective** (Ref: Para. 7)

- A17. Establishing the professional competence that professional accountants develop and maintain in performing the role of Engagement Partner serves several purposes. It protects the public interest; contributes to audit quality; enhances the work of Engagement Partners; and promotes the credibility of the audit profession.
- A18. While a premise of this IES is that Engagement Partners have already developed the professional competence to assume that role, Engagement Partners operate in an environment of significant change. Pressure for change can come from many sources, including, but not limited to (a) increased regulation, (b) developments in financial and non-financial reporting, (c) emerging technologies, (d) increasing use of business analytics, and (e) business complexity. Change requires Engagement Partners to maintain and further develop professional competence throughout their careers.

**Requirements** (Ref: Para. 8–9)

- A19. Table A identifies the competence areas and related learning outcomes for technical competence, professional skills, and professional values, ethics, and

attitudes. A competence area is a category for which a set of related learning outcomes can be specified.

- A20. Learning outcomes establish the content and depth of knowledge, understanding, and application required for each specified competence area. The achievement of learning outcomes is an output based approach to measuring CPD. IES 7 provides further guidance in respect of the measurement of CPD.
- A21. This IES builds on the learning outcomes that describe the professional competence required by aspiring professional accountants by the end of IPD as outlined in IESs 2, 3, and 4<sup>14</sup>.
- A22. Other factors in addition to the learning outcomes in Table A may affect the nature, timing, and extent of planned CPD. These factors may include, but are not limited to, (a) an Engagement Partner's portfolio of audit engagements, (b) the extent of any changes in auditing and financial reporting standards, and (c) the impact of any changes in the content of other competence areas noted in Table A.
- A23. Irrespective of the size or nature of the audit engagement, and the firm of the Engagement Partner providing the audit, a premise of this IES is that Engagement Partners continue to undertake CPD appropriate to the complexity of the audits for which they serve as Engagement Partners.
- A24. IFAC member bodies may include additional competence areas or require Engagement Partners to achieve additional learning outcomes that are not specified in this IES. This may occur, for example, when an Engagement Partner audits specialized industries or transactions.

#### *Sole Practitioners and Small and Medium Practices*

- A25. By focusing on one specific role rather than an engagement team or firm structure, this IES recognizes the wide range of situations in which the Engagement Partner operates, including as a sole practitioner or within small and medium practices<sup>15</sup>. In these situations, the Engagement Partner may be operating without the support of an engagement team, including those engagement team members with specialist skills. As a consequence, the Engagement Partner may have direct involvement in the completion of a wider range of audit activities than would otherwise be the case.

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<sup>14</sup> IES 2, *Initial Professional Development – Technical Competence* (2015);

IES 3, *Initial Professional Development – Professional Skills* (2015); and

IES 4, *Initial Professional Development – Professional Values, Ethics, and Attitudes* (2015).

<sup>15</sup> IFAC's Small and Medium Practices Committee factsheet defines SMPs as '...practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff.'

*Audit – Learning Outcomes*

- A26. Leading the identification and assessment of risks of material misstatements includes consideration of:
- the risks identified by engagement acceptance and continuance procedures;
  - an entity's ability to continue as a going concern; and
  - the risks of material misstatement due to fraud and error.
- A27. Evaluating the response to the risks of material misstatements includes the process of approving or establishing an appropriate overall audit strategy.
- A28. Evaluating whether the audit was performed in accordance with applicable auditing standards (e.g., ISAs), and with relevant laws and regulations, includes:
- evaluation of the sufficiency and appropriateness of audit evidence obtained and of the related documentation;
  - consideration of significant deficiencies in internal control and in other matters to be communicated to those charged with governance; and
  - consideration of bias in management's estimates and other areas of judgment.

*Organizational – Learning Outcomes*

- A29. Examples of areas where an auditor's expert may be used on an audit include, but are not limited to, taxation, IT, legal, forensic accounting, valuations, actuarial services, and pensions.

*Professional Skepticism and Professional Judgment – Learning Outcomes*

- A30. A key aspect of any audit is evaluating whether sufficient and appropriate audit evidence has been obtained to support the conclusions on which the auditor's opinion is based. Professional skepticism involves the application of a questioning mindset for the critical assessment of audit evidence. The ISAs also require Engagement Partners and their teams to exercise professional judgment in planning and performing an audit of financial statements. Professional judgment is exercised, for example, when challenging management assertions and assumptions contained within the financial statements, and when considering whether accounting standards are appropriately applied by an entity and determining an appropriate overall audit strategy.
- A31. Planning effective CPD in the areas of professional skepticism and professional judgment involves due care and may include a blend of learning methods in which mentoring, reflective activity, and practical experience play a key role.

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