



ICPAR
Unlimited possibilities

CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND
FINANCE

DATE: MONDAY, 25 JULY 2022

INSTRUCTIONS:

- 1. Time allowed: 2 hours and 30 minutes**
- 2. This exam has one section only: Section A**
- 3. Section A has 50 Compulsory multiple choices questions equal to 2 Marks each.**
- 4. Question papers should not be taken out of the examination room**

SECTION A

QUESTION ONE

Which of the following is not a breach of criminal law in Rwanda?

- (i) Jean Baptiste was unemployed for the last 5 years and he forged his academic transcript and a degree to qualify for a job he really wanted.
- (ii) Consultants willingly advised their client wrongly in collaboration with the client's competitor and the client suffered a big loss.
- (iii) The Chief Finance Officer (CFO) of a company has not reviewed properly the taxes of a company and the company has incurred heavy fines and penalties by Rwanda Revenue Authority.

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

(2 Marks)

QUESTION TWO

Why should Accountants know and act ethically and legally?

- (i) Because meeting legal and ethical requirements protect accountants from criminal and civil liabilities.
- (ii) Because professional bodies like ICPAR require its members to meet legal and ethical requirements.
- (iii) Because meeting legal and ethical requirements give credits to accounting profession in society.

- A Both (i) and (ii)
- B Both (ii) and (iii)
- C (iii) only
- D All of the above

(2 Marks)

QUESTION THREE

Sometimes unethical acts are not illegal. **Which of the following activities are both unethical and illegal?**

- (i) Smoking at work during office hours in the office.
- (ii) Unwillingly leaving the water tap opened in the office washrooms.
- (iii) Selling expired products to avoid company wasteful resources.
- (iv) Misappropriation of excess cash in hand after cash reconciliation.

- A Both (i) and (ii)
- B (i), (ii) and (iii)
- C (i), (iii) and (iv)
- D All of the above

(2 Marks)

QUESTION FOUR

Which of the following does not constitute CPD activities for Accountants in Rwanda?

- A Participating in peer group meeting for sharing ideas.
- B Writing up an economic research note in a widely read newsletter in Rwanda.
- C Receiving constructive feedback from your line manager at work.
- D Attending ICPAR training and seminar sessions.

(2 Marks)

QUESTION FIVE

ICPAR CPD Return requires evidence of 40 CPD hours (20 structured and 20 unstructured hours) in accordance with Institute's CPD Policy and IFAC Guidelines.

Which of the following does not constitute structured CPD hours?

- A Attending ICPAR training and seminar sessions.
- B Employer's recommendation on the staff's readings requirements within the company
- C Attending trainings by IFAC professional bodies
- D None of the above

(2 Marks)

QUESTION SIX

James Kamondo is a member of ICPAR and recently received a letter from ICPAR pointing at his professional misconduct due to non-fulfillment of required CPD hours.

Which of the following is the most appropriate reason for James Kamondo to fulfill CPD required hours?

- A To demonstrate professional commitment among his peer accountants
 - B To accumulate and improve up-to-date skills and knowledge to deliver adequately accountants' work
 - C To fulfill ICPAR CPD requirement and ethical compliance
 - D To articulate professional improvements needed in accountancy profession **(2 Marks)**
-

QUESTION SEVEN

Which of the following are CPD measurement approaches by a professional body?

- (i) Output based approach
 - (ii) Input based approach
 - (iii) Performance appraisal approach
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C (iii) only
 - D All of the above **(2 Marks)**
-

QUESTION EIGHT

Many organisations have codes of conduct. These may set out general principles about an organisation's belief and ethical values.

Which of the following best describes the main reason for introducing code of conduct in an organisation?

- A To maximize companies returns and meet up stakeholders expectations
 - B To create organisational value and spill over organisational culture
 - C To achieve company's mission and objectives
 - D All of the above **(2 Marks)**
-

QUESTION NINE

Which of the following bodies is responsible for international code of ethics (including international independence standards) for professional accountants?

- A International Accounting Standards Board (IASB)
 - B ICPAR
 - C International Federation of Accountants (IFAC)
 - D None of the above
- (2 Marks)**
-

QUESTION 10

The Managing Director (MD) of Musanze SACCO has requested the Human Resources Manager (HRM) of the company to draft a code of conduct for employees working with the company.

As a CAT member, advise the HRM as to which of the following is not a component of code of conduct?

- A Dressing and hairstyle
 - B Timely reporting at work
 - C Overtime rates
 - D Conflict resolution procedures
- (2 Marks)**
-

QUESTION 11

The Managing Director (MD) of Musanze SACCO has requested the Human Resources Manager (HRM) of the company to draft a code of conduct for the employees working with the company.

As a CAT graduate, advise the HRM as to which of the following best indicates the consequences arising from lack of code of conduct?

- A Unfair treatment of staff and conflicts within a company
 - B Corruption among staff and other stakeholders
 - C Poor quality products and service delivery
 - D All of the above
- (2 Marks)**
-

QUESTION 12

Nicole is a Senior Accountant of Ishusho Art Center. She has been within the company for the last 5 years. Recently, she was requested verbally by her Supervisor, the Chief Finance Officer (CFO) to conceal some income in the tax declaration to minimize tax liability of the company for the year ended 31 December 2021.

Which of the following are the consequences of this act by Nicole to Ishusho Art Center:

- (i) Fines and penalties by Rwanda Revenue Authority (RRA)
- (ii) Reputational damage
- (iii) Imprisonment

- A (i) only
- B (i) and (ii)
- C (ii) and (iii)
- D All of the above

(2 Marks)

QUESTION 13

Referring to the same scenario on question 12, **which of the following are consequences of this act to Nicole:**

- A Fines and penalties by ICPAR of which she is a member
- B Reputational damage
- C Imprisonment
- D All of the above

(2 Marks)

QUESTION 14

Referring to the same scenario on question 12, **which of the following best describe the appropriate course of action Nicole should undertake:**

- A Discuss with her supervisor that the action is unethical and agree on the way forward
- B Insist on obtaining written instructions from CFO to proceed
- C To proceed as recommended by the CFO to avoid negative performance appraisal
- D Report the issue to the CEO of the company

(2 Marks)

QUESTION 15

Jacob is a Chief Accountant in one of the listed banking institutions in Rwanda and he is a member of ICPAR. Recently, he came to know that the published financial statements in a widely read newsletter include false information that were compiled falsely by the Assistant Accountant under the guidance of the Chief Finance Officer.

What is the most appropriate course of action to be undertaken by Jacob?

- A Be silent to avoid reprimand reaction from his supervisor
 - B Disassociate from the false information by writing a petition to CEO
 - C Resign from his post to avoid any negative effect arising from false information published
 - D Report the Assistant Accountant and Chief Finance Officer to Rwanda Investigation Bureau (RIB) (2 Marks)
-

QUESTION 16

Christian is a professional accountant in practice and he is a member of ICPAR, he is a Senior Auditor in one of the renowned audit firms in Rwanda. During the course of audit of Bank of Nyabugogo PLC, he noted an adjustment which would turn the company into loss making. He was approached by the Chief Finance Officer of the bank who requested him to do not incorporate the adjustment since it would affect bank's market share as it is listed on Rwanda Stock Exchange. He added that if the adjustment is not removed, the audit firm will not be reappointed for the next year audit and requested him to keep his request confidential.

Which fundamental principle of code of ethics for professional accounts would assist Christian to take appropriate course of action?

- A Integrity only
 - B Both Integrity and objectivity
 - C Integrity, objectivity, and professional behaviour
 - D Confidentiality and objectivity (2 Marks)
-

QUESTION 17

Considering the case scenario on question 16, Christian is wondering what course of action he should undertake.

As a CAT candidate, advise Christian which appropriate person/body he should consult?

- A His line Manager
 - B ICPAR of which he is a member
 - C Board of Directors of Bank of Nyabugogo PLC
 - D Audit firm's Lawyer (2 Marks)
-

QUESTION 18

Considering the case scenario on question 16, **Which of the following best describes the appropriate course of action that Christian should undertake.**

- A Report the issue to his line Manager and request him to convince the CFO to accept the adjustment
 - B Be silent on the issue and consider client's request and remove the adjustment to avoid lack of audit job next year
 - C Disagree and deny the CFO's request and report the noted adjustment
 - D Inform and seek advice from Bank's top management on the CFO's request **(2 Marks)**
-

QUESTION 19

Heal Forward Ltd is a general supply company which sells pharmaceutical products. The company does not have a system of tracking client's demands of the products. In June 2020, the company ordered a container of cosmetics from India worth FRW10 Billion and due to low demand, the majority of the products were expired for the year ended 31 December 2021. The Managing Director has ordered the Chief Accountant to organize a team that should change etiquette of expiry date to a later future date to minimize the loss.

Which of the followings best describe the consequences to Heal Forward Ltd?

- A Operational risk
 - B Reputational risk
 - C Litigation risk
 - D All of the above **(2 Marks)**
-

QUESTION 20

Considering the case scenario on question 19, **What is the most appropriate course of action the Chief Accountant should undertake?**

- A Escalate the issue to the Ministry of Health
 - B Inform and seek advice from those in charge with company's governance
 - C Inform and seek advice from ICPAR of which he is a good standing member
 - D Consult the company's Lawyer on the way forward **(2 Marks)**
-

QUESTION 21

Which of the following best describes the reasons why accountants should be politically neutral?

- A To avoid conflicts of interest with wrong policies by the government
 - B To eliminate discredits of accounting profession from political involvement
 - C To balance the public interests for the current government or future government
 - D Accountants are prohibited by code of ethics from pursuing interests in politics of their country. **(2 Marks)**
-

QUESTION 22

George is an Accountant in one of the Ministries in Rwanda and he is a member of ICPAR and also belongs to one of the political parties in Rwanda. When he is at work, he advocates for the benefits of joining his party and induces his colleagues at work to join the political party. **Which principal code of ethics did George suppress?**

- A Integrity
 - B Professional behavior
 - C Confidentiality
 - D Objectivity **(2 Marks)**
-

QUESTION 23

George is an Accountant in one of the Ministries in Rwanda and he is a member of ICPAR and also belongs to one of the political parties in Rwanda. When he is at work, he advocates for the benefits of joining his party and induce his colleagues at work to join the political party. **Which of the following best indicates the unethical act performed by George?**

- A Because George advocated a political opinion at work
 - B Because George is involved in political associations and opinions
 - C Because George is both a member of ICPAR and belongs to a political party, which is not permitted
 - D George acted ethically because he has freedom of expression of opinions as a Rwandan citizen. **(2 Marks)**
-

QUESTION 24

Janvier is a Senior Accountant at Iwacu Rice Ltd, a renowned company in Eastern Province that grows and supplies rice harvest. Recently, the company planned to list its shares on Rwanda Stock Exchange and one of his best friends approached him to know the current performance of the company to decide whether to invest or not. **Which of the principles of code of ethics is threatened here?**

- A Professional behaviour
 - B Professional competence and due care
 - C Integrity
 - D None of the above
- (2 Marks)**
-

QUESTION 25

Considering the case scenario on question 24, **which threat to principles of code of ethics is Janvier facing here?**

- A Friendly threat
 - B Self-review threat
 - C Intimidation threat
 - D None of the above
- (2 Marks)**
-

QUESTION 26

Pascal is a graduate from one of the renowned universities in Rwanda in the Accounting faculty and is currently pursuing a CAT program of ICPAR in Stage 1. Recently, he was looking for a sponsorship on the CAT program including tuition fees support and forged the CAT statement to meet up the sponsorship requirement of stage 2.

Which of the following ethical behavior did Pascal fail to demonstrate?

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

QUESTION 27

Yvonne is an Invoicing Officer of one of the renowned public hospitals in Rwanda. While invoicing clients, she found a medical prescription of her neighbor indicating how she was suffering from HIV/AIDS. When she returned home, she discussed the information with her sisters and cousins as a joking story.

Which of the following ethical behavior did Yvonne fail to demonstrate?

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

QUESTION 28

Referring to case scenario on question 27, **Which of the following best describes the reason why Yvonne acted unethically?**

- A Yvonne did not separate professional work from personal life
 - B Yvonne did not obtain consent from the patient (her neighbour) before disclosing information
 - C Yvonne breached the ethical principle of professional behavior at home
 - D All of the above
- (2 Marks)**
-

QUESTION 29

Referring to case scenario on question 27, **Which of the following code of professional code of ethics did Yvonne fail to uphold?**

- A Professional behaviour
 - B Confidentiality
 - C Professional competence and due care
 - D All of the above
- (2 Marks)**
-

QUESTION 30

Yves is a Financial Reporting Officer at Bank of Nyamata PLC and he is required to submit reviewed accounts to the regulator on a quarterly basis in accordance with International Financial Reporting Standards (IFRSs). Recently, he submitted financial statements to the regulator, National Bank of Rwanda (BNR) and then BNR discovered that the submitted financial statements had not included new accounting developments on leases.

Which of the following principles of professional ethics for accountants is at breach by Yves?

- A Integrity
 - B Confidentiality
 - C Professional competence and due care
 - D All of the above
-

QUESTION 31

Which of the following is correct in regards to terms of reference on retention of company documents as per company's act in Rwanda?

- A The articles of association should be kept for 7 years from the date of publication
 - B The audit documentation should be kept for 7 years from the date of publication
 - C The books of accounts should be kept for 7 years while financial statements should be kept for 10 years
 - D The memorandum of association should be kept permanently **(2 Marks)**
-

QUESTION 32

Which of the following correctly describes the ethical principle of independence in mind?

- A An accountant should complete assigned tasks with minimum supervision
 - B An accountant should carry out their work with integrity, objectivity and professional skepticism
 - C An accountant should avoid any undue influence that might be seen by others
 - D None of the above **(2 Marks)**
-

QUESTION 33

Which of the following is not a professional quality for an accountant

- A Responsibility
 - B Accountability
 - C Skepticism
 - D Independence
- (2 Marks)**
-

QUESTION 34

Which threats to principle of code of ethics of accountants that is are concerned with lobbying in favor of a legislation on a behalf of client or employing organisation?

- A Familiarity threat
 - B Self-interest threat
 - C Self-review threat
 - D Advocacy threat
- (2 Marks)**
-

QUESTION 35

Which of the following best indicates a specific safeguard to familiarity threat to independence within an audit firm?

- A Regular trainings and completion of CPD hours
 - B Regular performance appraisal of all employees and constructive feedbacks
 - C Rotation of client's audit team members
 - D Timely communicating all policies and procedures to all employees
- (2 Marks)**
-

QUESTION 36

Which of the following is not a safeguard to independence threats created by the profession and/ or legislation and regulation?

- (i) Internal quality control procedures and audit recommendations
 - (ii) Education, training and experience requirements by ICPAR
 - (iii) Peer reviews for quality control reviews required by IESBA
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C (i) Only
 - D All of the above
- (2 Marks)**
-

QUESTION 37

The code of ethics as per IESBA, quoting a too low fee can lead to difficulty to perform the engagement in accordance with relevant technical and professional standards. **Which principle of code of ethics is threatened?**

- A Objectivity
 - B Confidentiality
 - C Professional behavior
 - D Professional competence and due care
- (2 Marks)**
-

QUESTION 38

As per IESBA code of ethics, **which of the following factors best describe factors to consider when resolving ethical conflict?**

- (i) Relevant facts and fundamental principles
 - (ii) Ethical issues involved and internal procedures
 - (iii) Possible courses of action and consequences thereon
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C (i) Only
 - D All of the above
- (2 Marks)**
-

QUESTION 39

You are a Chief Accountant of ISAMBAZA Ltd, and you came to know that your subordinate Accounts Officer was involved in misappropriation of money in the cash safe that you lost in last week. However, you don't have sufficient evidence on the act. **What could be the most appropriate course of action in this case?**

- A Report the issue to the disciplinary committee for further investigation
 - B Inform and seek legal advice from external legal counsel
 - C Ignore the incident and don't communicate anything to anyone as long as you don't have sufficient evidence
 - D Report the issue to your supervisor, the Chief Finance Officer
- (2 Marks)**
-

QUESTION 40

You are a Senior Accountant of University of Musanze, and you are one of the three (3) members of the university's tender committee. The Chairperson of the committee is the Human Resource Manager, and he has approached you to request you to vote Musanze Carpenters Ltd on the bid of supplying classroom chairs worth FRW 100 Million since the supplier accepted to give an incentive of 10% of the bid price and you will share that incentive equally. **Which of the following is the most appropriate course of action you would undertake?**

- A Report the issue to the procurement steering committee of the board of directors
 - B Accept the deal and make it confidential to avoid issues with the Human Resources Manager
 - C Report the issue to the 3rd tender committee member and resolve the issue peacefully
 - D Refuse the cooperation and reiterate on the chairperson as per the company's code of ethics **(2 Marks)**
-

QUESTION 41

Juvenal is an Audit Manager in MHM Partners Ltd, a local audit firm. He heard the firm's engagement partner dealing with clients on opinion shopping in return for a tax health-check engagement. **Which of the following is the most appropriate course of action to be undertaken by Juvenal?**

- A Be silent to avoid loss of job in MHM Partners Ltd
 - B Report the issue to ICPAR which gave a Practicing License to the engagement partner
 - C Report the issue to those in charge with governance of the company
 - D Resign from the position to disassociate from unethical or illegal act **(2 Marks)**
-

QUESTION 42

You are a payroll officer of Peace Academy, a renowned private school in Huye town. Recently, one of the candidates for a vacant post in your company has called you to clarify the recruitment procedures of the school. They informed you that the Human Resources Manager (HRM) has requested a bribe for him to be selected on that position.

Which of the following is the most appropriate course of action you would undertake?

- A Report the issue to the Chief Executive Officer
 - B Report the issue to the Inspector of labour in the Ministry of Public Servants
 - C Report the issue to Remuneration and Compensation Committee of the company
 - D Resign from the position to disassociate yourself from unethical or illegal act **(2 Marks)**
-

QUESTION 43

You are a senior auditor of Peace Hotel, one of the favourite hotels in Huye town. You noted that the hotel management has falsified tax documents to qualify for Economic Recovery Funds (ERF) for players in the hospitality industry that have been heavily affected by COVID-19.

Which of the following is the most appropriate course of action:

- A Report the issue to a government body responsible for ERF management
 - B Report the issue to the Chief Executive Officer of the company
 - C Escalate the issue to your immediate supervisor, the audit manager
 - D Be silent and ignore the evidence since the current assignment is not related to ERF. **(2 Marks)**
-

QUESTION 44

You are a senior auditor of PPP Ltd, a company in Masoro Industrial Zone that produces plastic pipes. You noted that the company understated its profitability during the income tax declaration for the year ended 31 December 2020.

Which of the following is the most appropriate course of action?

- A Escalate the issue to your immediate supervisor, the Chief Executive Officer of the company
 - B Ignore the findings since the period is out of the audit period scope
 - C Report the issue to the Audit Committee Board of the company
 - D Report the issue to Rwanda Revenue Authority (RRA) for their information and follow up **(2 Marks)**
-

QUESTION 45

You are a senior auditor of PPP Ltd, a company in Masoro Industrial Zone that produces plastic pipes. You noted that the company has not been following labor laws of Rwanda.

Which of the following is the most appropriate course of action:

- A Report the issue to Rwanda Investigation Bureau (RIB)
 - B Be silent and keep it confidential since there is legal obligation to disclose such information
 - C Report the issue to those charged with governance through management letter and advise management
 - D Report the issue to labor inspector for information and follow up **(2 Marks)**
-

QUESTION 46

When dealing with clients and you come across high level of noncompliance with laws and regulations, a professional accountant determines whether further actions are needed considering the following factors except:

- A The legal and regulatory framework
 - B The disagreement with top management and those charged with governance
 - C The non-compliance or suspected noncompliance is likely to recur
 - D Whether there is evidence of actual and potential substantial harm to the interests of investors, creditors, customers, employees or general public
- (2 Marks)**
-

QUESTION 47

When dealing with clients and become aware of high level of non-compliance with laws and regulations, a professional accountant undertake the following further actions:

- (i) Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so
 - (ii) Consulting professional body like ICPAR to advise what course of action to undertake
Withdrawing from the engagement and the professional relationship where permitted by
 - (iii) law or regulation.
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C Both (i) and (iii)
 - D All of the above
- (2 Marks)**
-

QUESTION 48

A professional accountant in a senior management team of a company is required to foster an ethics-based culture within an organisation. **Which of the following best demonstrate ethical initiatives within the senior management of an organisation?**

- (i) Introduction of ethics education and trainings within the company
 - (ii) Implementation of performance based on Key Performance Indicators (KPIs) that include ethical values
 - (iii) Advancing policies and procedures designed to prevent non-compliance with laws and regulations
 - (iv) Promoting non retaliation policy for company's whistleblowers
- A (i), (ii) and (iii)
B (ii), (iii) and (iv)
C Both (i) and (iii)
D All of the above

(2 Marks)

QUESTION 49

Which of the following statements is not correct in accordance with the law no.35/2012 (Parliament of the Republic of Rwanda, 2012) relating to the protection of whistleblowers?

- (i) Whistleblowers should be protected due to speaking up about illegal or unethical acts
 - (ii) Whistleblowers should disclose the information upon client's or employing organisation's consent to adhere to confidentiality principle of code of ethics
 - (iii) Whistleblowing should be done in good faith and in public interest and should be made to appropriate authority
- A Both (i) and (iii)
B (ii) only
C Both (ii) and (iii)
D None of the above

(2 Marks)

QUESTION 50

As a CAT candidate, which among the following best demonstrate management commitment towards promotion of whistleblowing culture within an organization?

- (i) Having an anonymous online platform where unethical or illegal issues are reported
- (ii) Awarding best employee of the year in voicing out unethical or illegal acts within an organisation
- (iii) Suggestion boxes and encouraging internal stakeholders to utilize them
- (iv) Having ethics committee among board committees

A (i), (ii) and (iii)

B (ii), (iii) and (iv)

C (i), (iii) and (iv)

D All of the above

(2 Marks)

End of Question Paper

