Building Competent Professional Accountants: A Strategic Perspective

India's progressive evolution as a knowledge economy is primarily attributable to its intelligent and able human resource. Globalisation has had a positive impact and opened new avenues for the country to establish its distinctive position in the knowledge world. The accelerated economic growth within the country has also increased the demand for skilled and competent human resource. At this juncture, it is critical for India to respond to the continually changing dynamics of the knowledge economy. Universally, it is now well established that acquisition of knowledge does not always result in development of competence. Practical application and Skills development are the sine qua non ***to bridge the gap between knowledge and competence.***

A recent survey conducted as an annual initiative of Pearson Education, India, focuses on our education system's ability to drive improvements in learning and the challenges being faced in achieving the same. According to the survey, India's assessment system primarily concentrates on results of written examinations. Skill development, which is an important benchmark for measuring learning, does not feature prominently in our scheme of education or assessment. These findings reflect the urgent need for skills and competencies to be developed as an integral part of our learning curriculum.

The global accountancy profession has been particularly conscious of this need and is working towards integration of knowledge and skills to develop competent professional accountants to keep pace with the growing demands of the knowledge economy. The best way for a professional accountant to leverage knowledge economy is to imbibe its traits - innovation, dynamism and change management being the most significant. Constant learning and development of skills and competencies should be part of the DNA of professional accountants. It is also critical for professional accountants to keep a tab on the technological developments. Finally, they should be able to "MAP the GAP" by integrating their knowledge with the requisite professional skills and values to evolve as competent professional accountants.

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Professional Accounting Education: Transition to Competence-based approach

In the context of professional accounting education, "competence" can be defined as the ability to perform the tasks and roles expected of a professional accountant to the defined standard, with reference to real working environments. In fact, the strength of the accountancy profession stems from the underlying confidence and trust reposed by stakeholders in the "competence" of professional accountants, demonstrated through the work performed by them. "Competence" is, therefore, not a static measure for a professional accountant; it evolves over his lifetime of learning, since it is associated with the actual working environments.

Globally, professional accounting education has been moving from a knowledge-based approach to competence-based approach, which focuses on developing the desired level of competence required to perform a role as a professional accountant. Over the last decade, leading professional accounting bodies, like the South African Institute of Chartered Accountants, the Institute of Chartered Accountants of England and Wales, Chartered Accountants Ireland, to name a few, have transitioned to the competence-based approach.

The focus of professional accounting education programmes of these bodies is development of "competent" professional accountants and adoption of competence-based approach offers a systematic and

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effective way of achieving this objective. This approach requires demonstration of competence as a necessary condition for award of professional qualification. The development and implementation of this approach as part of the scheme of education and training requires professional accountancy organisations to work in co-ordination with the practical experience supervisors and the stakeholders, including employers and public.

Objective of Periodic Review of Scheme of Education & Training: Enhancing Knowledge & Upgrading Skills & Values

The ICAI, one of the premier professional accountancy organisations in the world, has spared no efforts to strengthen the system of education and training to enable its students to acquire the competence (*i.e.*, the skills and expertise) which the profession requires. Towards this end, the Scheme of Education and Training has been reviewed periodically by various Committees of ICAI set up from time to time. The objective of periodic review is to ensure that the scheme continues to be contemporarily relevant and provides a professional environment in which students upgrade their skills and values in addition to enhancing their professional knowledge.

Introduction of Competence-based Approach in the ICAI Scheme of Education and Training: A significant item on the agenda of the new CRET.

Continuing its efforts in this direction, the Council of ICAI has now constituted a new Committee for Review of Education and Training (CRET) including Five Regional Committees for Review of Education and Training. Its task list includes the following high-priority items:

- To review the existing scheme of theoretical education including the stages of professional accountancy education, classification and coverage of subjects at each stage in light of **relevant international education standards and good practices adopted by international accountancy bodies**.
- To review the effectiveness of the scheme of practical training, including supervision and monitoring, to ensure inculcation of professional values, ethics and attitudes as well as professional skills necessary for development of **versatile and competent professional accountants**.
- To review and modify the existing methods of assessment to ensure **objective evaluation of professional competence** achieved at each stage of professional accountancy education.

Thus, the new CRET has, through these clearly laid down objectives, paved way for adoption and implementation of competence-based approach in the scheme of education and training of chartered accountancy course.

Revised IESs : Shift from Knowledge-based Approach to Competence-based Approach

The International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC) is an independent standard-setting body that serves the public interest by establishing standards in the area of professional accounting education. These standards are referred to as International Education Standards (IESs). ICAI, being a member body of IFAC, has to comply with the membership obligations laid down by IFAC through its Statements of Membership Obligations (SMOs). SMO 2 sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by IAESB. It mandates IFAC member bodies to adopt and implement the IESs.

The IAESB has undertaken to revise and redraft its IESs as part of its project to improve the clarity of its standards. The details of Revised IESs are briefed hereunder –

IES	Title	Effective Date
1	Entry requirements to Professional Accounting Education programmes	1st July, 2014
2	Initial Professional Development–Technical Competence	1st July, 2015
3	Initial Professional Development-Professional Skills	1st July, 2015
4	Initial Professional Development–Professional Values, Ethics & Attitudes	1st July, 2015
5	Initial Professional Development-Practical Experience	1st July, 2015
6	Initial Professional Development–Assessment of Professional Competence	1st July, 2015
7	Continuing Professional Development (CPD)	1st January, 2014

The revised standards incorporate the competence-based approach of learning and assessment in the place of knowledge-based approach, thereby shifting the focus from inputs to work outcomes. This has been necessitated on account of continuous and extensive changes in the accountancy profession's body of knowledge. Though knowledge specifications change with time, the key set of competences will have a much longer currency. Hence, the move to transition to competence-based approach.

IPD & CPD: Stages of development of Professional Competence

The revised IESs on Initial Professional Development (IPD) and Continuing Professional Development (CPD) establish the level of "competence" of a professional accountant, which is the bedrock upon which public trust is built. IPD is the learning and development through which individuals first develop competence leading to performing a role in the accountancy profession. IPD continues until the aspiring professional accountants[1] can demonstrate the professional competence required for their chosen roles in the accountancy profession.

Revised IESs 2, 3 & 4 lay down the desired level of technical competence, professional skills and professional values, ethics and attitudes, respectively, to be achieved by aspiring professional accountants by the end of IPD. These three individual components together constitute professional competence.

CPD is the learning and development that maintains and develops competence to enable professional accountants to perform their roles. CPD enables continuous development of the professional competence achieved during IPD. Further, professional accountants are likely to assume new roles during their career that require new competences. In such cases, CPD would be essential for roles demanding additional breadth and/or depth of knowledge, skills and values achieved during IPD.

Constituents of Competence-based Approach: Learning Outcomes, Competence Areas & Level of Proficiency

Each component of professional competence, namely, technical competence, professional skills and professional values, ethics and attitudes, is further described by a set of learning outcomes within a competence area.

- **Competence** area is a category for which a set of learning outcomes can be specified.
- **Learning outcomes** establish the content and the depth of knowledge, understanding and application required for each specified competence area.
- **Level of proficiency** specified for each competence area identifies the level to be achieved by the end of IPD. It indicates the context in which the relevant learning outcomes are expected to be demonstrated. Proficiency levels that are assigned to competence areas under Revised IESs 2, 3 & 4 indicate what should be reasonably expected of candidates at the end IPD.

Professional Competence requirements under the Revised IESs

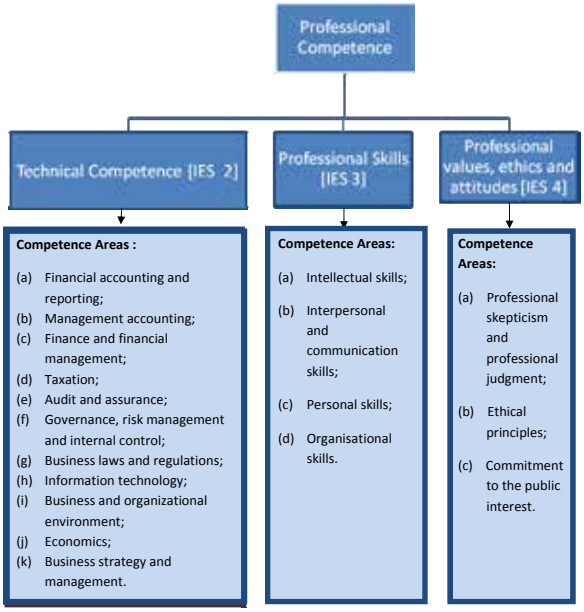

Table A of Revised IESs 2, 3 & 4 lists the learning outcomes for each of the above competence areas to be achieved by aspiring professional accountants by the end of IPD, irrespective of their intended future accounting specialisation or role. These learning outcomes lay the base for enabling professional accountants to develop specialisations. An intermediate level of proficiency has been prescribed for most of the competence areas. Professional accounting education programmes may include further competence areas, increase the level of proficiency for certain competence areas or specify further learning outcomes that are not laid down in the IESs.

[1] An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD.

Competency Framework: Identification of Professional Competencies

A competency framework identifies the professional competencies (*i.e.*, technical competence, professional skills and professional values, ethics and attitudes) which a professional accountant should possess at the point of qualification. Once the competence requirements are identified, the content of the education and training programme can be suitably developed and learning strategies can be formulated for facilitating achievement of these competencies. Thus, a competency framework provides the foundation upon which education, training and assessment programmes can be developed.

Building Technical Competence : Effective Application of Professional Knowledge in Practical Situations

As per Revised IES 2, "Technical competence" is the ability to apply professional knowledge to perform a role to a defined standard. Professional knowledge refers 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.

In order to achieve technical competence, it is essential to link professional knowledge in each competence area (*i.e.*, financial reporting, audit and assurance, governance *etc.*) to the real-life context. If the learning in each area of professional knowledge, more commonly referred to as a subject area, is linked to the practical context, students would be able to effectively grasp the significance of the concepts as well as their application. This would enable them to gain the requisite technical competence by the end of IPD.

Thus, developing technical competence involves –

- **Acquiring professional knowledge**-A strong knowledge-base of the subjects provides the foundation for development of technical competence;
- **Comprehension**-Comprehension of knowledge refers to complete understanding of the subject in the real sense, and not mere rote learning or memorizing and reproducing; and
- **Acquiring the ability to execute a task applying such knowledge in real life/practical situation**-Knowledge and comprehension would result in development of "competence" only if a student is able to apply such knowledge effectively in the real-life/practical context.

Developing Technical Competence: Role of Academic Programmes *vis-à-vis* Practical Training

- **Academic Programmes:**

  Academic programmes generally include application-oriented scenarios and simulated case studies in the study modules to facilitate students in understanding the application of concepts. In the Indian context, the ICAI includes application-oriented questions in its various publications – Study Materials, Practice Manuals, Revision Test Papers, Mock Test Papers, to name a few. In the subject of taxation, judicial rulings interpreting provisions of law are discussed in some length in the publication "Select Cases in Direct and Indirect Tax Laws" to aid students' understanding of interpretation of the provisions of tax statutes. Students are also tested by way of analytical questions in written examinations, where they can demonstrate the achievement of learning outcomes under the different areas of technical competence. Academic programs, however, do have their limitations when it comes to providing opportunities for application of knowledge in real-life context. It is here that the role of practical training assumes significance.

- **Practical Training:**

  An effective practical training in core areas of the accountancy profession would help students acquire the ability to execute a task applying professional knowledge gained through academic education. This requires students to have an in-depth understanding of the concepts and principles as well as the ability to apply the concepts in problem solving. Significant further learning may be required for application of knowledge in practical work situations.

  For example, one of the learning outcomes under the core competence area "Financial accounting and reporting" is to prepare financial statements, including consolidated financial statement, in accordance with IFRSs or other relevant standards. The study module on this topic may, in addition to explaining the accounting principles, concepts and relevant accounting standards, incorporate illustrations dealing with preparation of financial statements applying IFRSs and/or other accounting standards. However, it is in the real-life context, that a student actually learns to distinguish between relevant and irrelevant data, apply the relevant data in accordance with the accounting standards and prepare financial statements. The issues he may encounter in practical training may be wider and far more complex than the issues dealt with in the course of his theoretical education. Thus, a student gains technical competence in financial reporting only when he is actually involved in preparing financial statements of entities. Likewise, he would be able to learn and demonstrate the application of accounting principles to transactions

and other events, evaluate the appropriateness of accounting policies used to prepare financial statements and interpret financial statements and related disclosures more effectively in the course of practical training. Thus, practical training provides the students' a suitable platform to demonstrate their ability to use the academic knowledge acquired through theoretical education in a range of practical work contexts, and thereby achieve the desired level of technical competence.

Learning Outcomes under Revised IES 2 which can be effectively demonstrated through Practical Training - Some Examples

Financial reporting and accounting

- Evaluate the appropriateness of accounting policies used to prepare financial statements.
- Interpret reports that include non-financial data, for example, sustainability reports and integrated reports.

Management accounting

- Analyse financial and non-financial data to provide relevant information for management decision making.

Finance and Financial Management

- Evaluate the appropriateness of the components used to calculate an organisation's cost of capital.

Audit and Assurance

- Apply relevant auditing standards and applicable laws and regulations to an audit of financial statements.
- Assess the risk of material misstatement in the financial statements and consider the impact on the audit strategy.

Governance, risk management and internal control

- Analyse an organisation's risks and opportunities using a risk management framework.

Information technology

- Analyse the adequacy of general information technology controls and relevant application controls.

It may, however, not be practically feasible for a student to get an opportunity for exposure to all areas of professional knowledge during his training period. Therefore, the need for distinction between "essential areas" and "other non-core areas" arises. Whereas practical experience in "essential areas" (like Financial Reporting & Audit and Assurance) must be considered as "mandatory", practical experience in "other non-core areas" (like, Management Services) may be considered "desirable". However, even in "essential areas" like Financial Reporting and Audit and Assurance, a student's exposure during the practical training period may be limited to certain aspects and may not always cover the entire range of topics. In this context, secondment schemes may prove to be a beneficial arrangement enabling a student to gain practical experience in areas where the practical experience supervisor may not be in a position to provide the same.

- **Industrial Training:**

In the Indian context, where a significant percentage of the professional accountants opt to work in industry, the role of industrial training is assuming critical importance. Industrial Training would aid students in applying professional knowledge gained through theoretical education in the context of corporate and business environment and achieve the desired level of technical competence. It would, also facilitate a student's progress within the industry and set his career graph soaring.

However, in India, a student cannot choose to undergo industrial training for his entire tenure of practical training. A student who has completed his intermediate level examination (*i.e.*, IIPCE) may undergo industrial training for a period of 9 to 12 months during the last year of practical training, in any financial, commercial, industrial undertaking with specified minimum fixed assets/ total turnover/paid-up share capital.

Considering the global trends in professional accounting education, the limitation of industrial training to a maximum of one year may be a viewed as a restrictive condition. There is an urgent need for reviewing this aspect, especially because, in India, imbalances arise in the range and depth of practical experience imparted to students due to the differences in the type of work available with chartered accountant firms on account of their size, clientele, location *etc.*, which ultimately affects the development of technical competence of the students.

Industrial organisations which are eligible to impart training are, on the other hand, generally large entities which organise their training programmes in a well-structured manner. This would ensure that students develop the desired level of technical competence and also provide them an opportunity for speedy progress within the industry.

Developing Professional Skills & Professional Values, Ethics and Attitudes: A Mixture of Learning and Development Activities

Professional Skills

Professional skills refer to the intellectual, interpersonal and communication, personal and organisational skills necessary to perform a role as a professional accountant. These four skills constitute the competence areas under Revised IES 3.

Competence Areas	Competence Requirement
Intellectual	Ability to solve problems, make decisions and exercise professional judgment
Interpersonal and Communication	Ability to work and interact effectively with others *i.e.*, display co-operation and teamwork, communicate clearly and concisely *etc.*
Personal	Personal attitudes and behavior *i.e.*, exercising initiative, striving to add value, demonstrating leadership
Organisational	Ability to work effectively with or within an organisation to obtain optimal results or outcomes from the people and resources available.

As per Revised IES 3, an appropriate approach for learning and development for professional skills should include a mixture of activities which combine structured learning programmes and practical experience. 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.

General Management and Communication Skills (GMCS):

The objective of the ICAI's two stage General Management and Communication Skills Course (GMCS) for fifteen days each is to sharpen the interpersonal and communication skills of chartered accountancy students. The course content, however, is too generic and needs to be made more effective by linking it with the domain competence areas. Further, considering that the course is being organised by the regional offices and branches of ICAI spread across the length of the country and delivered to a substantially large number of students, the delivery mechanism needs to be ameliorated to ensure consistency in quality. To address these concerns, the course needs to be metamorphosed to orient the same towards the demands of the profession, *i.e.*, to develop leadership skills, consultative skills as well as the higher level skills of synthesis and evaluation which are necessary for achieving professional competence. Simultaneously, the duration of these courses has to be increased sufficiently to facilitate intensive training for enabling effective delivery of the enhanced content and at the same time, for providing sufficient opportunities for the students to upgrade their skills and demonstrate the same during the course period.

Towards this end, residential training programmes may be designed in the pattern of "Academies of Accounting" for developing the requisite professional skills of students by integrating them with the core technical competencies. One may recall that way back in 1968-70, a Special Committee of ICAI recommended for the first time, the concept of compulsory intensive training at "Academies of Accounting" to be set up by the Institute. The Committee had suggested the duration of training to be for a period of three months after a student completes 33 months of practical training. This recommendation was endorsed by the Review Committees set up in 1972-73 and 1975-78. In October, 1978, the Council decided in favour of the recommendations of these Committees and three Academies of Accounting were set up in Madras, Bombay and Calcutta in succession. However, in December, 1984, the Council recommended the discontinuance of the Academies on account of, *inter alia,* benefits not matching the costs.

In the current context of development of professional skills in integration with technical competencies, intensive training programmes for a period of say, three to six months, on the model of "Academies of Accounting" may be developed. Such training programmes should ideally be delivered by Management Institutes of repute and emphasis should be more on the participative method. The training may be imparted to students who have qualified the final examination, which would also ensure administrative feasibility as the numbers to be trained would be comparatively less. Award of professional qualification should require successful completion of such training for which students need to demonstrate professional skills by integrating the same with the core technical competencies. In the alternative, the period of training may also be integrated with the last three to six months of practical training.

Such intensive training programmes would give the course a professional orientation and serve as an ideal platform for effective development and demonstration of professional skills envisaged under Revised IES 3.

Role of Practical Training in developing Professional Skills:

Practical experience also enables aspiring professional

accountants to participate in assessment activities to demonstrate their professional skills. Revised IES 3 particularly emphasises the role of practical experience supervisors in helping students develop professional skills within the workplace.

Learning Outcomes under Revised IES 3 which can be effectively demonstrated through Practical Training - Some Examples

Intellectual Skills

- Evaluate information from a variety of sources and perspectives through research, analysis and integration.

Interpersonal and Communication Skills

- Display co-operation and teamwork when working towards organisation goals.

Personal Skills

- Apply professional skepticism through questioning and critically assessing all information.
- Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.

Organisational Skills

- Apply appropriate tools and technology to increase efficiency and effectiveness and improve decision-making.

Professional Values, Ethics & Attitudes

Professional values, ethics and attitudes refer to the professional behavior and characteristics that identify professional accountants as members of a profession. It includes the ethical principles which are essential in defining the distinctive characteristics of professional behavior.

As per Revised IES 4, professional values, ethics and attitudes include a commitment to–

(a) technical competence and professional skills;
(b) ethical behaviour–independence, objectivity, confidentiality, and integrity;
(c) professional manner–due care, timeliness, courteousness, respect, responsibility and reliability;
(d) pursuit of excellence; and
(e) social responsibility–awareness and consideration of public interest.

Professional Accountants are expected to abide by the highest standards of integrity. They are required to carry out assignments objectively and independently, in accordance with ethical values. Acting with integrity, through adherence with these values, is, in fact, fundamental to the profession's commitment to excellence and public interest.

Learning and Development Activities for the Competence Areas of Revised IES 4

	Competence Area	Learning and development activities
(1)	Professional skepticism and professional judgmentw	Learning methodologies in which mentoring and reflective activity play a significant role constitute the learning and development activities in this area. 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. The most realistic experiences on which to reflect may occur in the workplace.
(2)	Ethical principles	Learning and development on ethical principles focus on – (a) ethical issues which all professional accountants are likely to encounter; (b) specific ethical issues which are more likely to be faced by professional accountants in their respective roles; (c) main considerations in developing suitable responses to such ethical issues. During the course of practical training, aspiring professional accountants may be exposed to ethical issues and potential dilemmas. They may be encouraged to – (a) identify any obvious ethical implications and conflicts in their work; (b) form initial opinions on such issues; and (c) discuss them with their practical experience supervisors.
(3)	Commitment to the public interest	Establishment of learning and development activities that include professional values, ethics and attitudes foster a commitment for aspiring professional accountants to act in public interest. Acting in public interest includes developing an awareness and concern for the impact on the public and developing a sensitivity to social responsibilities.

Learning Outcomes under Revised IES 4 which can be effectively demonstrated through Practical Training - Some Examples

Professional skepticism and Professional judgment

- Apply a questioning mindset critically to assess financial information and other relevant data;
- Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

Ethical Principles

- Identify ethical issues and determine when ethical principles apply;
- 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.

Commitment to the public interest

- Analyse the interrelationship of ethics and law, including the relationship between laws, regulations and the public interest.

Practical Training, thus, plays a vital role not only in developing professional skills and technical competence of aspiring professional accountants, but also ingraining in them professional ethics.

Development of Professional Competence: Role of Practical Training

The above discussions bring to light the critical role of Practical Training in bridging the gap between acquisition of knowledge and development of professional competence. Academic education is, no doubt, useful for acquiring professional knowledge. However, acquisition of such knowledge does not necessarily demonstrate achievement of professional competence required for performing the role of a professional accountant. Practical experience closes this gap by equipping aspiring professional accountants with the professional skills and values needed to become a competent professional accountant.

Taking into consideration the significant role of practical experience, Revised IES 5 requires aspiring professional accountants to undertake **sufficient practical experience** to demonstrate that they have gained technical competence, professional skills and professional values, ethics and attitudes necessary for performing a role as a professional accountant. Completion of sufficient practical training is, thus, critical for ensuring achievement of professional competence expected from a professional accountant.

Sufficient Practical Experience : A blend of Breadth and Depth

As per Revised IES 5, "sufficient practical experience" is one which 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.

Factors affecting the Breadth of Practical Experience:

- Nature of role;
- Level of proficiency;
- National or local laws:
- Requirements of regulatory authorities; and
- Public expectation of professional competence.

Factors affecting the Depth of Practical Experience:

- The variety and complexity of tasks; and
- The level of supervisory and mentoring support.

Revised IES 5 emphasises the role of practical experience in development of competent professional accountants. Practical training provides the aspiring professional accountants an exposure to the professional environment in which services are provided. Further, it enhances their understanding of organisations and the manner of functioning of businesses. It also helps them in relating accounting work to other business functions and activities. Most importantly, it enables development of professional values, ethics and attitudes in real life situations.

Competency Integration: Pre-requisite for demonstration of Professional Competence

Professional Accountants need to have the ability to integrate the competencies and demonstrate the same. Such integration can take place –

- within a component of professional competence, like technical competence; and
- across components, like between –
  - technical competence and professional skills; or
  - technical competence and professional values, ethics and attitudes; or
  - technical competence, professional skills and professional values, ethics and attitudes.

Integrated Demonstration of Competence within a Component: An Example

Within the component "technical competence", the learning outcomes under different competence areas may have to be demonstrated in an integrated manner. The learning outcomes under Competence Area "Information Technology" (for example, use of information technology for data analysis and decision making) have to be integrated with the learning outcomes under Management accounting and Finance and Financial management (for example, to analyse the current and future financial position of an organisation using techniques including ratio analysis, trend analysis and cash flow analysis). The role of information technology in decision-making, processing and reporting of information has to be demonstrated in the tasks performed by professional accountants by integrating the same with the specific technical competencies.

Integration of Learning Outcomes across components of Professional Competence : A few examples

Technical competence also needs to be integrated with professional skills and professional values, ethics and attitudes to demonstrate professional competence. Therefore, the knowledge, skills and abilities required for professional accounting education should be developed within the curriculum as integrated competencies and demonstrated through a combination of academic education programmes and practical training.

Professional Skills [Revised IES 3]	Professional Values, Ethics and Attitudes [Revised IES 4]	Technical Competence [Revised IES 2]
Intellectual skills Apply professional judgment, including identification and evaluation of alternatives, to reach well reasoned conclusions based on all relevant facts and circumstances	**Professional skepticism and professional judgment** Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.	**Management Accounting** Analyse financial and non-financial data to provide relevant information for management decision making. **Governance, risk management and internal control** Analyse an organisation's risks and opportunities using a risk management framework. **Finance and financial management** Compare the various sources of financing available to an organisation, including bank financing, financial instruments and bond, equity and treasury markets.
Intellectual skills Apply reasoning, critical analysis and innovative thinking to solve problems + **Personal skills** Apply professional skepticism through questioning and critically assessing all information.	**Professional skepticism and professional judgment** Apply a questioning mindset critically to assess financial information and other relevant data	**Management accounting** Apply techniques to support management decision making, including product costing, variance analysis, budgeting and forecasting. Evaluate the performance of products and business segments. **Finance and Financial management** Analyse the current and future financial position of an organisation, using techniques including ratio analysis, trend analysis and cash flow analysis. **Business Strategy and Management** Analyse the external and internal factors that may influence the strategy of an organisation.
Intellectual skills Evaluate information from a variety of sources and perspectives through research, analysis and integration + **Interpersonal and Communication skills** Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.	**Professional skepticism and professional judgment** Apply a questioning mindset critically to assess financial information and other relevant data	**Financial accounting and reporting** Interpret financial statements and related disclosures. Interpret reports that include non-financial data, for example, sustainability reports and integrated reports. **Management accounting** Prepare reports to support management decision making, including reports that focus on planning and budgeting, cost management, quality control, performance measurement and benchmarking.

The integrated demonstration of learning outcomes under different competence areas, through practical training programmes and written examinations, would reflect the student's overall level of proficiency, which is the ultimate test of achievement of professional competence.

Competence integration requirements increase with the growing complexity in the accountancy field. For example, the demands of integrated reporting necessitate presenting accounting information about an organisation's strategy, governance, performance and future prospects in a manner that mirrors its commercial, social and environmental context. Therefore, accounting competencies have to be integrated with technological competencies as well as intellectual competences, skills and values to meet the demands of integrated reporting.

Assessment of Professional Competence: Keystone of Competence-based Approach

Assessment of learning outcomes under different competence areas is the linchpin of competence-based approach. Competence-based assessments measure a candidate's ability to demonstrate achievement of specified competences required to perform a role as a professional accountant. An individual is said to be competent if he demonstrates that he can perform the tasks to the expected standard. Competence may be assessed through a variety of methods, which are referred to as assessment activities.

Principles of Assessment:

Assessment activities have to be designed to have high levels of reliability, validity, equity, transparency, and sufficiency. These, in effect, are the principles of assessment laid down under Revised IES 6.

- **Reliability**–If an assessment activity consistently produces the same result, the circumstances remaining constant, it would have a high level of reliability.

> An assessment activity would have high reliability if the judgment of a large number of independent assessors is consistent, given the same set of circumstances. For example, if an essay-type answer of a candidate is evaluated by, say, five different assessors, and the marks awarded by all of them are more or less equal or within a certain tolerance range, it can be inferred that the assessment activity has a high reliability. It may, however, be practically difficult to ensure high reliability in scenario based questions having more than one correct answer.

- **Validity**–If an assessment activity measures what it was intended to measure, it would have a high level of validity.
  - **Face validity** would be high if the assessment activity is perceived to measure what it intends to measure;
  - **Predictive validity** would be high if the assessment activity's content pertains to the specific area of professional competence that it intends to measure;
  - **Content validity** would be high if the assessment activity adequately covers the particular area of professional competence sought to be measured.

> A written examination on business laws is perceived to measure a candidate's technical competence on the subject. If the questions set in the written examination on the subject are such that they test the application and interpretation of the provisions of business laws, then the assessment activity i.e., the written examination on business laws can be said to have a high face validity. Its predictive validity would also be high since the questions in the written examination test the specific area of professional competence that it intends to measure i.e., technical competence in business laws.
>
> If an examination tests the competence of the student to apply accounting standards, its content validity would be high if it covers application of more rather than a few standards and also includes integrated application of different standards. Likewise, the content validity of the income-tax paper would be high if it tests the integrated application of provisions of income-tax law under different heads of income, clubbing provisions, set-off and carry forward of losses and deductions from gross total income to compute the total income and tax liability of an entity.

- **Equity**–If an assessment activity is fair and without bias, it would have a high level of equity.

  If the written examination in Direct Taxes contains a question involving application of, say, practical aspects of international transfer pricing provisions, in respect of which only a small fraction of the students in India have practical exposure, the examination would not have a high level of equity, since it would tend to be biased in favour of a handful of such students undergoing practical training in large-sized firms.
  Likewise, the written examination on Indirect Taxes may be biased in favour of students belonging to a particular State in India, if it includes a question(s) on application of a VAT law of that State, since it would not be fair to students who belong to the other States of India. If the question happens to be compulsory, the extent of bias would be higher. The ICAI ensures that there is no such bias in written examinations by clearly indicating in its syllabus of Indirect Taxes that students shall not be examined with reference to any particular State VAT law, thus, ensuring that the written examination on Indirect Taxes has a high level of equity

- **Transparency**–Public disclosure of details of an assessment activity, for example, the competence areas to be assessed and the timing of the activity, would ensure high level of transparency. 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.

  The ICAI, makes known to its students, well in advance the subject areas to be assessed as well as the schedule of written examinations, thus ensuring transparency in written examinations. Transparency can be further increased by making publicly available the relative weightings of different topics covered in the syllabus of each paper for the purpose of assessment as also the detailed marking scheme which forms the basis of such assessment.

- **Sufficiency** – If an assessment activity has the right balance of depth and breadth, knowledge and application and combines material from different areas applied to a range of situations and contexts, it is said to have a high level of sufficiency.
  Sufficiency can be increased by including a range of assessment activities across different levels of IPD testing the different components of professional competence.

  Under the present scheme of education of ICAI, examinations are being conducted at three stages – CPT, IIPCE & Final Examinations. There are 4 papers at CPT and 7 papers at IIPCE and 8 papers at the Final Examination. The depth of knowledge tested depends upon the level of proficiency expected at each stage i.e., basic knowledge at CPT, working knowledge at IIPCC and advanced knowledge at Final. In effect, the level of proficiency expected at each stage indicates the depth of knowledge to be examined at that stage.
  The written examinations of ICAI have adequate breadth since almost all the subject areas are covered within the nineteen papers at all stages put together. It can, therefore, be inferred that the current assessment scheme tests the professional knowledge of students adequately. However, acquisition of professional knowledge would result in achievement of technical competence only if the students have demonstrated application of the professional knowledge adequately through these written examinations as well as through practical training.
  Further, it is not possible to test certain professional skills, like inter-personal and communication skills and professional values through written examinations. These skills and values can be effectively demonstrated in the course of practical training. However, due to the varying range and depth of practical training imparted by firms across India, the benchmarks for assessment set by practical experience supervisors may differ significantly. Therefore, considering this limitation, appropriate assessment activities have to be devised to assess these skills and values, to the extent possible, in the written examinations at the Final level.

It is noteworthy that reliability, validity, equity, transparency and sufficiency are not absolute measures and their relative levels, i.e., whether high or low, would depend on the type of assessment activity. Though the principles of assessment apply to all assessment activities, it may not be possible to achieve high levels of reliability, validity, equity, transparency and sufficiency for each individual assessment activity.

Assessment Activities: Evaluation of Professional Competence

Revised IES 6 requires formal assessment of whether aspiring professional accountants have achieved an appropriate level of professional competence by the end of IPD, on the basis of the outcomes of a range of assessment activities that are undertaken during IPD. It also requires the assessment of professional competence to be based on verifiable evidence, *i.e.*, evidence that is objective, capable of being proven and stored in written or electronic form.

Assessment activities refer to the activities which have been devised to evaluate specific areas of professional competence. The type of assessment activity would depend on the particular area of professional competence sought to be assessed. Under Revised IES 6, the examples of assessment activities include -

- ⇨ Written Examinations;
- ⇨ Oral Examinations;
- ⇨ Objective Testing;
- ⇨ Computer-assisted Testing;
- ⇨ Workplace assessment of competence; and
- ⇨ Review of a portfolio of evidence on completion of workplace activities.

Design of Assessment Activities under Competence-based Approach:

A Professional Accountancy Organisation following competence-based approach should design is assessment activities in a manner to assess:

- √ Achievement of learning outcomes for each subject area
- √ Ability to apply professional knowledge in problem solving, both in written examinations as well as in practical situations
- √ Ability to distinguish between relevant data and irrelevant data
- √ Ability to effectively communicate ideas and draw logical conclusions
- √ Ability to identify ethical dilemmas and form opinions

- √ Ability to demonstrate, in an integrated manner, professional knowledge, professional skills and professional values, ethics and attitudes.

Assessment Activities in the current Scheme of Education & Training of ICAI

Assessment Activity	Area of Professional Competence assessed
Written Examinations (at Intermediate and Final level)	• Professional knowledge in subjects constituting competence areas under • "Technical Competence"; Intellectual Skills & Written • Communication Skills; and Professional Ethics.
Objective Testing (CPT)	Professional knowledge in certain subjects, which constitute competence areas under "Technical Competence" – Accounting, Economics & Law.
Objective Computer-assisted Testing (100 hours Information Technology Training)	Technical Competence – Information Technology
35 hours Orientation Programme GMCS – I & II	Interpersonal & Communication Skills

The following conclusions emerge from a perusal of the assessment activities given above:

(1) The written examinations are based on verifiable evidence *i.e.*, they are objective, capable of being proven and stored in written form.

(2) The written examinations assess the acquisition of professional knowledge adequately since the papers at the three levels cover almost the entire range of competence areas under Technical Competence. However, achievement of technical competence would depend on the ability of the student to demonstrate such knowledge in the real-life context, which can be effectively assessed through work place assessments.

(3) Only certain aspects of professional ethics can be assessed through written examinations. For example, learning outcomes which require explaining the nature of ethics and the role of ethics within the profession can be demonstrated through written examinations. However, other learning outcomes requiring exercise of professional skepticism and professional judgment can be demonstrated only in the course of practical training and this necessitates appropriate workplace assessment activities to be in place.

(4) Personal and organisational skills, being the competence areas under Professional Skills, can be assessed judiciously only through workplace

assessments. Likewise, intellectual skills and leadership skills can be well demonstrated only in the course of practical training.

Adoption and Implementation of Competence-based Approach : Challenges Ahead

Successful implementation of competence-based approach is ultimately dependent on the effectiveness of assessment. Assessment of professional competence should ideally include assessment of outcomes demonstrated in the real working environment *i.e.*, in the course of practical training. Considering that in India, the breadth and depth of the practical training largely depends on the size of the firms imparting training and its clientele, which varies considerably across the country, the opportunities for effective practical training may be limited. Further, the diversity in the size and clientele of firms may lead to differences in the standards and benchmarks set for assessment of professional competence by the practical experience supervisors. Also, the involvement of practical experience supervisors in assessment may pose concerns relating to the extent of objectivity as well as the fairness of on-the-job assessment. Another apprehension is the practical difficulty in ensuring that such workplace assessment is based on verifiable evidence. Apart from these difficulties in assessment of outcomes demonstrated in the course of Practical Training, the cost of such assessment may also act as an impediment. Therefore, considering the practical difficulties in establishing effective workplace assessment methods in the current Indian scenario, suitable mechanism should be devised to assess the development of skills and values imbibed in the course of practical training, as far as possible, in the written examinations at the Final level of the chartered accountancy course. Appropriate scenario-based questions can also be included in the written examinations to assess integrated application of competencies.

Another area of concern is that, under the competence-based approach, academic courses are expected to contribute significantly to development of technical competence. This necessitates that the learning outcomes in all subject areas, constituting the various competence areas under technical competence, be clearly defined. The content of academic education as well as the assessment of technical competence must be directed towards achievement of these learning outcomes. Sufficient care has to be taken to ensure that the learning outcomes are objective so that they are capable of being assessed. Subjectivity in defining learning outcomes would hamper effective assessment. The mechanism for delivery of academic education also needs to be suitably refined to orient the same towards facilitating achievement of learning

outcomes for development of professional competence of students.

The competence-based approach requires integration of learning outcomes across the different components of professional competence and a comprehensive assessment plan to be developed concurrently. The highly integrated competencies are likely to pose a significant challenge in development of reliable and cost-effective assessment methods.

However, all these concerns may be viewed as the initial glitches, which can be overcome by foreseeing the problems and planning appropriate strategies to tackle them. Experience of international professional accounting bodies which have transitioned to competence-based approach are proof of the fact that the advantages of this approach far outweigh its perceived drawbacks.

Transition to competence-based approach is, undoubtedly, the need of the hour. It is the Institute's firm belief that public interest would be protected and credibility of the profession would be enhanced only when those who meet the profession's competence requirements are permitted to be chartered accountants. The ICAI, thus, has the onerous responsibility to ensure that chartered accountants have the competence expected of them by the public, employers and clients. Further, the chartered accountants have a continuing duty to ensure that clients, employers and other stakeholders receive competent professional service. Adoption of competence-based approach in the scheme of education and training would pave way for orientation of learning and development towards the various facets of professional competence. This would, in turn, lay the firm base for the ongoing development of professional competence throughout the career of a chartered accountant, thereby enhancing the credibility of the profession. ■