



CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND
FINANCE
DATE: MONDAY, 23 AUGUST 2021

INSTRUCTIONS:

1. Time allowed: **2 hours and 30 minutes**
2. This examination has **one** section only: **Section A**
3. Section A has **50 compulsory** multiple-choice questions equal to 2 marks each.

- 1 Mr. Ismael, is an accountant into practice and has registered as member in the category of Certified Accounting Technician in Rwanda. Iwacu Limited approached Ismael to assist in the preparation of financial reports to present to its Donors. The Managing Director of Iwacu plc (Shema) booked a dinner meeting in one of the prestigious hotels in Dubai to discuss on the new engagement on the account of Iwacu Limited. They flew from Kigali to Dubai for the meeting. "You realize we need financial reports to give to our donors to account for donations received in the last 3 years and here I have a deal with you" Shema told Ismael. "If you help us to prove that the costs were doubled in the last two years, it will be a great deal to you because I will increase Frw 50 million on the agreed engagement fee". Shema added. Ismael nodded his head starrng at the red wine glass, and replied: "you know, that is against our code of ethics as accountants but it is all about debit and credit; that is simple!". Cheers! Ismael accepted.

Which principle of ethical behaviour regulating accountants, did Ismael disobey?

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

- A (i) only
- B (ii) only
- C (ii) and (iii)
- D (i), (ii), and (iii)

(2Marks)

- 2 Mukamana is a CAT student and wanted to look for a full-time job to shift from informal sector to a white color job. She has been working with her Mum in a fashion shop as a salesperson. She applied for a post of Chief Accountant and recently she had an interview with the CEO of the company and in her Curriculum Vitae (C.V), she mentioned that she possesses 5 years of experience in a manufacturing company as an accountant. She engaged her brother who is a Managing Director of a reputable company to recommend her working experience.

Which principal code of ethics, has Mukamana violated?

- A Confidentiality
- B Integrity
- C Objectivity
- D Professional behavior

(2Marks)

- 3 ICPAR prepares CPD calendar every year and members are required to comply to at least 20 structured CPD hours and 20 unstructured CPD hours. Many resources are invested in the CPD programs by the Institute for the members to uphold code of ethics in the accounting profession in Rwanda. **Fulfilling the required CPD hours will mostly help ICPAR members to:**

- A To demonstrate high level of integrity in their daily activities
- B To show professional behavior
- C To get cutting-edge knowledge and skills and hence serving clients better
- D To enhance their independence and objectivity in the profession.

(2Marks)

- 4 Claudine has been appointed as an Auditor in Bank of Musanze PLC, a company involved in banking sector registered in Rwanda. The management of the bank approached the auditor to prepare an IFRS 9 model to calculate expected credit losses of its financial assets. **Which threat to independence will Claudine face?**

- A Self-interest threat
- B Self-review threat
- C Intimidation threat
- D Familiarity threat

(2Marks)

- 5 Professional accountants are not allowed to disclose confidential information outside the firm or employing organization; or use confidential information to their personal advantage or the advantage of third parties. **Which of the following statement is NOT correct in regards to confidentiality?**

- A Disclosure is allowed upon the consent of the client or the employer.
- B Legal duty to disclose the information
- C Disclosure on the grounds of public interest
- D Professional right or duty to disclose the information

(2Marks)

- 6 **Which of the following is NOT included in the professional behaviors that Accountants are called upon to uphold?**

- A Compliance with laws and regulations
- B Cooperating with clients to evade taxes
- C Being a person of integrity at work and in personal life
- D Promoting personal opinions in the community and political affiliations.

(2Marks)

7 Which of the following statements is the most accurate? Ethics can be described as:

- A A commitment to upholding the law.
- B An individual's personal opinion about right and wrong.
- C A set of moral principles that provide guidance for our behaviors
- D An art of being morally responsible and accountable for our behaviors

(2Marks)

8 Which of the following is NOT a mandate of ICPAR as stipulated by law no.11/2008 establishing the Institute?

- A Regulating the accounting profession in Rwanda
- B Conducting research in accounting and related discipline in Rwanda
- C Promoting the competence and capacities of its member
- D Taking disciplinary measures against its members

(2Marks)

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

Which of the following offence would NOT be prosecuted as a criminal offence?

- A Misappropriation of assets
- B Financial statement fraud
- C Negligence
- D Money laundering

(2Marks)

10 Akeza is an employee in one of the big four audit firms in Rwanda. She is a tax consultant and a member of ICPAR. Last week, she helped the client to evade taxes and Rwanda Revenue Authority (RRA) has penalized the client with huge interests and penalties.

Which of the following qualities of ethical behavior has Akeza failed to demonstrate?

- A Integrity
- B Honesty
- C Fairness
- D Sensitivity

(2Marks)

- 11 Iwacu Ltd is a tax consultancy company authorized by RRA, and recently employed a new tax advisor "James". James leaked information to his friend "Andrew" to buy shares of their client due to its high profitability trend.

Which of the following qualities of ethical behavior has James failed to demonstrate?

- A Integrity
- B Honesty
- C Fairness
- D Sensitivity

(2Marks)

- 12 **Which of the following is NOT a personal quality of a professional accountant?**

- A Reliability
- B Accountability
- C Respect
- D Timeliness

(2Marks)

- 13 **Which of the following is NOT a professional quality of a professional accountant?**

- A Independence
- B Accountability
- C Skepticism
- D Courtesy

(2Marks)

- 14 **Which of the following is NOT correct in regards to Customer Due Diligence?**

- A Customer due diligence avoids money laundering and terrorism financing
- B Customer due diligence can lead to breach of laws and regulations
- C Customer due diligence is required by ICPAR to all Accountants in practice
- D Customer due diligence is a risk management procedure.

(2Marks)

- 15 Shema Consult Ltd is a registered audit firm in Rwanda. Karake is the managing Partner of the firm for the last 5 years. One of his employees brought a new client and Shema Consult had introduced a bonus scheme to whomever recruited new clients.

Which of the following is NOT correct in regards to commission fees on recruitment of new clients?

- A Professional accounting firms can award commissions to its employees for bringing new clients
- B Commission fee can be paid to third parties for introducing new clients.

- C Professional accounting firms may pay a referral fee to obtain new clients
- D Accounting firms are not allowed to pay commission/referral fees when looking for new clients

(2Marks)

16 Why are Accountants not allowed to accept engagement for the services of which they are not competent to perform like external audit, insolvency practice and corporate finance services?

- A This can cause delivery of poor service to the client
- B This can lead to professional liability of the practitioner
- C This breaches the professional principle of professional competence and due care as well as discredit the profession
- D All of the above

(2Marks)

17 When entering into negotiations regarding professional services, a member in practice may quote whatever fee they deem to be appropriate.

Which of the following is NOT a determinant of professional service fees?

- A Expected deliverables to the client
- B Time to be spent on the engagement
- C Level of expertise required
- D Number of resources needed

(2Marks)

18 A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.

Which of the following circumstances is NOT considered as a threat to a conflict of interest?

- A Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the professional accountant to the advantage or disadvantage of the other organization.
- B Undertaking a professional activity for each of the two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.
- C Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.
- D Serving two organizations in different industries which operate in the same country at the same operational bases.

(2Marks)

- 19 Kamana is a managing partner of ABC Consult, and his wife works in a commercial bank as the Chief Finance Officer (CFO). He has been approached to provide audit services for the year ended 31 December 2020.

Which among the following safeguards is the most appropriate to Kamana to address the threat of conflict above?

- A Restructuring or segregating certain responsibilities and duties.
- B Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.
- C Withdrawing from the appointment as the auditor of the bank
- D Getting a consent from ICPAR to undertake the engagement

(2Marks)

- 20 Kalisa is a managing partner of Kami Consult and has just obtained his Practicing Certificate (PC) from ICPAR last month. Kalisa is thinking of marketing activities to attract more clients. As a Public Accountant, **how would you advise Kalisa to be the most appropriate course of action when marketing his professional activities?**

- A Kalisa is allowed by the professional code of ethics to market his professional services to the public
- B Kalisa should not exaggerate his services, qualifications and experience when marketing his professional services.
- C Kalisa is not allowed to unsubstantially compare his firm to the work of other professionals and should not involve in activities that discredit the profession
- D All of the above.

(2Marks)

- 21 Jean Paul is a senior auditor in Akiwacu CPAs. One of the commercial banks in Rwanda has approached Akiwacu CPAs to provide audit services to the bank. The Senior Partner has accepted the engagement and allocated Jean Paul to be the team leader on that engagement. Jean Paul has informed his Partner that he has entered into a loan arrangement with the commercial bank, and that he doubts his independence to the client.

What is the most appropriate course of action by Akiwacu CPAs towards this engagement?

- A Since Jean Paul is not a partner, it is fine to lead the team on the engagement
- B To remove Jean Paul from the engagement team
- C To seek consent from ICPAR
- D To decline the engagement

(2Marks)

22 VWK Partners is a renowned audit firm in Rwanda. It has provided audit to big commercial banks in Rwanda including but not limited to microfinance institutions.

VWK Partners has entered into a banking relationship with J&C Bank. For treasury management, it has deposited five hundred million Rwandan francs (Frw 500,000,000) at a fixed rate of 10%. J&C Bank has appointed VWK Partners as their external auditor for a period of 3 years as per BNR rotational requirements.

What is the most appropriate course of action to be taken by VWK Partners?

- A To discuss with those charged with governance of the client
- B To decline the engagement
- C To seek professional advice from ICPAR
- D To stop banking arrangements with J&C Bank

(2Marks)

23 **Which of the following circumstances does NOT demonstrate independence of mind?**

- A An auditor believes to be independent of any action that can impair his/her independence.
- B The Accountant acknowledges the consequences attached to lack of independence at work
- C The accountant recognizes threats to independences and their safeguards
- D The Accountant avoids circumstances that may contradict his/her integrity, objectivity and professional skepticism

(2Marks)

24 **Which of the following does NOT constitute self-interest threat to independence of an accountant?**

- A Accounting firm have entered into a loan agreement with its prospective client.
- B A Junior auditor has a bank account with the audit client at prevailing market terms
- C Engagement Partner's wife is an executive director of the audit client
- D Audit firm has deposited significant amounts in its audit client's bank

(2Marks)

- 25 Peter is a member in practice. His client, PPD Ltd is one the renowned hotels in Kivu resort. Recently, PPD Ltd celebrated a 20-year anniversary for its existence. The Managing Director of the hotel has a good relationship with Peter and has invited him to come and celebrate together. “You will stay in our hotel for 2 days free of charge, transport shall be arranged for you, accommodation and meals are all on us” the invitation read.

As a CAT graduate, what would be the most appropriate course of action in such circumstances?

- A To accept the invitation and attend the anniversary celebrations to foster client relationship
- B To seek consent and approval from ICPAR
- C To decline the invitation and explain to his client that the attendance can impair his independence
- D To accept the invite and commit himself to cover the significant costs involved.

(2Marks)

- 26 A professional accountant shall not offer, or encourage others to offer, any inducement that is made, or which the accountant considers that a reasonable and informed third party would be likely to conclude that, there was intent to improperly influence the behavior of the recipient or of another individual.

Which of the following factors are correct with regards to determining whether there is actual or intent to improperly influence professional judgement of the accountant?

- (i) The nature, frequency, value and cumulative effect of the inducement.
- (ii) Whether the inducement is a customary or cultural practice in the circumstances
- (iii) The roles and positions of the individuals offering or being offered the inducement

- A (i) only
- B (ii) only
- C (iii) only
- D (i), (ii) and (iii) only

(2Marks)

- 27 KCP CPAs is an auditing firm registered in Rwanda. It has gained a good reputational image for the last 5 years. The firm has not introduced a code of conduct detailing acceptable course of action to its employees.

As an Accounting Technician, **what are the consequences of lack of a code of conduct within a firm?**

- (i) One employee's misconducts can impact the flow of work to the firm and hence affecting other employees
- (ii) Noncompliance can lead to legal risks and damages
- (iii) Reputational damages

- A (i) and (ii) only
- B (ii) and (iii) only
- C (iii) only
- D (i) (ii) and (iii) only

(2Marks)

- 28 Accountants who work in practice may come into contact with clients' monies. Client monies are any funds or other documents that can be converted into money that the accountant in practice holds on behalf of a client.

Which among the following circumstances would accountants in practice not allowed to hold clients' monies?

- (i) When holding the client's money is outside the regulated activities of the accounting profession
- (ii) When holding the client's money constitute money laundering activities
- (iii) When holding the client's money can pose risk of fraud to the accountant

- A (i) only
- B (ii) only
- C (iii) only
- D (i) and (ii) only

(2Marks)

29 Which among the following constitutes a self-interest threat to compliance with the principle of professional competence and due care?

- (i) Insufficient time for performing or completing the relevant duties.
- (ii) Incomplete, restricted or otherwise inadequate information for performing the duties.
- (iii) Insufficient experience, training and/or education.

- A (i) and (ii) only
- B (ii) and (iii) only
- C (iii) only
- D (i), (ii) and (iii) only

(2Marks)

30 Which of the following circumstances and facts would impact on a self-interest threat that would impair the independence of an accountant?

- (i) A professional accountant having a direct financial interest in a client.
- (ii) A professional accountant quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.
- (iii) A professional accountant having a close business relationship with a client

- A (i) only
- B (ii) only
- C (i), (ii) and (iii) only
- D (i) and (ii) only

(2Marks)

31 Rwanda is a sovereign country under democracy and rule of law principles. Rwanda accepts multi-parties' system and encourages freedom of expression for its citizens. Jean Paul is an accountant in the Ministry of Education and is willing to participate in one of the political parties in Rwanda. He has approached you for an advice to comply ethically.

What is the correct course of action in dealing with political engagements?

- (i) Jean Paul is allowed to join a political party
- (ii) Jean Paul is not allowed to join a political party
- (iii) Jean Paul should separate personal political views from his accounting profession

- A (i) only
- B (ii) only
- C (iii) only
- D (i) and (iii) only

(2Marks)

- 32 Ineza is a student doing accounting in Secondary school in Rwanda and she is interested in pursuing her interests in accounting further. She has approached you and asked you "why should accountants who work in the public sector be politically neutral?"

What is the correct answer that should be given to Ineza?

- (i) Because it would help them to serve public interests thorough
- (ii) Because they would be able to work effectively with current and future governments and politicians
- (iii) Because they would be able to serve all politicians without favoring anyone

- A (i), (ii) and (iii) only
- B (ii) only
- C (iii) only
- D (i) and (ii) only

(2Marks)

- 33 Jean Baptiste is a member of ICPAR and is employed in one of the big 4 auditing firms in Rwanda. He is also a member of one of the political parties in Rwanda. Recently, the government published the fiscal budget for 2021-2022 of which he had a different personal perception of what should constitute funds allocated to different sectors of the economy. Recently, he wrote an article as an expert in accounting and management in one of the renowned online newsletters claiming that the Ministry of Finance has poorly developed the budget by allocating funds to different sectors wrongly and inequitably.

What did Jean Baptiste do unethically as an accountant in practice?

- (i) Jean Baptiste got involved in politics, yet he is an accountant
- (ii) Jean Baptiste expressed his personal views publicly as a public accountant against the government
- (iii) Jean Baptiste expressions discredit the profession and the employer

- A (i) only
- B (i) and (ii) only
- C (i) and (iii) only
- D (ii) and (iii) only

(2Marks)

34 The 2021 Companies Act regulating companies in Rwanda stipulates that every company must keep certain records at its registered office, or at any other place in Rwanda.

Which of the following records should be updated and kept permanently by every company?

- (i) Its incorporation documents
- (ii) The share registers
- (iii) The index of shareholders
- (iv) A register of interests of directors
- (iv) Minutes of all meetings by general assembly, shareholders, board of directors, and management

- A (i) and (ii) only
- B (i), (iii) and (iv) only
- C (i), (ii), (iv) and (v) only
- D (i), (ii), (iii), and (iv) only

(2Marks)

35 The 2021 Companies Act regulating companies in Rwanda stipulates that every company must keep certain records at its registered office, or at any other place in Rwanda.

Which of the following records should be kept for at least 10 years?

- (i) Minutes of all general meetings and resolutions of shareholders
- (ii) Minutes of all meetings and resolutions of directors and board committees
- (iii) Certificates given by directors under company's act
- (iv) Copies of all annual accounts, auditors and directors' reports
- (v) Copies of all written communications to all shareholders or all holders of the same class of shares

- A (i) and (ii) only
- B (i), (iii) and (iv) only
- C (i), (ii), (iv) and (v) only
- D (i), (ii), (iii), and (iv) only

(2Marks)

- 36 The 2021 Companies Act regulating companies in Rwanda stipulates that every company must keep accounting records that give a true and fair view of the company's financial position and that explain its transactions and comply with accepted accounting standards.

Which of the following is NOT considered as an accounting record as per the company's act?

- A Daily receipts and expenses with their accounting documents
- B A register of assets and liabilities of the company; and services provided and relevant invoices
- C Register of sales and purchases and related invoices and a register of stock held and its valuation
- D Statement of funds flow

(2Marks)

- 37 **Which among the following is NOT a determinant of how long company records should be kept?**

- A Legal or regulatory requirement
- B Costs of keeping the records
- C The organization's own need to access the documents
- D Historical value of the documents

(2Marks)

- 38 The 2021 Companies Act regulating companies in Rwanda stipulates that every company must keep certain records at its registered office, or at any other place in Rwanda. Where the company changes the place at which its records are kept, it must notify the Registrar General.

As per the Companies Act in Rwanda, how often should the Registrar General be notified of a change in the registered office?

- A Within fifteen (15) days of the change
- B Within ten (10) days of the change
- C Within seven (7) days of the change
- D Within five (5) days of the change

(2Marks)

39 Which of the following is NOT correct in regard to maintaining proper books of accounts by accountants?

- A Company records should be kept for a maximum period of 10 years as required by the law
- B Company records to be kept should contain complete, accurate and valid information
- C Keeping company records is a legal or regulatory requirement
- D Confidential records should be kept out of reach of the public

(2Marks)

Please use the following case study to answer question 40 to 42 below:

Peace is a Senior Auditor in one of the auditing firms in Rwanda called "ABC Partners". Recently, the Managing Partner of ABC Partners called her in his office and said, "today you look sexy in your dress". Peace was surprised but she looked down to avoid eye contact with her boss and she recalled the previous week when she met the Managing Partner in the elevator and he touched her dirtily.

The Managing Partner went ahead and requested Peace to meet her the following weekend in one of the prestigious hotels in Musanze.

Peace was surprised and responded "thank you Sir, let me think about it and I will get back to you soon."

"Thank you in advance and I expect your good feedback not later than this Thursday." The Partner replied.

40 What are the factors that Peace should consider to assess what course of action she should undertake?

- (i) Relevant facts
- (ii) Established internal procedures
- (iii) Partner's decision to dismiss her
- (iv) Alternative courses of action, considering the consequences of each

- A (i) and (ii) only
- B (i), (iii) only
- C (i), (ii), and (iii), only
- D (i), (ii), and (iv) only

(2Marks)

41 **What is the most appropriate course of action for Peace to undertake?**

- A To report the Managing Partner to RIB (Rwanda Investigation Bureau)
- B To report the managing partner to ICPAR
- C To inform the scene to the Human Resources Manager
- D To refuse the invitation and inform and warn the partner that it is unethical

(2Marks)

42 As an Accounting Technician, **what indicates that the Partner may have acted unethically?**

- A Because the Managing partner gave a compliment to Peace
- B Because the Partners interrupted Peace in working hours
- C Because the Managing Partner is not allowed to call Peace in his office
- D None of the above.

(2Marks)

43 You are a junior auditor in one of the big 4 accounting firms in the world operating in Rwanda. You heard your leading senior having a chat with the Chief Finance Officer of the audit client and agreed that you will be offered Frw15 million and remove some adjustments identified during the course of the audit that would turn into their financial performance as loss making.

What is the most appropriate course of action you should take?

- A Discuss the issue to the manager in charge of the assignment
- B Report the issue to the engagement partner of the assignment
- C Report the senior to RIB
- D Report the senior to ICPAR

(2Marks)

44 Jules is an Internal Auditor in the private sector and a member of ICPAR. Recently, he identified adverse findings and the management pressured him to remove some of the issues to avoid pressure from the Board of Directors.

What is the appropriate course of action Jules should undertake?

- A Discuss the issue with the Chief Executive Officer
- B Report the issue to the Board Audit committee
- C Report the issue to the Group Internal Auditor
- D Discuss the issue with ICPAR Disciplinary committee

(2Marks)

45 As per the Law No 47/2008 ('Law on prevention and penalizing the crime of money laundering and financing terrorism').

Which of the following does NOT constitute money laundering?

- A Converting, transferring or handling criminal property
- B Financing a business idea abroad without confirmation with Rwanda Development Board
- C Acquiring, using or possessing criminal property
- D Concealing or disguising the nature and origin of criminal property

(2Marks)

46 **Which one of the following does NOT constitute whistleblowing activities in a company?**

- A Ways in which accountants can raise any ethical issue
- B Disclosure of illegal and unethical practices of an employer
- C Whistleblowing is only done externally to avoid consequences of employers
- D Whistleblowers cannot be sued for the disclosure of unethical act

(2Marks)

47 Pierre is an Accountant in one of the manufacturing companies in Rwanda. Recently, he was promoted to the Chief Finance Officer of the company and has identified in one of the expenses lines named “other miscellaneous expense” money sent abroad to finance armed groups in the Democratic Republic of Congo (DRC).

As a professional Accountant, what is the most appropriate course of action to undertake in regard to the scenario above?

- A To report the issue to RIB
- B To report the issue to ICPAR
- C To seek legal advice from inhouse legal counsel
- D To report the issue to the Financial Investigation Unit (FIU)

(2Marks)

- 48 Joannah is an Accounting Technician, and she recently noted that the audit manager slapped her senior auditor because of poor audit report writing. Joannah was surprised and she is afraid to speak up.

As an accounting professional, **why would you think accountants should disclose any unethical act?**

- A Because accounting profession is important in development of the country
- B Because accountants act in public interest
- C Because it is a requirement of professional code of ethics
- D All of the above

(2Marks)

- 49 Kamaliza is an experienced tax consultant in one of the big 4 audit firms in Rwanda. Recently, she was pressured by her supervisor to conceal some of the expenses in tax declarations of the client that would change the tax position of the client. Kamaliza is conscious about reporting his supervisor to the tax partner, fearing unfair performance appraisal by her supervisor. To erase her fears, she went ahead and reported the issue to Rwanda Investigation Bureau (RIB) so that her performance appraisal is not hampered

As an accounting professional, do you think Kamaliza did the right thing?

- A Kamaliza did wrongly by reporting his supervisor to RIB
- B Kamaliza reporting at first instance to external parties
- C Kamaliza should have first reported to RRA because the issue relates to tax
- D Kamaliza demonstrated fear in reporting unethical behavior

(2Marks)

- 50 The legislation against money laundering (No 47/2008, Article 15) requires accountants to pay special attention to all complex, unusual patterns of transactions, which have no apparent economic or visible lawful purpose. Financial institutions and reporting authorities (including auditors) are required to adopt measures to help prevent and identify money laundering and terrorist financing.

Which among the following does NOT include money laundering requirements?

- A Implementing customer due diligence, keeping information for ten years
- B Developing and maintaining programs against money laundering like anti-money laundering procedures
- C Developing a permanent function to ensure the necessary measures are adopted to comply with anti-money laundering legislation
- D Reporting any money laundering case to ICPAR

(2Marks)

End of question paper