



CERTIFIED ACCOUNTING TECHNICIAN (CAT)

STAGE 2 EXAMINATIONS

S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND
FINANCE

DATE: MONDAY, 23 AUGUST 2021

MARKING GUIDE AND MODEL ANSWERS

MARKING GUIDE

1. C
2. B
3. C
4. B
5. C
6. B
7. C
8. B
9. C
10. A
11. D
12. B
13. D
14. A
15. D
16. D
17. A
18. D
19. C
20. D
21. B
22. D
23. D
24. B
25. D

26. D
27. D
28. D
29. D
30. C
31. D
32. A
33. D
34. D
35. D
36. D
37. D
38. A
39. A
40. D
41. D
42. D
43. A
44. B
45. B
46. C
47. D
48. D
49. A
50. D

2 Marks for each correct answer 2
Total marks **100**

DETAILED MODEL ANSWERS

1. The correct answer is C.

Ismael was not straight forward and honest in the engagement by Iwacu Limited. He was influenced by the additional fee and his behavior of providing inaccurate financial information to the donors, or allowing the client to do so, could damage the reputation of the profession.

2. The correct answer is B

Because Mukamana acted dishonestly by lying in her CV on working experience. She also cooperated with her brother to forge the working experience.

3. The correct answer is C.

The CPD program is designed to update members with cutting-edge topics in the profession and hence promoting the principle of professional competence and due care

4. The correct answer is B.

Claudine as an Auditor preparing IFRS 9 model would contradicts her performance as an auditor. IFRS 9 Expected credit losses (ECL) is part of the number she will be auditing and hence promoting self-review threat.

5. The correct answer is C. Since, it is a statement which is not correct in regards to confidentiality.

Professional accountants have a professional duty to disclose confidential information when it is in the public interest and not prohibited by law. The words missing on the statement is not prohibited by law.

6. The correct answer is B,

The Code of Ethics states that 'the principle of professional behaviour imposes an obligation on all professional accountants to comply with relevant laws and regulations and avoid any action that may discredit the profession, then cooperating with clients to evade taxes is not profession behaviour as it may lead to criminal charges and discredit the profession by regulating body.

7. The correct answer is C.

Ethics can be described as a set of moral principles that provide guidance for our behaviors; these may be moral principles shared by a community or a societal group

8. The correct answer is B because institute is not mandated to conduct research.

The institute has a mandate of Regulating the accounting profession in, Preserving the integrity of the accounting profession, Promoting the competence and capacities of its members, Providing its members with professional education in accounting and other related disciplines, Issuing regulations to promote the functioning of the Institute, Taking disciplinary measures against members unable to perform their duties and guilty

of misconduct and Promoting and preserving the professional independence of its members while exercising their profession.

9. The correct answer is C

Because negligence is a civil offense.

Money laundering, Misappropriation of assets and financial statement fraud are a criminal offence (not a civil offence. Suspicions of them in Rwanda should be reported to the Rwanda Investigation Bureau (RIB).

10. The correct answer is A

Because Akeza has not demonstrated integrity by colluding with the client and also Integrity is relevant here as she was not act honestly in in helping the client to evade taxes.

11. The correct answer is D

Sensitivity essentially means respecting another's right to confidentiality and privacy. Employers have specific duties to respect the confidentiality of employee information, but this should be extended to individual relationships particularly if you have authority over others So, because James leaked client information to his friend, he has not demonstrated sensitivity to confidential information.

12. The correct answer is B

Because accountability is a professional quality not personal quality and others like Reliability, Respect, Courtesy and Timeliness are personal quality of a professional accountant

13. The correct answer is D

Because courtesy is a personal quality not a professional quality and others like independence, accountability and skepticism are professional quality of a professional accountant.

14. The correct answer is A

When acquiring clients, and also when working with continuing clients, the accountant must always be aware of the risk that their services are being used to facilitate money laundering or terrorist financing. ICPAR will also expect members to carry out customer due diligence on clients, report money laundering or terrorist financing, and keep proper records. Failure to comply with these requirements results in a breach of professional behaviour So, Customer Due Diligence (CDD) helps to interrupt the risk of money laundering and lowering the terrorist financing but cannot helps to avoid them.

15. The correct answer is D

A satisfied client may introduce others to your practice, and that's fine. You might also offer a commission fee or reward to your employees for bringing in a new client. But you should never offer financial incentives to a third party to introduce clients (a referral fee or commission) unless:

- ✓ The client is aware that the third party has been paid for the referral
- ✓ The third party is also bound by professional (or comparable) ethical standards, and can be trusted to carry out the introduction with integrity.

Accountants might also pay a referral fee to obtain a client. This could arise in the situation where the client continues as a client of another firm but requires specialist services not offered by that firm so, the incorrect statement is D because accounting firms are allowed to pay commission fees or referral fees to its employees, third parties in the practice and other practitioners.

16. The correct answer is D

Because performing services which are not within the competences of the accountant can lead to negligence which can later lead to damages to the client including poor service delivery, and reputational damage, also this leads to breach of the professional principle of professional competence and due care as well as discredit the profession.

17. The correct answer is A

Accountants often provide services for clients in return for fees which are charged on a time basis. This means the actual charge to their client will be based on length of time spent on the engagement multiplied by charge out rate. So, point A is not a determinant of professional service fees because every professional service has got deliverables to be provided.

18. The correct answer is D

Because serving two different organizations in different industries may not cause a conflict of interest to the professional accountant.

19. The correct answer is C

Because withdrawal from the engagement is the most appropriate to the conflict of interest as he is married to the Chief Finance Officer of the commercial bank.

20. The correct answer is D

Because all of the above should be considered when marketing professional services again, Kalisa must not also bring the profession into disrepute when marketing their services. This includes being honest and truthful.

21. The correct answer is B

It is important that members are not only independent but are also seen by others to be independent. The Code of Ethics (IESBA, 2016) provides advice on how accountants can maintain their objectivity in relation to all services. Where significant threats to objectivity are identified, safeguards have to be applied to eliminate the threats, or to reduce them to an acceptable level, among those safeguards include withdrawal from engagement team, supervisory procedures, terminating the financial or business arrangement, discussions with the senior management of the firm and discussions with those charged with governance at the client. So, removing Jean Paul on the team will make the firm independent of its new client.

22. The correct answer is D

Because stopping banking relationship with J&C Bank would remove its self-interest threat. (A) To discuss with those charged with governance of the client can be a safeguard but cannot remove the issue of self-interest immediately. (B) To decline the engagement is another option when there are no safeguards that can eliminate or reduce the threat to an acceptable level and select this will lead to lose the engagement. (D) To seek professional advice from ICPAR in an ethical circumstance.

23. The correct answer is D

Because avoiding circumstances that contradicts integrity/objectivity is an aspect of independence in appearance and point A, B and C are all the circumstances that demonstrate the independence of mind.

24. The correct answer is B

Because a junior staff with banking relationship at normal market rates does not pose a self-interest threat to independence. Other options A, C and D constitute the self-interest threat to independence of an accountant.

25. The correct answer is D

Because attendance of his client's anniversary seems ethically fine but covering the costs involved should be considered.

26. The correct answer is D

All options (i), (ii) and (iii) are factors that determine whether there is actual or intent to improperly influence professional judgement of the accountant.

27. The correct answer is D

All options (i), (ii) and (iii) are consequences of lack of code of conduct to its employees.

28. The correct answer is D

Because accountants are prohibited to hold client's money if holding the money is outside the scope of accounting profession and poses a risk to money laundering.

29. The correct answer is D

All options (i), (ii) and (iii) are factors that affect self-interest threat to professional competence and due care.

30. The correct answer is C

All options (i), (ii) and (iii) are factors that affect self-interest threat to professional competence and due care.

31. The correct answer is D

Because Jean Paul is allowed to participate politically but should separate personal political views from his job.

32. The correct answer is A

Accountants who work in the public sector must be politically neutral, so that they can work effectively with current and future governments (and politicians), without favoring one political party over another and this help him/her also to work in the public interest.

33. The correct answer is D

Because Jean Baptiste as a member of public can have personal opinions but should not go for or against government policies publicly.

34. The correct answer is D

All options are true, because the incorporation documents, share register, index of shareholders, register of directors and minutes of all meeting should be kept at the company's office and should be updated regularly. These documents are perpetual to the company's existence. Refer to 2021 company's act article 111.

35. The correct answer is D

Because, written communication to shareholders should be kept at least 7 years. Refer to 2021 company's act article 111 and all other records should be kept at least 10 years.

36. The correct answer is D

Because, funds flow statement is not an accounting record as per the company's act. Refer to 2021 company's act article 121.

37. The correct answer is D

Because Historical value of the documents does not affect how long to keep the records.

38. The correct answer is A,

Where the company changes the place at which its records are kept, it must, within fifteen (15) days of the change, notify the Registrar General.

39. The correct answer is A

Because a company can keep records for a period of more than 10 years depending on the value of the documents.

40. The correct answer is D

Because, partner's influence over the job of Peace should not affect her ethical decision. So, point B&C are not correct, point A has only two factors hence, the correct answer is D as it captured all factors that Peace has to consider.

41. The correct answer is D

Peace should refuse the invitation in place and inform the partner that it is unethical, and if repeated she will inform the relevant authorities.

42. The correct answer is D

To give a compliment, interrupting Peace in her working hours and not calling peace in his office are not the facts showed that the Managing partner acted unethically. the unethical act made by the partner to Peace was sexual harassment. So from all points provided no correct answer.

43. The correct answer is A

Because escalating the issue to the manager in charge of the assignment would help to sort the issue in due course. Reporting to engagement partner will not be a good approach as here the auditor skipped the level of manager who is in charge. Reporting to RIB or ICPAR is not ethical as the report was still confidential to the outsiders.

44. The correct answer is B

Because escalating the issue to the board audit committee would help to sort the issue in due course. The Chief Executive Officer and Group Internal Auditor were not the right person to report to as they are part of management and ICPAR disciplinary committee was also not the right part as this was external part and the report was still confidential to them.

45. The correct answer is B

Law No 47/2008 ('Law on prevention and penalising the crime of money laundering and financing terrorism') (Parliament of the Republic of Rwanda, 2008) identifies that money laundering includes:

- ✓ Converting, transferring or handling criminal property
- ✓ Concealing or disguising the nature and origin of criminal property
- ✓ Acquiring, using or possessing criminal property
- ✓ Participating in, or associating with, attempts to commit any of these activities

So, financing a business idea abroad without confirmation with Rwanda Development Board does not constitute the money laundering.

46. The correct answer is C

Because the whistleblowing can be internal or external, but external whistleblowing should be a last resort option, so, it should not only be done externally to avoid consequences of employers. Point A, B and D constitute whistleblowing activities in a company.

47. The correct answer is D

Because financing armed groups in DRC is a suspicion of money laundering and any suspicion of that should be reported to FIU as the only authority in Rwanda to which any suspicions of money laundering must be reported.

48. The correct answer is D

Because disclosure of unethical act is important in development of the country, it is in public interest and is a requirement of professional code of ethics to do so.

49. The correct answer is A

Because reporting an unethical issue externally is the last resort, she had been reported internally to tax partner and if tax partner failed to sort out the issue, the issue would be reported to higher authority within the firm and the final resort would be RRA as the issue was about tax fraud and this would be done in case all authorities within the firm failed to fix the issue.

50. The correct answer is D

Because reporting to ICPAR is not a money laundering requirement as per the law. Implementing customer due diligence, keeping information for 10 years, developing and maintaining programs against money laundering like anti-money laundering procedures and developing a permanent function to ensure the necessary measure are adopted to comply with anti-money laundering legislation are all requirements on money laundering measures.