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Agenda item 3

**DEVELOPMENT OF A GLOBAL ACCOUNTING CURRICULUM AND
OTHER QUALIFICATION REQUIREMENT**

Agreed conclusions and recommendations

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) addresses the following conclusions and recommendations to Governments and related organizations.

I. Requirements for the qualifications of professional accountants

Recalling that ISAR was created by resolution 1982/67 of the Economic and Social Council and is the only intergovernmental working group in the United Nations system devoted to the international harmonization of national accounting and reporting practices at the corporate level,

Taking note that the Economic and Social Council instructed ISAR to review developments in the field of international accounting and reporting,

Taking note that the Economic and Social Council instructed ISAR to set priorities for its work by considering the needs of home and host countries, particularly those of developing countries,

Taking note that in fulfilling this mission ISAR is to consult the international bodies which it deems appropriate on matters pertaining to the development of international standards of accounting and reporting, and elicit the views of interested parties,

Taking note that the Decision on Professional Services mandates the World Trade Organization (WTO) to develop multilateral disciplines relating to market access, giving priority to accountancy, to ensure that domestic regulatory requirements are based on objective and transparent criteria such as competence and ability to supply the service, thereby facilitating the effective liberalization of accounting services,

Further taking note with appreciation of the cooperation taking place between UNCTAD and WTO, the World Bank and the Organisation for Economic Co-operation and Development (OECD), and of the consultations with the International Federation of Accountants (IFAC) and the International Accounting Standards Committee (IASC), in the field of harmonization of accounting and reporting standards,

Taking note also with appreciation of the documentation prepared by the UNCTAD secretariat for the sixteenth session of ISAR,

Reaffirms the fundamental role of reliable, transparent and comparable financial information for trade, investment and financial stability, and recognizes the importance of harmonization of accounting and reporting practices;

Recognizes that improved accounting disclosure and auditing depends on the existence of qualified professional accountants;

Reaffirms the fundamental necessity to harmonize differences in national requirements for professional qualifications.

ISAR therefore recommends the following guideline to those national authorities, both public and private, who are responsible for ensuring an adequate level of competence of professional accountants.

II. Guideline for national systems for the qualification of professional accountants

A. General

1. ISAR recognizes that a strong accountancy profession is crucial to the well-being of a national economy and to its social and political development. It further

recognizes that such a profession can only evolve if those accountants who seek a professional designation or title meet high qualification requirements.

2. A professional accountant is a person who is qualified to be, or who is, a member of a recognized professional body of accountants or of auditors, or who is recognized as such by a regulatory body.

3. The requirements for those wishing to become professional accountants include:

- (a) A thorough grounding in general and theoretical knowledge usually gained through a prescribed course of study; and
- (b) Completion of a suitable period of practical experience; and
- (c) Demonstration of professional competence through successful completion of an examination.

4. ISAR also acknowledges that demonstration of professional competence is an ongoing requirement.

5. ISAR recommends that candidates for a professional designation should normally have completed a course of appropriate studies from an accredited higher education institution or the equivalent prior to becoming qualified. Whether there should be one or two separate programmes in a country on general education and on professional education must be a national variant, depending on government laws and regulations, educational conditions in the country, professional standards and other matters.

B. Recommendation on general education

6. ISAR recommends for use the guidance of the International Federation of Accountants (IFAC) on general education that is contained in its International Education Guideline Number 9 (IEG 9), "Prequalification education, assessment of professional competence and experience requirements of professional accountants".

This guidance recommends that candidates for a professional qualification should have completed broad-based studies that will provide them with:

- (a) An understanding of the flow of ideas and events in history, the different cultures in today's world, and an international perspective;
- (b) Basic knowledge of human behaviour;
- (c) A sense of the breadth of ideas, issues and contrasting economic, political and social forces in the world;
- (d) Experience in conducting inquiries and evaluation of quantitative data;
- (e) The ability to conduct inquiries, carry out abstract logical thinking, and understand critical thinking;
- (f) An appreciation of art, literature and science;

- (g) An awareness of personal and social values and of the process of inquiry and judgement;
- (h) Experience in making value judgements;
- (i) Written and oral communication skills to present and debate and give points of view formally and informally.

C. Recommendations on professional education other than education for professional knowledge

7. ISAR recommends for use the guidance of IFAC on professional education that is contained in its IEG 9, as supplemented by its IEG 11, "Information technology in the accounting curriculum" and related International Information Technology Guideline 1, "Managing security of information". This guideline categorizes professional education into the following groups of subject matters:

- (a) Organizational and business knowledge;
- (b) Information technology knowledge; and
- (c) Accounting and accounting-related knowledge.

8. According to IFAC's IEG 9, the recommended *organizational and business knowledge* core subjects are:

- (a) Economics
- (b) Quantitative methods and statistics for business;
- (c) Organizational behaviour;
- (d) Operations management;
- (e) Marketing; and
- (f) International business.

9. Concerning *information technology*, the guidance states that all professional accountants must have at least a general level of knowledge of each of the following content areas:

- (a) Information technology concepts for business systems;
- (b) Internal control in computer-based business systems;
- (c) Development standards and practices for business systems;
- (d) Management of the adoption, implementation and use of information technology;
- (e) Evaluation of computer-based business systems.

10. After the basic techniques of electronic data processing techniques (how to use microcomputers and basic software, such as operating programmes and word processing and spreadsheet programmes) have been mastered, the study of the above

information technology concepts should be integrated with the study of other professional subjects.

11. International Information Technology Guideline 1 describes the principles of information security and approaches to the implementation of security techniques.

12. IFAC's recommended *accounting and accounting-related knowledge* core subjects are:

- (a) Financial accounting and reporting;
- (b) Management accounting;
- (c) Taxation;
- (d) Business and commercial law;
- (e) External and internal auditing;
- (f) Finance and financial management;
- (g) Professional ethics.

13. ISAR recommends that professional education should also include environmental accounting and reporting.

D. Recommendation on the model curriculum for education for professional knowledge

14. IFAC's IEG 9 does not include a detailed curriculum for education for professional knowledge - the scope of the IFAC guideline is to provide a general framework for the subject matters for the education of persons who aspire to become professional accountants. The guideline is not intended to be prescriptive. ISAR has concluded at its previous sessions that many developing countries and countries with economies in transition need more than a general guideline for designing or evaluating the accounting curricula of their educational institutions. ISAR considers that there is a need for a model curriculum to serve as a guideline if such countries are ever going to be able to demonstrate that their educational programmes are comparable to the programmes in other countries. Many Member States of the United Nations cannot afford to have a mechanism such as a special education committee to link the needs of the global market with the education of accountants in their country. Nevertheless, developing countries face barriers if they do not comply with world standards. Accordingly, ISAR requested UNCTAD to develop such a model curriculum for consideration at its sixteenth session.

15. ISAR recommends for use the model curriculum contained in document TD/B/COM.2/ISAR/6 as an additional reference point on which to base course work for theoretical knowledge. Since certain of the subject matters included in the model curriculum as well as the other guidance will become dated in the long term and other subjects and information may need to be added to enable professional

accountants to function in a rapidly changing global environment, the model curriculum should be modified as appropriate.

16. It should also be recognized that the detailed model curriculum is merely a starting point for a country desiring to harmonize its system of formation to meet global requirements. Appropriate persons in each country must take the curriculum and develop a syllabus and indicate the time to be spent on each subject area. A weighting system for the subject areas cannot be done on a global basis.

E. Recommendations for the assessment of professional competence (examinations)

17. ISAR recommends for use the guidance of IFAC on the assessment of professional competence that is contained in its IEG 9, as supplemented by its "Advisory on examinations administration" (Education Committee Study 1). This guidance states that:

"An appropriate process of assessment of professional competence must exist or be established. A required component of the assessment process for individuals seeking to become qualified is a final examination, administered by or with substantive input from, the professional body or regulatory authority. The examination must be comprehensive, require a significant portion of responses to be in writing, and be administered near the end of the educational and, where appropriate, experience requirement."

F. Recommendations on practical experience

18. ISAR recommends for use the guidance of IFAC on practical experience that is contained in its IEG 9, as supplemented by its discussion paper entitled "Practical experience". This guidance states that:

"An appropriate period of relevant experience in performing the work of professional accountants must be a component of a prequalification program. The period of experience may vary due to differences in the environment in which professional accountants offer their services. However this period should be long enough to permit prospective accountants to demonstrate that they have gained the knowledge, skills, and professional values sufficient for performing with professional competence and for continuing to grow throughout their careers. *This objective cannot normally be met in a period of less than three years.* [emphasis added]

... Prospective professional accountants should gain their relevant experience in accounting positions deemed appropriate by the body to which they are applying.

Experience leading to qualification should be conducted under the direction and supervision of experienced members of the profession as identified by the professional body or regulatory agency."

G. Recommendation for a programme of continuing professional education

19. ISAR recommends for use the guidance of IFAC on practical experience that is contained in its IEG 2, "Continuing professional education". According to the guideline, the objectives of a programme for continuing professional education are as follows:

- " (a) Maintain and improve the technical knowledge and professional skills possessed by [professional persons];
- (b) Assist members of the profession to apply techniques, to understand economic developments and to evaluate their impact on their clients or employees and on their own work, and to meet changing responsibilities and expectations; and
- (c) Provide reasonable assurance to society at large that members of the profession have the technical knowledge and professional skills required to perform the services they undertake to provide."

20. IFAC's guidance goes on to recommend that professional accountants receive at least 30 hours each year of continuing professional education as defined above. It may not be practical for every professional person to obtain this minimum amount of such education each and every year and therefore it is suggested that there should be an alternative minimum of an aggregate of 90 hours of structured learning activities over each three-year period. Professional associations or regulatory authorities should monitor compliance and establish mechanisms to respond to non-compliance, including disciplinary action.

H. Recommendations of adherence to a code of professional ethics

21. ISAR recommends for use IFAC's "Code of ethics for professional accountants" (1998 revision). The document states that: "... the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest level of performance and generally to meet the public interest ... These objectives require four basic needs to be met: credibility; professionalism; quality of services; and confidence In order to achieve these objectives of the accountancy profession, professional accountants have to observe a number of ... fundamental principles. The fundamental principles are: integrity; objectivity; professional competence and due care; confidentiality; professional behaviour; and the relevant technical standards for carrying out the professional services".

22. Appropriate values and skills are very important to distinguish an individual as being a professional person. ISAR therefore recommends that all of the member States of UNCTAD take the steps necessary to ensure that national criteria for the granting and maintenance of a professional accountancy qualification conform to the guidance noted in the previous sections. ISAR believes that the demonstration of such conformity will enhance the development of the profession nationally and will, at the same time, further the continued increase in cross-border trade of accountancy services.