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**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 2 EXAMINATIONS**

**S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND**  
**FINANCE**

**DATE: MONDAY, 28 MARCH 2022**

**MARKING GUIDE AND MODEL ANSWERS**

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## Marking guide

Question Number	Response	Question Number	Response
1	C	26	D
2	D	27	C
3	D	28	D
4	B	29	A
5	C	30	D
6	A	31	A
7	A	32	D
8	D	33	C
9	B	34	C
10	D	35	D
11	C	36	B
12	C	37	C
13	C	38	D
14	B	39	C
15	D	40	A
16	D	41	A
17	C	42	A
18	C	43	B
19	B	44	D
20	D	45	B
21	B	46	A
22	D	47	B
23	C	48	D
24	D	49	C
25	C	50	A

**2 Marks for each correct answer**

**Total maximum marks                    100**

## Model answers

### 1. The correct answer is C

C is the correct answer because if a member is objective she/he shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements.

A is not correct because a member with integrity shall be straight forward and honest in all professional and business relationships

B is not correct because professional behavior requires members to comply with relevant laws and regulations and avoid any action that discredits the profession

### 2. The correct answer is D

D is the correct answer because members must respect the confidentiality of the information acquired through business relationships and must not disclose any such information without proper and specific authority, unless there is a legal or professional right or duty to disclose it.

A and B are not correct since the explanation of objectivity and integrity principles are different from the one of confidentiality.

The objectivity principle implies that a member she/he shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements, while the one of integrity implies that a member shall be straight forward and honest in all professional and business relationships

C is not also correct and not part of the five fundamental ethical principles

### 3. The correct answer is D

D is the correct answer because it combines all correct answers (A, B and C).

The principle of professional behavior requires members to:

- ✓ behave in a way to maintain/sustain or enhance/improve the reputation of the profession(A),
- ✓ behave with courtesy and consideration towards anyone you come into contact with professionally and in your personal life(B) and
- ✓ comply with the law (C)
- ✓ Be honest when describing the services, you can offer or the experience you have gained in a particular area of business

#### **4. The correct answer is B**

B is the correct answer because you should first of all clarify the limits of your expertise with the board member.

A is not correct because telling the board member that she/he will get explanation about the new standard in a training being organized by a professional body for all board members, should be done after clarifying your limits

C is also not professionally correct. In case you do not remember all the right information about the new standard you might give her/him some misleading information

#### **5. The correct answer is C**

C is the correct answer because Alex modified his CV in order to meet the key experience requirement of two years on a managerial position. Therefore, he has misled the potential employer and breached the ethical principle of integrity

A is not correct. Even if Alex has five years' experience, he does not have experience of two years on a managerial position.

B is also not correct. By modifying his CV in order to meet the key experience requirement of two years on a managerial position, Alex has misled the potential employer and breached the ethical principle of integrity and not the objectivity principle

#### **6. The correct answer is A**

A is the correct answer because Amelia Uwineza has been a partner conducting the audit of J&J company for more than seven years and this may have established too close relationship with the company. This is a familiarity threat and the possible safeguard against it would be to rotate partners on the audit.

B is not correct according to the scenario.

Self- interest would result in a scenario of:

- ✓ having financial interest or joint financial interest in a client (J&J Company),
- ✓ depending upon a client's fees for a significant portion of Amelia's audit firm income
- ✓ having a close personal relationship with a client (J&J Company)
- ✓ having concerns about losing a client

C is not correct since it is a combination of a good answer (familiarity) and wrong answer (self-interest)

**7. The correct answer is A**

A is the correct answer because confidentiality is not part of principles of public life. It is one of the fundamental ethical principles.

B, C and D are not correct because openness, leadership and objectivity are principles of public life

**8. The correct answer is D**

D is the correct answer because only integrity and objectivity are part of both fundamental ethical principles and principles of public life

A is not correct because accountability is not part of fundamental ethical principles

B and C are not correct because confidentiality is only part of fundamental ethical principles and accountability is only part of principles of public life

**9. The correct answer is B**

B is the correct because principles of public life are also known as Nolan Principles because they were named after the Lord Nolan the chairman of the committee on standards in Public life. Thus, A, C and D are not correct

**10. The correct answer is D**

D is correct as a combination of all correct answers. Behaving in an ethical manner involves acting with integrity, honesty(B), fairness (C) and sensitivity(A).

**11. The correct answer is C**

C is correct because the action of colleagues using work phone for personal calls is a dishonest action. Therefore, A, B, and D are not correct because integrity, fairness and sensitivity are not related to this misbehavior.

**12. The correct answer is C**

C is correct because reliability as one of the personal qualities expected of an accountant, requires her/him that when taking on work it gets done and meets professional standards.

A is not correct because the professional quality of responsibility refers to the act of taking ownership of your work in the workplace

B is not correct because the professional quality of respect refers to having respect to others by developing constructive relationships and recognizing the values and rights of others

**13. The correct answer is C**

C is correct because an accountant should always be skeptical. Yvon should process the invoice after review. As an accountant, he should question any information given to him in order to form his own opinion regarding the quality and reliability of the supporting documents to the supplier's invoice.

A is not correct because processing an invoice without review breaches the professional quality of skepticism

B is also not correct because rejecting an invoice because of a lot of work this is not a genuine reason to reject an invoice and it is unprofessional

**14. The correct answer is B**

B is the correct answer because the professional quality of social responsibility requires accountants to have a public duty as well as a duty to their employer or client.

A is not correct because with accountability quality, accountants should recognize that they are accountable for their own judgment and decision

C is not correct because with responsibility quality, accountants should take ownership of their work

**15. The correct answer is D**

D is correct as a combination of all correct answers.

Services that an accountant cannot legally offer unless they are authorized to do so by the relevant regulatory body also known as reserved areas include:

- ✓ Insolvency practice (company liquidation and administration)
- ✓ External audit or where the services of a registered auditor are required
- ✓ Investment business and the provision of corporate financial advice

**16. The correct answer is D**

Being a combination of all correct answers, D is correct.

When handling clients' money, safeguards should be related to:

- ✓ **Use:** clients' money should only be used for the purpose intended
- ✓ **Accountability:** accountants must be ready at all times to account for the money. This means adequate record keeping and availability to return to the client when requested
- ✓ **Separation:** clients' money must be kept separate from the money belonging to the accountant personally or to the practice

**17. The correct answer is C**

C is correct because it has an extensive list of what might be a result of mishandling clients 'money.

Mishandling clients 'money may result in a breach of contract or taken as professional negligence. Since clients allow the accountant to have access to their funds in trust, there will be a breach of trust if money is misappropriated. Last but not least, there is a risk of being accused of theft due to dishonestly appropriating property belonging to another (e.g. in case clients 'money was transferred to an accountants own bank account)

A, B and D are not correct because they do not have an extensive list

**18. The correct answer is C**

C is correct because it is not prohibited to handle or hold client monies of investment business if the accountant is regulated

A, B and D are not correct because they represent reasons why an accountant should not handle or hold clients' money

- ✓ There is a reason to believe that the money is criminal property(A)
- ✓ There is no justification to hold that money(B)
- ✓ There is a condition on the accountant's licence or registration to prohibit dealing in client monies(D)

**19. The correct answer is B**

B is correct because the general rule of confidentiality is that accountant must not disclose information about their client's or employer's affairs. Consequently, A, C and D are not correct.

**20. The correct answer is D**

D is the correct answer because it combines all correct answers.

Examples of where confidentiality need to be protected include:

- ✓ Information shared with the explicit instruction that it has to be kept private or confidential(A)
- ✓ Information shared within a professional or client relationship(B)
- ✓ Information that is restricted or classified within an organization's information system. Marked private, confidential or for authorized individuals only (C)
- ✓ Information protected by data protection and personal privacy law
- ✓ Information that could be against the interests of the organization or an individual

**21. The correct answer is B**

B is correct because sharing client's information to the third party without client's consent is qualified as a breach of confidentiality. Therefore, A, C and D are not correct.

**22. The correct answer is D**

D is the correct answer as a combination of all correct answers.

- ✓ It is required by law and it is a legal duty to disclose a suspected money laundering (A),
- ✓ It is not prohibited to disclose information to potential buyers of the client company if the disclosure is permitted by law and authorized by the client or employer(B)
- ✓ Protection of a member's professional interests in legal proceedings is acceptable because it is a professional duty or right to disclose information which is in the public interest and not prohibited by law

**23. The correct answer is C**

C is the right answer because completeness of the information is not part of the points to consider before disclosing the information

A, B and D are not correct because reliability of the information, appropriate recipient of the information and legal liability by disclosing the information are part of the key points to consider before disclosing the information

**24. The correct answer is D**

D is the right response because it combines all justification to the label "for your eyes only".

If you make a disclosure, you have a responsibility to ensure that it is made only to the relevant parties and that they understand their responsibility to protect the information from further disclosure. Also note that, labelling the message "for your eyes only" is the same as labelling it as "confidential"

**25. The correct answer is C**

C is the right answer because the best thing to do is using your professional judgment as to whether you disclose, how and to whom in case all you have is unsupported facts, opinions or suspicions.

A and B are not correct because consulting the legal unit of your organization(A) or discussing the matter with your friend for guidance would be the breach of confidentiality



**26. The correct answer is D**

D is the correct answer because the statement does not comply with the disclosure of confidential information. The disclosure can be done when the client or employer has authorized the disclosure too

A, B and C are not the right answers because their respective statements comply with the disclosure of confidential information

- ✓ Accountants are permitted to disclose confidential information if it is permitted by law and authorized by the client or employer(A)
- ✓ Accountants are permitted to disclose confidential information if it is required by law and it is a legal duty to do so(B)
- ✓ Accountants are required to disclose confidential information if there is a professional duty or right to disclose which is in the public interest and not prohibited by law(C)

**27. The correct answer is C**

C is the correct answer because the appropriate word to use is privileged. Therefore, A, B and D are not correct.

Disclosing money laundering is legally privileged and you cannot be sued for breach of professional confidentiality as long as the disclosure is made in good faith and with reasonable grounds

**28. The correct answer is D**

D is correct because balancing rights and neutrality(A), fair and honest advice(B) and, freedom of expression (C) can all be applied in order to maintain neutrality and objectivity in the public sector

**29. The correct answer is A**

A is the correct answer because political bias could, potentially, represent an advocacy threat for an accountant working in public sector. Accountant must ensure that their support of , or opposition to, any plans with a political party dimension must be based on sound evidence and objective analysis.

B and C are not correct because political bias could not represent a familiarity and intimidation threats.

**30. The correct answer is D**

D is the correct answer because it is a combination of all correct answers.

According to the principles applicable to political neutrality:

- ✓ Public sector accountants have the same rights of political expression outside the workplace, and in their own time, as ordinary members of the public(A)-freedom of expression

✓ Public sector accountants must keep their jobs out of politics, and politics out of their jobs(B)  
Public sector accountants should not publicly express any view either for or against the policies of the government(C)-Balancing rights and neutrality

**31. The correct answer is A**

A is the correct answer because legal advice is not part of the first five factors to consider when resolving ethical conflicts.

B, C and D are not correct answers because they are part of the first factors to consider when resolving ethical conflicts.

The first five factors to consider when resolving ethical conflicts are:

- ✓ Ethical issues involved
- ✓ Fundamental principles related to the matter in question
- ✓ Relevant facts
- ✓ Established internal procedures
- ✓ Alternative courses of action, considering the consequences of each

**32. The correct answer is D**

D is the correct answer because the two situation in which a member may wish to take a legal advice or to disclose an ethical conflict to a third party are:

- ✓ If no corrective action is being taken by the organization when the matter has been reported internally, and
- ✓ When no higher authority exists within the organization with whom the matter can be discussed

A and B cannot be the best answer because they relate to a single situation only.

C is not correct because the higher authority with whom the matter can be discussed is on leave It cannot be considered as the higher authority does not exist.

**33. The correct answer is C**

C is the best answer.

When disclosing confidential information, an accountant must bear in mind that any decision may be called into question at a future date. For that reason, the accountant is advised to keep detailed notes of any meetings, telephone conversation or other activities relating to the matter which support the decision to disclose the information to a third party.

A and B are not the best answers because the accountant is advised keep detailed information supporting the decision to disclose the information not general information

**34. The correct answer is C**

C is correct because the first person to discuss with in case an accountant suspects that their immediate superior, or a member of the management team are involved in the unlawful or unethical act, is the higher level authority in the organization.

A is not correct because seeking legal advice comes in case using internal procedures has not helped in resolving the issue

B is also not correct the accountant cannot discuss the issue with the person (immediate superior or line manager) being suspected.

**35. The correct answer is D**

The accountant should refer to the internal policies and procedures of their organization for guidance about who to discuss potential illegal behavior with. So, the statement (ii) is true

However, if an accountant suspects that a client is behaving unethically, they should investigate the matter to obtain an understanding of what has happened. So, the statement (i) is false

**36. The correct answer is B**

B is correct because whenever conflicts of loyalties arise the legal responsibilities and your professional standards take precedence although you should use your judgement as to whether they will be seriously compromised enough to take action through any subsequent grievance or ethical procedures. Consequently, A, C and D are not correct

**37. The correct answer is C**

C is the correct because converting, transferring or handling property is not qualified as money laundering activity unless it is a criminal property.

A and B are not the correct answers because Acquiring, using or possessing criminal property and concealing or disguising the nature and origin of criminal property are both qualified as money laundering activities

**38. The correct answer is D**

D is the correct answer because all the three suggested measures help Financial institutions and reporting authorities to prevent and identify money laundering and terrorist financing.

- ✓ developing a permanent audit function to ensure the necessary measures are adopted to comply with anti- money laundering legislation,
- ✓ implementing customer due diligence, keeping information for ten years, and

✓ developing and maintaining programs against money laundering are measures to be adopted in order to help prevent and identify money laundering and terrorist activities

Therefore, A, B and C are not the best answers.

**39. The correct answer is C**

C is the correct answer because legal and ethical guidelines are the first thing to consider when dealing with a particular ethical situation.

A and B are not correct because work procedures and internal rules and regulations are general documents within an organization and might not be helpful to a particular ethical situation.

**40. The correct answer is A**

A is the correct answer because the three aspects to consider in a simple ethical test while evaluating a business decision are transparency, effect and fairness. Therefore, B, C and D are not correct answers.

✓ Transparency- helps to evaluate if the decision is characterized by integrity, openness and honesty. If a third party can perceive the decision as honest and straight forward. And, if the client would not mind other people knowing what they have decided

✓ Effect-helps to evaluate who was affected or hurt by the decision and if all stakeholders 'interests have been considered

✓ Fairness-helps to evaluate if the decision will be considered fair by those affected, or by an independent third party

**41. The correct answer is A**

If, in professional life, you have an ethical concern the most appropriate course of action would be to raise this with your immediate supervisor or employee helpline. So, A is the correct answer.

B is not correct because the ethical issue can only be escalated to the legal advisor of professional body for guidance when it was not resolved at the level of the immediate supervisor.

C is not also the correct answer because the ethical issue should be reported to colleagues because they don't have authority to resolve the issue.

**42. The correct answer is A**

The key questions to consider when assessing whether actions or behaviors are appropriate or inappropriate refer to whether:

- ✓ the action is balanced and fair to everyone involved
- ✓ the action is legal and in line with company policy and professional guidelines

Therefore, B, C and D are not correct

**43. The correct answer is B**

Money laundering is a criminal offence (a behavior prohibited by law and considered to violate the moral standards of a society). So, B is the correct answer.

**44. The correct answer is D**

If an accountant has suspicion over money laundering activities the first steps are to examine the background and purpose of the transactions, document findings in written form and submit a report to the appropriate authorities (i.e. financial investigation unit).

D is the correct answer because the case should not be reported to the client otherwise it will be considered as tipping off and it is an offence.

**45. The correct answer is B**

B is correct because whistleblowing is a disclosure by an employee of illegal or unethical practices by his or her employer. Therefore, A, C and D are not correct

**46. The correct answer is A**

When an employee reports something illegal or unethical within the organization they work for to someone more senior in that organization, that represents internal whistleblowing. So, A is the correct answer.

B is not correct because external whistleblowing refers to the situation where an employee reports something illegal or unethical to someone outside the organization e.g. legal authorities

C is not correct because tipping off refers to the action of informing the author of a transactions that has been reported to the authorities. This is also considered as an offence

**47. The correct answer is B**

If an accountant has a reasonable motive to suspect that funds are associated with money laundering, she/he must report her/his suspicion immediately to the appropriate authorities. In case of Rwanda as pre the scenario, any suspicions of money laundering must be reported to the financial investigation unit. So, B is the correct answer

A and C are not correct because Report the suspicion immediately to his line manager or remaining silent are not the appropriate actions for an accountant.

**48. The correct answer is D**

The legislation against money laundering requires accountants to pay special attention to all complex, unusual patterns of transactions, which have no apparent economic or visible lawful purpose. So, the only correct answer is D

**49. The correct answer is C**

Accountants have a responsibility to act in the public interest .and a part of this obligation includes reporting or disclosing unethical behavior whenever identified. So, C is the correct answer,

**50. The correct answer is A**

The principles of confidentiality and loyalty are important to the profession. Before getting to the external whistleblowing it is advisable to take third party advice e.g. contacting a professional body or taking legal advice. Therefore, external whistleblowing should be a last resort option.

**END OF MARKING GUIDE AND MODEL ANSWERS**