

**Final Pronouncement**  
January 2014

*International Education Standard (IES) 2*

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**Initial Professional Development –  
Technical Competence (Revised)**

**IAESB**

International Accounting  
Education  
Standards Board™



This document was developed and approved by the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

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

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**INTERNATIONAL EDUCATION STANDARD 2 (REVISED)**  
**(EFFECTIVE ON JULY 1, 2015)**  
**INITIAL PROFESSIONAL DEVELOPMENT – TECHNICAL**  
**COMPETENCE**

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## Introduction

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

1. This International Education Standard (IES) prescribes the learning outcomes for technical competence that aspiring professional accountants are required to demonstrate 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*, and *IES 4, Initial Professional Development—Professional Values, Ethics and Attitudes*, 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 IESs and the *Framework for International Education Standards for Professional Accountants* are set out in the International Accounting Education Standards Board (IAESB) *Glossary of Terms*.

### Effective Date

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

### Objective (Ref: 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: 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.
(c) Finance and financial management	(i) Compare the various sources of financing available to an organization, including bank financing, financial instruments, and bond, equity and treasury markets.

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

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<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
(Intermediate)	(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)
	(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.

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<b>Competence Area (Level of Proficiency<sup>1</sup>)</b>	<b>Learning Outcomes</b>
	(iv) Apply quantitative methods that are used in audit engagements.
	(v) Explain the key elements of assurance engagements and applicable standards that are relevant to such engagements.
(f) Governance, risk 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	(i) Describe the environment in which an organization operates, including the main economic, legal, political, social, technical, international, and cultural forces.

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Competence Area (Level of Proficiency <sup>1</sup> )	Learning Outcomes
(Intermediate)	(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.
(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 measure the achievement of the technical competence 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 includes general education, 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*.
- 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 demonstrated 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 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 accounting 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*, provides the principles that apply to the design of assessment activities used to measure the achievement of technical competence and other elements of professional competence.

A16. Various assessment activities can be used to measure the achievement of 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.

## 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 (IESs) 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 situations 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> <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 situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
Advanced	<p>Typically, learning outcomes in a competence area focus on:</p> <p>Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments,</p>

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Level of Proficiency	Description
	<p>and to make recommendations appropriate to stakeholder needs;</p> <ul style="list-style-type: none"><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 situations that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

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