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**The International Accounting Education Standards Board:**

Influencing Global Accounting Education

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The International Accounting Education Standards Board: Influencing Global Accounting Education

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ABSTRACT: The purpose of this paper is to make readers aware of Accounting Education Standards (IESs), which are developed by the International Accounting Education Standards Board (IAESB). These standards are influencing accounting education and training worldwide. Less than a decade old, the IESs are enforced through the member bodies of the International Federation of Accountants (IFAC) and professional accountancy organizations throughout the world. The goal of the IESs is to ensure that economic decision makers can rely on the competence of professional accountants regardless of the country where the accountants received their education and training.

Differing cultures, languages, and social, educational, and legal systems pose a challenge for developing a globally applicable set of international accounting education standards. Accounting educators can help the IAESB meet this challenge by responding to IAESB exposure drafts, undertaking research relevant to issues being addressed by the IAESB, becoming directly involved in the standard-setting process, and using IAESB standards, practice statements, information papers, and other information on the education and training of professional accountants in developing, assessing, and evolving accounting education programs.

Keywords: international accounting; accounting education; education standards; accounting profession.

INTRODUCTION

The last decade has seen the emergence of a new influence on accounting education, the International Accounting Education Standards Board (IAESB), an independent standard-setting body created to replace the International Federation of Accountants’ (IFAC) long-standing Education Committee. Whereas the former IFAC Education Committee issued guidelines that were not authoritative pronouncements, the IAESB’s standards are authoritative pronouncements that have the same force as standards promulgated by other boards operating under
the auspices of IFAC, such as the *International Standards on Auditing* (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB).\(^1\)

The IAESB develops and issues standards, practice statements, information papers, and other information on the education and training of professional accountants and on continuing professional development for professional accountants. According to the board’s January 2012 *Terms of Reference* (IFAC 2012), the IAESB’s objective is to serve the public interest by:

- Establishing a series of high-quality standards and other publications reflecting good practice in the education, development, and assessment of professional accountants;
- Promoting the adoption and implementation of the International Education Standards;
- Developing education benchmarks for measuring the implementation of the International Education Standards; and
- Advancing international debate on emerging issues relating to the education, development, and assessment of professional accountants.

The IAESB consists of 18 members, each with a technical advisor, and up to three observer members. Technical advisors and observer members have the privilege of the floor, but cannot vote. Currently the American Institute of Certified Public Accountants (AICPA) holds a membership position on the Board, and a representative of the International Association for Accounting Education and Research (IAAER) holds an observer position. The IAESB has extensive due process (IFAC 2010a), including exposure of its proposed standards and changes thereto, and its meetings are open to the public. Meeting dates, locations, and agendas are available at the IAESB website, available at: http://www.ifac.org/Education.

From the viewpoint of the IAESB, the goal of accountancy education is to produce competent professional accountants capable of making positive contributions over their lifetimes to the profession and society in which they work. To help achieve this goal, the IAESB has developed the *International Education Standards for Professional Accountants* (IESs) to establish global benchmarks for initial professional development and continuing professional development for professional accountants. The IESs prescribe good practice in learning and development for professional accountants throughout their careers. The board also publishes practice statements, information papers, and other support materials, located on its website.\(^2\)

The IESs aim to promote quality and consistency in accountancy education around the globe. While they are designed to be of assistance primarily to professional accountancy organizations, the IESs also may assist educators by setting out the principles for designing, delivering, and assessing education for professional accountants. Learning and development programs for IFAC member bodies and other professional accountancy organizations are expected to contain these principles and have the potential for international recognition, acceptance, and application.

This paper addresses the history and importance of the IAESB, progress and challenges related to international recognition of the education standards, and how accounting educators and practitioners can become more involved in the standard-setting process.

**HISTORY OF THE IAESB**

Shortly after its establishment in 1977, IFAC formed four committees covering the areas believed to be of international interest: the Education Committee, the Ethics Committee, the

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\(^1\) In developing its standards and practice statements, the IAASB is required to be transparent in its activities and to adhere to due process as approved by the Public Interest Oversight Board (PIOB). The process includes the following steps: (1) research and consultation, (2) transparent debate, (3) exposure for public comment, (4) consideration of comments received on exposure, and (5) affirmative approval (IFAC 2011a).

\(^2\) For a brief review of the IAESB, see International Accounting Education Standards Board—Fact Sheet (IFAC 2011b).
International Auditing Practices Committee, and the Management Accounting Committee. The first three committees evolved over time from issuing international guidelines to becoming international standard-setting boards. The first committee to progress to board status was the International Audit and Assurance Standards Board, which evolved from the International Auditing Practices Committee in 2002 to become a body with significant due process and transparency requirements.

Shortly thereafter, in November 2003, following a series of corporate collapses and frauds and related regulatory responses, the IFAC Council unanimously approved a series of reforms in response to declining worldwide confidence in financial reporting and the auditing profession. These reforms included creating what came to be known as the International Accounting Education Standards Board from an expanded Education Committee by undertaking the following steps (IFAC 2003):

- Under the IFAC Constitution, the Education Committee shall be given the authority, after having followed due process, to issue standards and other pronouncements;
- The Education Committee shall have two public members;
- The two observers appointed by the Forum of Firms will be replaced by voting members, selected by the IFAC Nominating Committee from nominees presented by the Forum of Firms in a proportion similar to that established in the IFAC Constitution for the IAASB;
- A review of the due process with a view to strengthening it to reflect the processes of the IAASB, to the extent appropriate;
- Full transparency of activities, in line with those of the IAASB;
- Establishment of a CAG (Consultative Advisory Group) that has representation of the different sectors of the profession, users of accounting services, academic representatives, and international agencies with the composition of the group and its operating procedures to be determined; and
- All members of the Education Committee will be required to sign a declaration that they will act with integrity and in the public interest in the discharge of their role within IFAC.

The Education Committee had already begun the process of reviewing its 11 International Education Guidelines with an intention of converting them to standards. In July 2002, the Education Committee released an exposure draft set of the “pre-qualification” standards with a comment period ending December 31, 2002. The committee received 37 response letters (22 from IFAC member bodies, 9 from academics/academic institutions, 3 from accounting firms, 2 from individuals, and 1 from the IFAC Ethics Committee) and considered them at the committee’s March 2003 meeting in Brasilia. At the August 2003 meeting in Cape Town, the committee approved the first six standards for issuance in October 2003 with an effective date of January 1, 2005. The committee voted to re-expose a revised draft of the proposed IES 7 on Continuing Professional Development. The committee also approved for issuance a framework and introduction to the standards. At the committee’s March 2004 meeting in New York, it approved IES 7 for issuance in May 2004 with an effective date of January 1, 2006.

The committee considered its final standard, IES 8 on education requirements for audit professionals, at its August 2004 meeting in Stockholm, its first public meeting. At its March 2005 meeting in New York, the committee approved IES 8 for exposure, which generated 36 comments.

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3 The history in this and the following paragraphs is from meeting summaries and minutes of the IFAC Education Committee and IAESB. Those for 2002 can be obtained from IFAC’s archives, and those from 2003 and later are available at: http://www.ifac.org/Education/Meetings.php?year=2003#
Shortly after the first meeting of the IAESB in New York on February 28–March 2, 2006, the IAESB approved a revised draft of IES 8, *Competence Requirements for Audit Professionals*, for release in May 2006 with an effective date of July 1, 2008. Thus, by the end of the IAESB’s first meeting, all eight of the current standards were approved.4

IES 1, *Entry Requirements to a Program of Professional Accounting Education*
IES 2, *Content of Professional Accounting Education Programs*
IES 3, *Professional Skills and General Education*
IES 4, *Professional Values, Ethics and Attitudes*
IES 5, *Practical Experience Requirements*
IES 6, *Assessment of Professional Capabilities and Competence*
IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*
IES 8, *Competence Requirements for Audit Professionals*

While the Education Committee was working to transform the *International Education Guidelines* into the IESs, the IAASB again led the way with its clarity project. In 2004, the IAASB began a comprehensive program to enhance the clarity of its International Standards on Auditing by creating and applying new drafting conventions and simultaneously considering needed revisions to existing standards and the need for new standards. Following the approval by the Public Interest Oversight Board (PIOB) of the clarified ISAs, the IAASB completed its clarity project in 2009. At that time, auditors worldwide had access to 36 newly updated and clarified ISAs and a clarified International Standard on Quality Control (ISQC).

Following the lead of the IAASB, the IAESB also embarked on a clarity project, adopting new drafting conventions and considering its early implementation experience to search out the need for revisions as well as redefining for clarity. The IAESB’s clarity project began with a comprehensive review of the *Framework for International Education Pronouncements* and the *Introduction to International Education Standards*.5 A task force of the IAESB, under the leadership of Karen Pincus, conducted a series of focus groups with IFAC member bodies and educators and distributed an online survey of interested parties to determine how the framework should be revised.6 This resulted in the publication of the *Framework for International Education Standards for Professional Accountants*,7 which is focused on the competence required to be an accounting professional. It is output, not input, oriented. To be consistent with the *Framework for International Education Standards for Professional Accountants*, the IAESB is currently redrafting and revising all eight standards with a target completion date of the end of Quarter 2 of 2013. In addition, revisions will recognize the variety of accounting roles and levels, improve the standards’ readability, and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the standards properly.

The suite of eight IESs and other IAESB pronouncements can be downloaded free of charge from the IAESB’s website at http://www.iaesb.org

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4 For a complete text of the standards, see the *Handbook of International Education Pronouncements 2010 Edition* (IFAC 2010b), which can be downloaded from http://www.ifac.org/publications.
5 *Handbook of International Education Pronouncements 2009 Edition* (IFAC 2009a), which can be downloaded from http://www.ifac.org/publications
6 For more information on the consultation process, see *Basis for Conclusions: Framework for International Education Standards for Professional Accountants* (IFAC 2009b).
7 *Handbook of International Education Pronouncements 2010 Edition* (IFAC 2010b), which can be downloaded from http://www.ifac.org/publications
INTERNATIONAL RECOGNITION: PROGRESS AND CHALLENGES

The application of the IESs has gained important international recognition during the period between 2003 and 2011. Some examples are:

- The standards are used by IFAC member bodies and other professional accountancy organizations in directing the learning and development of professional accountants.
- Compliance with the IESs is one of the obligations in the *Statement of Membership Obligations* that sets conditions for IFAC membership (approved by the IFAC Board in 2006; see IFAC 2006).
- The World Bank uses the IESs to develop a questionnaire that is used as a diagnostic tool to provide an overview of the accounting and auditing environment in a particular country. It uses this information to develop the *Report on the Observance of Standards and Codes* (ROSC) documents that assist these countries in implementing international accounting and auditing standards to strengthen their financial reporting.
- The IESs have been used by the United States Agency for International Development (USAID) to develop a method for benchmarking that helps identify gaps in the implementation and compliance of accounting education standards in various countries. It then uses such information as a basis for future donor allocations.
- Researchers used the IESs to develop a benchmarking analytical tool known as the Accountancy Development Index (ADI) (see Canham 2010). The ADI ranks a country’s transparency and accountability. Such data allows for comparison and acts as a basis for analyzing ongoing improvement in financial reporting.
- The IESs have been used by the Secretariat of the United Nations Conference on Trade and Development (UNCTAD) to develop a guideline for a global accounting curriculum and other qualification requirements.

By establishing a global benchmark for education, IESs promote quality in accounting education worldwide, helping IFAC member bodies, professional accountancy organizations, and others educate and train competent professional accountants who will contribute positively to their communities throughout their careers. IESs also advance convergence and consistency in the application of international technical and practice standards by ensuring a common base of education and practical experience for all professional accountants. Developing and implementing IESs can also contribute to other desirable outcomes, including reduction in international differences in the requirements to qualify and work as a professional accountant, facilitation of the global mobility of professional accountants, and provision of international benchmarks against which IFAC member bodies can measure themselves.

While many educators and practitioners are familiar with efforts to achieve international convergence for financial reporting standards and auditing standards, relatively few are as familiar with efforts to achieve international convergence of accounting education standards. IFAC supports international convergence to high-quality standards. This includes a single set of education standards covering both preparation for the profession and continuing professional development for practicing professional accountants in a variety of roles. The notion of convergence in education standards presents some significant challenges, not the least of which is the definition and designation of convergence. The IAESB seeks and supports convergence in educational outcomes and the competence of accounting professionals worldwide. However, it does not seek convergence

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8 This list first appeared in Institute of Chartered Accountants of India (2010).
9 For more information on the ROSC, see International Monetary Fund—The World Bank (2005).
in academic or professional programs, recognizing that there are many possible paths to creating professional accounting competence.

The greatest challenge to convergence is the variety of education systems worldwide, including professional education. While there is general agreement that professional competence is developed and assessed by the “three E’s”—education, experience, and examination (assessment)—there are a variety of approaches to each of the E’s in the countries represented in IFAC member bodies, and there is no evidence that there is one “best” approach. Consequently, each of the IESs contains a statement acknowledging the existence of “the wide diversity of culture, language, and educational, legal, and social systems” in the countries represented in IFAC member bodies and other professional accountancy organizations.

For example, consider the differences between the systems of professional accounting education in the United States and the United Kingdom, despite the fact that the two countries have many similarities in culture, language, and social systems. Universities in the U.S. play a large role in preparation for entry into the accounting profession. While the role of experience in developing expertise is respected, accounting is consistent with other U.S. professions in recognizing entrants to the profession at an early point in their careers. Being licensed as a CPA requires little or no practical experience. The AICPA, an IFAC member body, influences U.S. universities, but it does not determine the curriculum and does not decide whether or not a university accounting program is acceptable. The AICPA’s chief sphere of influence is the Uniform CPA Exam. This system provides a contrast to alternative systems that focus on profession-based education programs during apprenticeship periods of practical experience.

In the U.K., registered professional bodies have the main responsibility for accounting education, and most aspiring accountants complete their accounting education by taking courses through one of the professional bodies as they gain the required three years of practical experience with an employer. Relatively few have an accounting or business degree from a university. Many have non-accounting university degrees, and some do not have any university degree, having entered training as a “school leaver.” (The closest U.S. equivalent would be a student who has completed high school including a series of advanced placement courses.) Both the universities providing accounting education and the employers providing practical experience must be recognized by the relevant professional body.

The point in a person’s career when he or she is recognized as a professional accountant also differs significantly across countries, ranging from shortly after graduation from a university accounting program in many countries such as Mexico, to shortly before becoming an audit-firm partner in other countries, such as France. These country differences make it difficult to standardize the education needed at the point of recognition. Instead, standards must define the competences in relation to a role performed and the organizational level achieved.

Given the significant differences in approaches to professional education and recognition, the key to convergence to one set of education standards is to find the common ground. Regardless of approach, education providers should be developing the competence necessary to serve the public interest. Thus, the standards ideally should specify the desired competences and acceptable means of assessing competences, rather than specifying details of years of education, years of practical experience, and type of examination/assessment to be conducted.

A second key to convergence is to note that, while the IESs are addressed to IFAC member bodies, they must be salient to other major providers of professional accounting education—including universities, commercial education providers, and employers. Interestingly, in the online survey done for the IAESB project to reconsider its framework, it became clear that many education providers remain unaware of the IESs. How can the standards serve the public interest without a stronger program to communicate with stakeholders beyond the education directors of IFAC member bodies? In many countries education providers gain their knowledge of education
requirements through the requirements of the professional bodies. In such cases, if the professional bodies are members of IFAC and enforce the IESs, the standards may be influencing the educational programs indirectly. Nevertheless, adherence to the IESs would be greatly facilitated by a greater awareness of the standards by all education providers.

Another significant challenge for the IAESB is to consider the needs of developing nations. Developing a strong accounting profession is an important part of creating a strong economy, yet most of these nations have limited resources for implementing the IESs. After completing its clarity/revision project in 2013, the IAESB will need to decide whether it is better to focus on creating additional standards, developing implementation guidance and tools, or providing more direct support to developing nations. Given the Board’s limited resources (both time and money), it is not likely that there can be more than one area emphasized in the next three years. What would serve the public interest better? The IAESB could use guidance from both educators and professional accountants in making this decision.

**IN VolVEMENT OF EDUCATORS AND PRACTITIONERS**

The accounting profession is increasingly global, and the actions of professional accountants around the world affect the reputation of this global accounting profession. It is in the best interest of professional accountants everywhere to have common standards of professionalism, including education and training, to minimize the occurrence of unprofessional actions that undermine the profession’s reputation. The IESs are one step in creating common worldwide levels of professionalism to protect the reputation, and therefore the returns to, professional accountants.

Both accounting educators and practitioners can help shape the IESs, and thereby raise the global level of the accounting profession in several ways. First, and most important, is reading and commenting on standards, exposure drafts, consultation papers, and other documents produced by the IAESB. The expertise of university educators and practitioners will undoubtedly help direct the future education and development of professional accountants globally.

Second, the IAESB tries to base its standards on a solid base of empirical evidence. Accounting education research can provide much of the information useful in setting standards. Also useful is the sharing of good practices from leading educators and educational institutions. One example of research to inform the IAESB is a set of research projects administered by the International Association for Accounting Education and Research (IAAER) and funded by the Association of Chartered Certified Accountants (ACCA). Researchers completed the first set of four projects and presented results to the IAESB in November 2010. A second round of projects is currently in process with a target completion date of mid-2012.10

Accounting educators and practitioners can also become directly involved in standard setting. The AICPA’s representative to the IAESB is currently a U.S. academic (Karen Pincus), and several other members and technical assistants are experienced educators. The U.S. representative as of 2012 is Dennis Reigle, a retired partner of Arthur Andersen who has more recently worked for the AICPA on academic and career issues.

Finally, accounting educators should also pay attention to the IESs and especially to the supporting materials prepared by the IAESB to help assess and evolve accounting education programs. Developing standards of good practice is only one goal of the IAESB. It also develops information papers and other materials that help in the development of education and training programs and assessment of the competencies they produce. These materials can be useful to accounting education and training programs at all levels and in all cultures.

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10 For details on these projects see the IAAER website, available at: [http://www.iaaer.org/research/](http://www.iaaer.org/research/)
CONCLUSION

International Education Standards (IESs) for professional accountants, developed by the International Accounting Education Standards Board (IAESB), are influencing accounting education and training worldwide. Less than a decade old, the standards are enforced through the member bodies of the International Federation of Accountants (IFAC). The IAESB is currently revising the standards to increase clarity and to focus more on outputs—professional competences—rather than inputs. The goal is to ensure that economic decision makers can rely on the competence of professional accountants regardless of the country where the accountants received their education and training.

Differing cultures, languages, and social, educational, and legal systems pose a challenge for developing a globally applicable set of international accounting education standards. But the increasingly global economy requires such an effort. Accounting educators can help the IAESB meet this challenge by responding to IAESB exposure drafts, undertaking research relevant to issues being addressed by the IAESB, becoming directly involved in the standard-setting process, and using IAESB standards, practice statements, information papers, and other information on the education and training of professional accountants in developing, assessing, and evolving accounting education programs.

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