
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.3 PROFESSIONAL ETHICS IN ACCOUNTING
AND FINANCE
MONDAY: 02 DECEMBER 2019

INSTRUCTIONS:

- 1 Time allowed: **2 hours**
- 2 This examination has **one** section only: **Section A**
- 3 Section A has **50 compulsory** multiple choice questions equal to 2 marks each.

1. Laws may be divided into the categories of criminal law and civil law.
Which of the following statements are correct in relation to these terms?
- (i) Civil law concerns offences relating to persons or property that affect the whole community
 - (ii) Civil law concerns wrongs relating to conflicts between individuals within the community
 - (iii) Anti-money laundering laws are civil laws
 - (iv) Anti-money laundering laws are criminal laws
- A (i) and (ii)
B (ii) and (iv)
C (i) and (iii)
D (i) and (iv)
E None of the above (2 marks)
2. Which of the following best sets out the relationship between ethics for professional ICPAR members and the law?
- A Complying with Rwandan law is all that is required to be ethical
B ICPAR members can be ethical whilst not complying with the law
C Ethical conduct is independent of complying with laws
D Ethical conduct means complying with laws plus meeting other standards of behaviour
E None of the above (2 marks)
3. Which of the following best describes the professional accountant's duty to the public, as set out by the IESBA *Code of Ethics*?
- A Professional accountants have no duty to act in the public interest
B Professional accountants fulfil their duty towards the public by acting in their client's interests
C Professional accountants have a duty to act in the public interest in addition to in their client's interests
D Professional accountants fulfil their duty towards the public by remaining independent of their clients
E None of the above (2 marks)
4. Which of the following are responsibilities of ICPAR?
- (i) The preservation of the integrity of the accounting profession
 - (ii) The assessment of taxes to be collected by the Rwanda Revenue Authority
 - (iii) Providing members with professional education in accounting and other related disciplines
 - (iv) Ensuring that the provisions of the ICPAR *Code of Ethics* are consistent with the IESBA *Code of Ethics*

- A (i) and (iii)
- B (i), (ii) and (iii)
- C (i), (ii) and (iv)
- D (i), (iii) and (iv)
- E None of the above

(2 marks)

5. Christella is chief financial officer for a medium-sized practice, composed mainly of qualified and ICPAR student members, and is considering the introduction of a Code of Conduct for the practice.

Which of the following are possible reasons for Christella to introduce such a Code of Conduct?

- (i) To control individuals' behaviour
- (ii) To ensure compliance with applicable laws and regulations
- (iii) To promote the practice's business objectives

- A (i) and (ii)
- B (i) only
- C (i) and (iii)
- D (i), (ii) and (iii)
- E None of the above

(2 marks)

6. Olivier works as an audit manager at a small practice of ICPAR members based in Kigali. The audit engagement partner for an audit in which Olivier was involved has requested that he amend his timesheet in such a way that the client is charged for more of Olivier's time.

Which part of the IESBA *Code of Ethics* is most relevant to Olivier's obligations when producing his timesheet?

- A Part 2 *Professional accountants in business*
- B Part 3 *Professional accountants in public practice*
- C Part 4A *Independence for audit and review engagements*
- D Part 4B *Independence for assurance engagements other than audit and review engagements*
- E None of the above

(2 marks)

7. Fabien is the audit engagement partner for the audit of a small company, Rock Ltd. Rock Ltd has asked Fabien to prepare the financial statements before auditing them.

Which of the following best describes the type of threat to which this request gives rise?

- A A self-interest threat
- B A familiarity threat
- C A self-review threat
- D An intimidation threat
- E None of the above

(2 marks)

8. Agnes is the chief financial officer of Wood Ltd, a large provider of timber to the construction industry. Last year she discovered that one of Wood Ltd's recently-appointed non-executive directors was the brother-in-law of its chief executive officer. Agnes challenged the appointment at the next board meeting.

Which of the following Principles of Public Life is Agnes most clearly demonstrating?

- A Openness
 - B Accountability
 - C Objectivity
 - D Leadership
 - E None of the above
- (2 marks)**

9. Liliane is currently attending a Continuing Professional Development (CPD) course provided by her firm, but is unsure why the course is necessary.

The following statements describe fundamental ethical principles. Which statement describes the principle most relevant to Liliane's CPD course?

- A To comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession
 - B To respect the confidentiality of information acquired as a result of professional or business relationships
 - C To be straightforward and honest in all professional and business relationships
 - D Not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others
 - E None of the above
- (2 marks)**

10. Jean-Baptiste has just misleadingly informed his employer that he will unfortunately not be able to attend work today, as he has a terrible cold.

Which of the following qualities of ethical behaviour has Jean-Baptiste failed to demonstrate?

- A Integrity
 - B Honesty
 - C Fairness
 - D Sensitivity
 - E None of the above
- (2 marks)**

11. Trust Ltd is a regional firm of ICPAR accountants which has for many years prepared the statutory accounts of Cave Ltd.

Which of the following best describes Trust Ltd's obligation to perform customer due diligence (CDD) procedures in relation to Cave Ltd?

- A Full CDD procedures must be performed each year
 - B Simplified CDD procedures must be performed each year
 - C No CDD procedures are required subsequent to the initial engagement
 - D Ongoing monitoring must be undertaken with appropriate CDD procedures
 - E None of the above
- (2 marks)**

12. Josiane is an audit partner at Mukamusinga & Co, and is involved in the tender process for the audit of an existing client, Twizeyimana Ltd. Josiane is deciding on which basis to calculate the fee for the prospective engagement.

Which of the following could provide ethically acceptable bases for the determination of the audit fee?

- (i) The length of time anticipated to be taken by team members multiplied by their charge-out rates
- (ii) The previous year's audit fee plus 5%
- (iii) 5% less than Josiane believes competitors will quote

- A (i) and (ii)
- B (ii) and (iii)
- C (i) and (iii)
- D (i), (ii) and (iii)
- E None of the above

(2 marks)

13. Brigitte is a sales manager of Nduwayezu Ltd. Brigitte is entitled to an annual bonus payment if the company's reported revenue exceeds a threshold amount. Nduwayezu Ltd's auditor has pointed out that this constitutes a financial interest in the company, which could incentivise Brigitte to make sales even where they involve excessive costs.

Which of the following safeguards would best help to reduce this risk?

- A Determining Brigitte's bonus on the basis of profit rather than revenue
- B Providing increased supervision of Brigitte to inhibit improper activities
- C Requiring sales budgets to be authorised by the accounts department
- D Introducing independent reviews of customer accounts to prevent fictitious sales
- E None of the above

(2 marks)

14. Philomene is an ICPAR accountant working in industry. She has been offered gifts by the sales manager of one her employer's main suppliers, whom she has known for several years.

Which of the following statements are correct?

- A This is an intimidation threat to Philomene's objectivity
- B This is a familiarity threat to Philomene's professional competence and due care
- C This is an intimidation threat to Philomene's professional competence and due care
- D This is a familiarity threat to Philomene's objectivity
- E None of the above

(2 marks)

15. Holding client money can result in self-interest threats to integrity, objectivity and professional behaviour.

Which of the following safeguards are described correctly?

- (i) Client money should be kept in a different account from the accountant's money, to mitigate risks to accountability
- (ii) Client money must only be used for the purpose intended, to mitigate risks to accountability.
- (iii) Accountants must be ready at all times to account for the money, to mitigate risks to accountability.

- A (i) only
- B (ii) only
- C (iii) only
- D (i) and (ii)
- E None of the above

(2 marks)

16. Chantal is a qualified ICPAR accountant working in public practice. In which of the following situations should she guard her client's confidentiality?
- (i) Byumba Ltd has given Chantal express instructions to keep its information private and confidential
 - (ii) Ruhengeri Ltd has given Chantal express instructions to keep its information private and confidential, but Chantal suspects that Ruhengeri Ltd has been used to conceal criminal proceeds
 - (iii) Kibungo Ltd is suing Chantal for professional negligence, and Chantal needs to use the information in order to defend herself in court
- A (i) only
 - B (ii) only
 - C (iii) only
 - D (i) and (iii)
 - E None of the above
- (2 marks)**

17. Laetitia has been accused of not applying the ethical principle of professional competence and due care, as a result of failing to apply a key provision of the applicable auditing standards (ISAs).

For which of the following might Laetitia be found to be liable to her client?

- A For a breach of contract with the client
- B For a breach of employment regulations in relation to the client
- C For a breach of money laundering regulations
- D For a breach of Rwandan taxation law
- E None of the above

(2 marks)

18. Godwin is a student member of ICPAR and is unsure about the meaning of the principle of confidentiality.

Which of the following statements regarding confidentiality is true?

- A The duty of confidentiality is a legal obligation
- B The duty of confidentiality can be overridden by the accountant's business interest
- C The duty of confidentiality can be overridden in the public interest
- D The duty of confidentiality is an absolute ethical obligation
- E None of the above

(2 marks)

19. Ronald is an audit partner in a large firm of ICPAR members. He has been advocating for his firm to include a liability disclaimer clause in its standard letter of engagement for audit clients.

Which of the following statements regarding such a disclaimer clause is true?

- A Disclaimer clauses may be ineffective because the client usually has market power over the accountant
- B Disclaimer clauses may be ineffective where the accountant has been negligent
- C Disclaimer clauses may be ineffective even where the client does not suffer a loss
- D Disclaimer clauses may be ineffective where the accountant has breached the contract
- E None of the above

(2 marks)

20. As an ICPAR accountant working in the Ministry of Agriculture and Animal Resources, Bakareke is required to be politically neutral.

Which of the following actions would be ethically acceptable for Bakareke?

- A To consistently make defensible accounting judgments that support her view of what farming policy should be
- B Take part in a political protest related to the government's policy on defence spending
- C Take part in a political protest related to the government's policy on farming
- D To advise the Minister to take a course of action because it accords with her personal views
- E None of the above **(2 marks)**

21. Which of the following statements regarding the retention of a company's records at its head office is correct?

- A The Articles of Association should be held permanently
- B Accounting records should be held for 5 years
- C All written communications to shareholders, including annual reports, should be held for 5 years
- D Copies of tax returns should be held for 15 years
- E None of the above **(2 marks)**

22. Which body is responsible for upholding the ICPAR *Code of Ethics*?

- A ICPAR Committee for Ethics
- B IESBA Disciplinary Commission
- C IAASB Regional Disciplinary Committee
- D ICPAR Disciplinary Commission
- E None of the above **(2 marks)**

23. Deogratus is an ICPAR member working at the Kigali head office of a large listed retail firm. He has been asked to falsify the company's financial statements in a way that is not compatible with his ethical duty as a professional accountant.

Which of the following is the most appropriate action for Deogratus to take in the first instance?

- A Report the request to the Rwanda Stock Exchange
- B Report the request to ICPAR
- C Resign from the organisation as working for such a company is incompatible with his professional ethics
- D Consider whether there are any internal company procedures for the reporting of ethical conflicts
- E None of the above **(2 marks)**

24. Jules Cesar works as an audit trainee for a small firm. The audit he is currently working on is nearing completion, and the manager of the audit has asked Jules Cesar how much time he is planning to charge to the client. Upon hearing Jules Cesar's answer to this question, the manager asks him to write off 25% of his time on the grounds that 'it is unfair to the client' to charge the full time when Jules Cesar is still learning.

To whom should Jules Cesar consider reporting the request first?

- A To the client's audit committee
- B To his legal counsel
- C To his colleagues at the audit firm
- D To the Financial Intelligence Authority
- E None of the above

(2 marks)

25. Offences under Rwanda law may be divided into criminal and civil offences.

Which of the following offences would be prosecuted as a civil offence?

- A Misappropriation of assets
- B Fraud
- C Negligence
- D Money laundering
- E None of the above

(2 marks)

26. Pie is a new trainee in the tax advisory department of a medium-sized ICPAR firm. Christian has noticed that Pie has been taking a large number of items of stationery from the office supply cupboard and putting them in his bag. Pie does this most days that he is in the office.

Which of the following is the most appropriate course of action for Christian to take?

- A Report the matter to the Financial Intelligence Authority (FIA) as Pie is acquiring criminal property
- B Discuss the matter with the firm's managing partner
- C Monitor the situation as the matter is not sufficiently serious to require action
- D Discuss the matter with Pie and encourage him to change his behaviour
- E None of the above

(2 marks)

27. Law N° 35/2012 provides protection to whistleblowers.

Which of the following statements are true in relation to whistleblowing?

- (i) It might be appropriate to report tax fraud to the Rwanda Revenue Authority (RRA)
- (ii) Information must be reported in writing
- (iii) Before reporting externally, suspected money laundering should be discussed with the client involved
- (iv) Whistleblowing may sometimes be necessary in order to protect the public interest

- A (i) and (iv) only
- B (i), (iii) and (iv)
- C (ii) and (iv) only
- D (i), (ii), (iii) and (iv)
- E None of the above

(2 marks)

28. Under Law N° 47/2008, financial institutions and reporting authorities (including auditors) are required to adopt measures to help prevent and identify money laundering and terrorist financing.

Which of the following measures are required by Law N° 47/2008?

- (i) Implementing customer due diligence, keeping information for ten years
- (ii) Developing and maintaining programs against money laundering
- (iii) Developing a permanent audit function to ensure the necessary measures are adopted to comply with anti-money laundering legislation
- (iv) Informing the author of any transaction that has been reported to the authorities

A (i) and (ii) only

B (i), (ii) and (iii)

C (i), (ii) and (iv)

D (i), (iii) and (iv)

E None of the above

(2 marks)

29. Law N° 35/2012 makes a number of provisions in relation to public servants and employees of both public and private entities.

Which of the following statements is true in relation to Law N° 35/2012?

A The whistleblower must disclose any information they have about offences in the workplace

B The whistleblower may make disclosures to any public organ

C The whistleblower may choose not to disclose information they have about offences in the workplace

D The whistleblower who discloses in good faith may still become the object of legal action where their information proves untrue

E None of the above

(2 marks)

30. In line with the guidance from the Institute of Business Ethics, the evaluation of which of the following principles are described correctly?

(i) Effect – will a decision be considered fair by an independent third party?

(ii) Transparency – is the decision characterised by integrity, openness and honesty?

(iii) Fairness – is the decision just and truthful?

(iv) Integrity – was the decision made independently and without bias?

A (i) only

B (ii) only

C (ii) and (iii)

D (i), (ii) and (iv)

E None of the above

(2 marks)

31. Undertaking Continuing Professional Development (CPD) can help an ICPAR member to safeguard against threats to which of the following fundamental ethical principles of the IESBA *Code of Ethics*?

(i) Professional Competence and Due Care

(ii) Confidentiality

(iii) Integrity

- (iv) Fairness
- (v) Professional Behaviour

- A (i) and (ii)
- B (i) and (iii)
- C (i), (iii) and (iv)
- D (i), (ii) and (v)
- E None of the above

(2 marks)

32. Immaculee has just become aware that she may have been inadvertently involved in laundering money. Immaculee does not want to disclose the matter to the Financial Intelligence Authority (FIA) because she is worried that she could be prosecuted, but she believes that she has no duty to disclose because the scheme involved relatively small sums of money. Immaculee has therefore told the perpetrator that she has discovered his scheme and wants no further involvement with it.

Which of the following statements are true?

- (i) Immaculee may be guilty of tipping off
- (ii) Immaculee could be found guilty of money laundering
- (iii) Disclosing the existence of the scheme to the FIA could give Immaculee a defence against charges of money laundering offences

- A (i) and (ii)
- B (ii) and (iii)
- C (i), (ii) and (iii)
- D (i) only
- E None of the above

(2 marks)

33. Muteteli is a member of ICPAR who works in public practice. She has been asked by a trainee about the circumstances in which an ICPAR member might be required to breach confidentiality.

In which of the following situations should confidentiality be breached?

- (i) To provide working papers to a new firm who is taking on a former client
- (ii) As a result of an enquiry from ICPAR
- (iii) To a financial institution which has requested the information from your firm of accountants directly
- (iv) To protect an ICPAR member's professional interest in a court of law

- A (i) and (ii)
- B (ii) and (iv)
- C (i), (ii) and (iii)
- D (i), (ii) and (iv)
- E None of the above

(2 marks)

34. Kabuga Ltd is a property developer which has recently applied for permission to extend commercial premises located in a regional town centre. Phionah, Kabuga Ltd's finance director, has just received a phone call from an elected local government official in which the official informed her that the permission would be granted if she made a facilitation payment of RWF 10m into an overseas bank account.

Which of the following describes the most appropriate course of action for Phionah to take in line with Law N° 35/2012?

- A Make the payment in order to protect the interests of Kabuga Ltd's shareholders
 - B Make a report to the ICPAR
 - C Tell the official that she will report him to the Financial Intelligence Authority (FIA) for making such a request
 - D Make a report to a relevant organ
 - E None of the above
- (2 marks)**

35. Which of the following pairs of principles of behaviour are included in the seven principles of public life?

- A Integrity and fairness
 - B Confidentiality and honesty
 - C Accountability and separation
 - D Professionalism and leadership
 - E None of the above
- (2 marks)**

36. Raissa prepared a sales budget using information supplied to her by the regional salespeople at her company. Upon being asked why the budget did not appear to cast correctly, Raissa stated that this error was the result of poor work by one of the salespeople.

Which of the following personal qualities has Raissa most clearly failed to demonstrate?

- A Responsibility
 - B Reliability
 - C Courtesy
 - D Objectivity
 - E None of the above
- (2 marks)**

37. An accountant can only legally offer to perform services in reserved areas if they are authorised to do so by the relevant regulatory body, such as the ICPAR.

Which of the following is a reserved area?

- A Insolvency practice
 - B Statutory accounts preparation
 - C Internal audit and risk management
 - D Taxation services
 - E None of the above
- (2 marks)**

38. Which of the following bodies is responsible for assessing whether Rwanda tax law has been applied appropriately in an individual company's circumstances?

- A Rwanda Revenue Authority
 - B Rwanda Ministry of Finance and Economic Planning
 - C Supreme Court of Rwanda
 - D Department of Revenues
 - E None of the above
- (2 marks)**

39. Kimiruhura Ltd has recently published an internal document which contains a series of statements setting out the organisation's values, the behaviours it expects from its staff, and explaining how it sees its responsibilities towards stakeholders.

Of which of the following is this document an example?

- A Code of Values
- B Code of Ethics
- C Code of Conduct
- D Code of Behaviour
- E None of the above

(2 marks)

40. The IESBA and ICPAR *Code of Ethics* adopt a principles-based approach.

Which of the following statements regarding this approach is true?

- A The principles-based approach includes examples of as many different scenarios as possible
- B Members should comply with the detailed guidance in the *Code of Ethics* even where this goes against the principles
- C Members are not required to comply with the specific principles on which the *Code of Ethics* is based
- D A principles-based approach is adopted by all major ethical codes
- E None of the above

(2 marks)

41. Édouard is asked to accompany his client, Gikongoro Ltd, to a meeting of potential investors and has been asked to speak favourably about the company's prospects and its forecasts.

What type of threat to Édouard's independence is most likely to arise in this situation?

- A An advocacy threat
- B A familiarity threat
- C A self-review threat
- D An intimidation threat
- E None of the above

(2 marks)

42. Uwineza works for Gisenyi Ltd, and has agreed to falsify its accounting records in order to reduce Gisenyi Ltd's liability for taxation.

In respect of which fundamental principle of ethical behaviour is this a breach?

- A Objectivity
- B Integrity
- C Confidentiality
- D Professional competence
- E None of the above

(2 marks)

43. Vestine is the ethics partner at a firm of ICPAR accountants and, as such, deals with a higher than average number of ethical dilemmas. Vestine has recently encountered the following situations in her work.

Which of the following is an example of a self-interest threat?

- A Ruhengeri Ltd threatened to sue the firm for alleged previous poor work
- B A partner threatened a manager with a poor appraisal or being sacked

- C Nyaruguru Ltd threatened to find another auditor if a discount is not offered against the audit fee
- D The finance director of Muhanga Ltd threatened an audit partner with physical violence if the audit opinion was modified
- E None of the above **(2 marks)**

44. Michelle's accountancy practice wants to take on Laurent as a new client.

As part of its customer due diligence processes, which of the following actions should Michelle's firm take?

- A Determine whether Laurent is a member of the ICPAR
- B Inform the police of the relationship
- C Confirm the client's identity on the basis of documents and other reliable information
- D Confirm the nature and value of the client's assets
- E None of the above **(2 marks)**

45. Christella works as a financial accountant for Cyangugu Ltd, a manufacturer of fruit drinks, and has discovered accounting irregularities within the company. She is considering whether she should take legal advice before disclosing details of the irregularities outside Cyangugu Ltd.

In which of the following situations would Christella not need to take legal advice before making such a disclosure?

- A No higher authority exists within Cyangugu Ltd with whom the irregularities can be discussed
- B Where the irregularities involve money laundering and Christella is disclosing them to the Financial Intelligence Authority (FIA)
- C If no corrective action was being taken by Cyangugu Ltd when Christella has reported the irregularities internally
- D Where Christella may have been involved in criminal acts and is at risk of becoming the subject of legal proceedings
- E None of the above **(2 marks)**

46. Mutoni works for a small retailer of office stationery, Gisagara Ltd, and has come across a conflict of interest when preparing a budget for her own time.

Which of the following actions should she consider taking?

- (i) Discussing the issue with her immediate superior at Gisagara Ltd
- (ii) Discussing the issue with Gisagara Ltd's finance director
- (iii) Ceasing to act for her client
- (iv) Divesting herself of any shares held in Gisagara Ltd
- A (i) and (ii)
- B (i) and (iv)
- C (i), (ii) and (iii)
- D (i) and (iii)
- E None of the above **(2 marks)**

47. Kwizera is an accountant working in practice whose firm has, for several years, carried out work for two retail businesses based in Butare and who are each other's competitors.

A new shopping centre has just opened in Butare, and both businesses intend to lease the biggest unit in the centre. They have both asked Kwizera's firm to act for them in relation to the bid for the lease of the unit.

Upon finding out that they were both bidding for the same lease both retail businesses have, independently, offered Kwizera's firm an additional RWF 4m to act for them exclusively. Neither business is willing for Kwizera to act for both parties in relation to the lease.

Which fundamental ethical principles are threatened here?

- (i) Integrity
- (ii) Objectivity
- (iii) Confidentiality
- (iv) Professional competence and due care
- (v) Professional behaviour

- A (i) and (ii)
- B (ii) and (v)
- C (ii) and (iii)
- D (i) and (iv)
- E None of the above

(2 marks)

48. Dative is an ICPAR accountant who carries out bookkeeping work for a range of small business clients. She has discovered that one of her clients, a plumber, has been offering his clients a discount for cash payment. The plumber is not registered for VAT in Rwanda but Dative thinks that he may be working for cash so that he can avoid declaring this income on his tax return.

Which of the following would be the most appropriate for Dative to take?

- A Cease to work for the plumber
- B Inform a local newspaper of the matter as it is in the public interest for it to be widely known
- C Report the plumber to the Rwanda Utilities Regulatory Agency
- D Report the plumber to the Rwanda Revenue Authority
- E None of the above

(2 marks)

49. Clement has recently begun working for Nduwayezu Ltd, which is a direct competitor of his former employer, Twizeyimana Ltd. Clement is therefore using skills, knowledge and experience that he gained from working for Twizeyimana Ltd, the acquisition of which cost Twizeyimana Ltd considerable time and money.

Which of the following statements are true?

- (i) It is ethically acceptable for Clement to use these skills, knowledge and experience as Nduwayezu Ltd would expect insider knowledge to be obtained as a perk of employing a former employee of Twizeyimana Ltd
- (ii) It is ethically acceptable for Clement to use these skills, knowledge and experience provided that he does not disclose any confidential information

(iii) It is ethically acceptable for Clement to use these skills, knowledge and experience, but only after a reasonable time has elapsed to prevent conflicts of interest arising

A (i) and (ii)

B (i) and (iii)

C (i) only

D (ii) only

E None of the above

(2 marks)

50. Solange is the finance director of Rwamagana Ltd and has, as such, invited Rwamagana Ltd's external audit team to dine with Rwamagana Ltd's Board at a top restaurant.

To which kind of threat to the audit team's independence is such an invitation most likely to give rise, in accordance with the guidance of the *Code of Ethics*?

A A management threat

B An advocacy threat

C A self-review threat

D A self-advocacy threat

E None of the above

(2 marks)

Total (100 marks)

