



National Association of State Boards of Accountancy

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October 11, 2012

International Accounting Education Standards Board
International Federation of Accountants
545 5th Avenue, 14th Floor
New York, New York 10017

Via e-mail to: davidmcpeak@iaesb.org

Re: Exposure Draft dated July 2012 – Proposed International Education Standards (IES) 4:
Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised)

Dear Members of the International Accounting Education Standards Board:

We appreciate the opportunity to offer comment to the International Accounting Education Standards Board for Accountants (IAESB) on the July 2012 Exposure Draft – Proposed International Education Standards (IES) 4: Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised). The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness of the licensing authorities (State Boards of Accountancy) for public accounting firms and certified public accountants in the United States and its territories. In furtherance of that objective, we offer the IAESB the following comments which focus on the learning outcomes for professional values, ethics and attitudes identified in Table A and the related classification of proficiency levels for learning outcomes in Appendix 1.

Learning Outcomes for Professional Values, Ethics, and Attitudes

In our opinion, an important aspect of learning professional values, ethics and attitudes is learning a step-by-step process for making an ethical decision. We believe that a clear ethical decision making process needs to be carefully articulated in Table A and in the related explanatory material on learning outcomes, currently paragraphs A15 – A18. Most books that are used in accounting education demonstrate a step-by-step decision process that emphasize the ability of an individual to:

- recognize ethical issues,
- analyze the situation,
- evaluate alternative actions, and
- make ethical decisions and take actions based on ethical values.

In our opinion part (b) of Table A would provide clear guidance if each of these steps was outlined individually. For example, part b might replace learning outcomes (iii) and (iv) with the following:

- iii. The ability to recognize ethical issues and when ethical principles apply.
- iv. The ability to analyze an ethical situation and identify the relevant facts, the ethical issue(s), relevant authoritative guidance, and the individuals or groups that have an important stake in the outcome.
- v. The ability to evaluate alternative courses of action and determine the ethical consequences of various courses of action.
- vi. The ability to make ethical decisions and take actions that uphold the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Increased Emphasis on Ethical Decision Making

Many seasoned accounting practitioners have raised concerns about the fact that when aspiring professional accountants near the completion of initial professional development, they are much better at analyzing a problem than they are at making an ethical decision based on the analysis. We believe an increased emphasis on ethical decision making is needed. This can first be advanced by making the ethical decision making process clear in part (b) to Table A as discussed above.

In addition, Appendix 1 on the Classification of Proficiency Levels for Learning Outcomes needs an increased emphasis on decision making. In our opinion the first sentences in each level of proficiency should read as follows.

Level of Proficiency	Description
Foundation	Learning outcomes relate to work situations <i>and ethical decision processes</i> that are characterized by low levels of ambiguity, complexity and uncertainty.
Intermediate	Learning outcomes relate to work situations <i>and ethical decision processes</i> that are characterized by moderate levels of ambiguity, complexity and uncertainty.
Advanced	Learning outcomes relate to work situations <i>and ethical decision processes</i> that are characterized by high levels of ambiguity, complexity and uncertainty.
Mastery	Learning outcomes relate to work situations <i>and ethical decision processes</i> that are characterized by high levels of ambiguity, complexity and uncertainty.

Moving these sentences to the front of each proficiency level sets a context for the material that will follow. It also provides some context that as an aspiring professional accountant moves from foundation to intermediate to advanced levels the decision processes are more complex. The bright line decisions one might encounter at foundation levels, are not as clear cut as an individual increases their level of proficiency and their ability to apply professional judgment.

Consistent Ethical Behavior

Paragraph 11 needs to clarify the expectation of consistent ethical behavior. While the level of proficiency addresses differing levels of ambiguity, complexity, and uncertainty in work situations and decision processes, the expectation of a level of ethical behavior in every instance needs to be clearly communicated. There can be no misunderstanding that would allow a reader to imply that lower levels of proficiency might imply lower levels of ethical behavior.

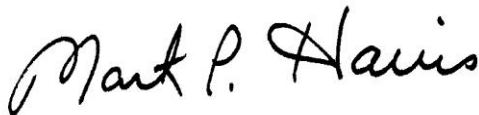
Identifiable Public Interest

In many circumstances there is an identifiable public that has a specific interest in the engagement. The identifiable public interest will likely vary from engagement to engagement. In our opinion, section (c) of Table A on the “Commitment to the public interest” would benefit from an additional item that might read as follows:

Analyze the identifiable public interest associated with most ethical settings and link that analysis to subsequent evaluation and ethical decision making.

We appreciate the opportunity to comment on the July 2012 Exposure Draft – Proposed International Education Standards (IES) 4: Initial Professional Development – Professional Values, Ethics, and Attitudes (Revised). We believe that the four specific comments we have outlined above will not only add an important emphasis on the process of making and acting on ethical decisions, but it will clarify the expectations for aspiring professional accountants and for those who participate in initial professional development of aspiring professional accountants.

Sincerely,



Mark P. Harris, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO