
CERTIFIED ACCOUNTING TECHNICIAN (CAT)
STAGE 2 EXAMINATION
S2.3 PROFESSIONAL ETHICS IN
ACCOUNTING AND FINANCE
PILOT PAPER

Instructions

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

Section A

1. Indicate which of the following definitions reflects the provisions of the IESBA *Code of Ethics*:
 - (i) Confidentiality is respecting the confidentiality of information obtained as a result of professional and business relationships
 - (ii) Courtesy is complying with relevant laws and regulations and avoiding any conduct that might discredit the profession
 - (iii) Integrity is being straightforward and honest in all professional and business relationships
 - (iv) Independence is not compromising professional or business judgment because of bias, conflict of interest or undue influence of others

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

(2 marks)

2. An auditor may be found liable to the members of the audited entity in relation to which of the following areas of the law?
 - (i) Under the tort of negligence
 - (ii) Under contract in relation to the engagement letter
 - (iii) Under employment law
 - (iv) Under the Rwanda Companies Act 2017

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

(2 marks)

3. Lorraine works for the Ministry of Agriculture and Animal Resources. Lorraine has been allowed the unofficial use of a holiday home owned by Agrico Ltd, one of the country's leading farming conglomerates, in return for promoting its view of proposed regulatory changes affecting the farming industry.
Which of the Principles of Public Life has Lorraine breached?
 - (i) Accountability
 - (ii) Integrity
 - (iii) Independence
 - (iv) Selflessness

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

(2 marks)

4. Liliane works as an accounts assistant in a Kigali-based accountancy firm, and her work has so far involved the preparation of financial statements for sole traders.

Her supervisor has asked Liliane to prepare the financial statements of BigTech Ltd, without any additional training.

Which ethical principle is most at risk if Liliane undertakes this work?

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

(2 marks)

5. Which of following fall within the range of responsibilities of the Institute of Certified Public Accountants of Rwanda?

- (i) Promoting the competence and capacities of its members
- (ii) Promoting the accountancy profession to the public
- (iii) Issuing regulations to promote the functioning of the Institute
- (iv) Performing the assessment of taxation liabilities

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

(2 marks)

6. Olivier is an accountant in a large accountancy practice and is in the process of preparing the financial statements for two separate clients, Ruhango Ltd and Kayonza Ltd.

After reviewing a member of his staff's working papers, Olivier discovers that Ruhango Ltd has made a substantial loan of RWF 1bn to Kayonza Ltd. Olivier is fully aware that Kayonza Ltd is facing serious financial difficulties and there are doubts whether Kayonza Ltd will continue as a going concern in the foreseeable future.

In line with the guidance of the IESBA *Code of Ethics*, which two of the following safeguards would it be most appropriate for Olivier to implement as first steps to help mitigate the threats present here?

- A Withdraw from one of the engagements with immediate effect
- B Inform both Ruhango Ltd and Kayonza Ltd that he is acting for both of them
- C Obtaining advice from the accountancy firm's legal counsel
- D Have his work reviewed by an external quality control reviewer
- E None of the above

(2 marks)

7. Which of the following are examples of safeguards created by the profession, legislation or regulation?

- A Quality controls and internal audit procedures

- B Mechanisms to protect and empower staff to draw attention to unprofessional or unethical behaviour
- C Use of ethics committees or forums
- D Organisational policies to document threats
- E None of the above **(2 marks)**

8. ICPAR members are required to undertake Continuing Professional Development (CPD).

Which of the following are the responsibility of a member's employer?

- A Providing relevant professional training at an appropriate level
- B Identifying any skills shortfalls arising in the course of the member's work
- C Assessing the member's future learning needs
- D Reporting those members who fail to keep up CPD to ICPAR
- E None of the above **(2 marks)**

9. An ICPAR member, Jean Damascene, has just informed his employer that he is unwell and thus unable to attend work. Jean Damascene is not unwell.

Which of the following qualities of ethical behaviour has Jean Damascene most clearly failed to demonstrate?

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

10. Which of the following actions are most likely to involve a breach of ICPAR and other guidance regarding the marketing of professional services?

- (i) Taking out adverts in the regional press which claim to provide accounting services of the highest quality
- (ii) Telephoning potential clients from a list of contacts brought by a partner who recently joined from another firm
- (iii) Taking out adverts in the national press which claim to provide better accounting services than a named competitor
- A (iii) only
- B (ii) and (iii)
- C (i) and (iii)
- D (ii) only
- E None of the above **(2 marks)**

11. In which of the following situations would an ICPAR member practising as an auditor be obliged to breach client confidentiality?

- (i) Auditor suspects client has committed treason
- (ii) Disclosure needed to protect auditor's own interests
- (iii) Auditor knows client has committed a terrorist offence

- (iv) It is in the public interest to disclose
- (v) Auditor considers there to be non-compliance with industrial regulations
- A (i) only
- B (iii) and (iv)
- C (i) and (iii)
- D (i), (iii) and (v)
- E None of the above

(2 marks)

12. Christella is an ICPAR member working as a tax consultant in a large accountancy firm. While at a social gathering her friend, Agnes, asks her for advice on the best way to shelter her small business profits from costs arising from taxation.

Which of the following depicts the most appropriate course of action, and the most persuasive reason for doing so, for Christella to take?

- A Christella should not offer Agnes advice, because she is not legally obliged to do so
- B Christella should offer Agnes advice, because the ethical requirement to be sensitive to the needs of others supervenes upon other ethical principles
- C Christella should not offer Agnes advice because she is not in a position to apply a professional standard of care in so doing
- D Christella should offer Agnes advice, because a different standard of care may be applied in a social, rather than a professional, setting
- E None of the above

(2 marks)

13. Mukamusinga Tech Ltd has grown substantially over the last few years, and has recently drafted a Code of Conduct that will apply to all employees.

Which of the following describe reasons why employees should adhere to such a Code of Conduct?

- (i) An ICPAR member adhering to the Code of Conduct will by virtue of this also adhere to ICPAR ethical guidelines
- (ii) Adhering to the Code of Conduct is likely to help to create a good image for potential clients
- (iii) Adhering to the Code of Conduct is likely to help the employee to comply with laws and regulations
- A (i) only
- B (iii) only
- C (i) and (iii)
- D (ii) and (iii)
- E None of the above

(2 marks)

14. In which of the following situations would it be acceptable for a firm of ICPAR accountants to hold a client's monies?

- A For clients suspected of involvement in money laundering

- B For investment business clients where the accountant is not subject to regulation
 - C Where there is a condition on the accountant's licence to prohibit dealing in client monies
 - D Where client monies may be subject to appropriation by the accountant
 - E None of the above
- (2 marks)**

15. Charles Mutsinzi works for Mucyo & Co ICPAR accountants, and has discovered a breach of industry regulations by his client, Kabuga Ltd.

In which of the following situations would Charles be able to disclose confidential information about Kabuga Ltd?

- (i) Disclosure is required by law
- (ii) Disclosure is permitted by law but the accountant has not requested the client's permission
- (iii) The auditor suspects that the client has committed money-laundering offences

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

(2 marks)

16. Which of the following does not represent an advantage of the principle of confidentiality in the accountant's relationship with their client?

- A Confidentiality allows the accountant and client to speak freely
- B Confidentiality promotes trust in the relationship between accountant and client
- C Confidentiality helps protect the accountant from the charge of failing to report breaches of the law
- D Confidentiality protects the client from their information being used inappropriately

- E None of the above

(2 marks)

17. Jean-Baptiste is an ICPAR member working as a junior auditor in a medium-sized Kigali practice. The audit of Nyagatare Ltd is nearing completion, and the audit manager has asked Jean-Baptiste to resolve the outstanding review points in relation to the audit of payables. Jean-Baptiste has never audited payables before, and the review points must be resolved within the hour.

Which of the following ethical principles is most clearly under threat?

- A Professional competence and due care
- B Professional behaviour
- C Objectivity
- D Confidentiality
- E None of the above

(2 marks)

18. ICPAR members working in the public sector should be politically neutral.

Which of the following ethical threats is most likely to be present if the member is not neutral?

- A Intimidation
- B Self-review
- C Self-interest
- D Advocacy
- E None of the above

(2 marks)

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

- A The Articles of Association should be held for 20 years
- B Minutes of all shareholder meetings, and shareholder resolutions, should be held for 10 years
- C Minutes of all meetings and resolution of directors, and of directors' committees, should be held for 5 years
- D Copies of financial statements should be held for 6 years
- E None of the above

(2 marks)

20. Alphonse is a junior auditor working at a medium-sized practice. He has been asked by his manager to use confidential information gained from an audit client in order to help promote the firm to potential clients.

With whom should Alphonse first discuss the ethical dilemma raised by this request?

- A The professional body (ICPAR)
- B The next level of management above the manager in question
- C The client
- D The manager themselves
- E None of the above

(2 marks)

21. Kaneza Ltd is an audit client of Manzi & Co. During the year it was discovered that Kaneza Ltd had inadvertently spilled pollutants into the local river, leading to significant damage to local wildlife. This fact has not been reported outside of Kaneza Ltd.

Separately from this, audit work discovered that Kaneza Ltd has been used to launder money for a criminal organisation.

Finally, it was found that Ronald Mukakigeli, the finance director at Kaneza Ltd, has failed to properly manage a conflict of interest that arose during the period being audited.

Which of the following matters is Manzi & Co obliged to report to the relevant authorities?

- (i) The spilled pollutants
- (ii) The money laundering
- (iii) The finance director's conflict of interest

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

(2 marks)

22. Law N° 35/2012 relates to the protection of whistleblowers.

Which of the following statements are correct in relation to this legislation?

- (i) Civil servants are required to disclose any information they have regarding unethical behaviours in their workplaces
- (ii) Whistleblowers cannot be sued for making disclosures
- (iii) Whistleblowers are only protected from legal action where disclosures are made in good faith

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

(2 marks)

23. The 2008 Rwanda anti-money laundering law identifies the features of money laundering.

Which of the following are features of money laundering?

- (i) Concealing or disguising the nature and origin of real estate
- (ii) Acquiring, using or possessing criminal property
- (iii) Converting, transferring or handling criminal property

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

(2 marks)

24. Hervé is an audit partner at Ruzindana & Co. He suspects that his client, James Mutsinzi, has been using the audited company to launder money for an international criminal enterprise.

What should Hervé do?

- A Report his suspicions to the Financial Investigation Unit
- B Immediately confront Mr Mutsinzi and implore him to desist from his activities
- C Report his suspicions to the ICPAR
- D Confine himself to his duties as auditor and make appropriate disclosures in the auditor's report
- E None of the above

(2 marks)

25. Nyiramutangwa & Co is a firm of ICPAR auditors, providing audit and accounting services to national and international clients across a broad range of industrial sectors.

Which of the following measures help Nyiramutangwa & Co to prevent and detect money laundering?

- A Implementing customer due diligence procedures
- B Obtaining a signed audit engagement letter
- C Sending a report to the Financial Investigation Unit
- D Signing the auditor's report to the members
- E None of the above

(2 marks)

26. Brigitte works as a junior salesperson for a medium-sized travel company which specialises in sports weekends, providing customers with travel, accommodation and tickets for major sporting events abroad.

Brigitte's manager has directed her to make a cash 'facilitation payment' to an overseas official as part of the process of securing tickets for a sporting event.

What should Brigitte do first?

- A Make the requested payment immediately
- B Report the request to the Financial Investigation Unit
- C Discuss the request with the ICPAR
- D Discuss the request with a senior manager in the company
- E None of the above

(2 marks)

27. In line with the guidance from the Institute of Business Ethics, which of the following principles should be used when evaluating the ethical status of a business decision?

- (i) Transparency
- (ii) Effect
- (iii) Justice
- (iv) Integrity
- (v) Fairness

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

(2 marks)

28. In which of the following circumstances would it be ethically acceptable for a firm of accountants to hold a client's monies?

- A The accountant's licence precludes the holding of client monies
- B The monies are from investment business clients and the accountant is regulated
- C Reasonable suspicions exist that the client is involved in concealing the origin of its monies

D The client intends for the accountant to hold the monies in order to shelter them from taxation

E None of the above **(2 marks)**

29. Cissy works as a senior financial manager for the Rwanda Civil Service, and has been asked to determine the most effective way in which to achieve a 10% budget cut in her department. Cissy believes that a cut as substantial as this would be contrary to the public interest.

Which of the following describes the best course of action for Cissy to take?

- A Perform the task as requested
 B Discuss the issue with the ICPAR
 C Refuse to perform the task because of her duty to act in the public interest
 D Disclose details of the requested cuts to the media

E None of the above **(2 marks)**

30. Mucyo & Co has submitted a tender for the audit of Mukakigeli Ltd. The tender includes an estimated use of 2 days of audit assistant time. Audits of similar clients have taken 5 to 10 days of audit assistant time.

Which of the following best describes the ethical threat that arises in this situation?

- A Threat to professional competence and due care arising from inadequate IT resources
 B Threat to professional behaviour arising from insufficient time to spend on duties
 C Threat to professional behaviour arising from insufficient experience or training
 D Threat to professional competence and due care arising from insufficient time to spend on duties

E None of the above **(2 marks)**

31. Christella is an accounts assistant who has recently been employed by ALA & Co, a medium-sized firm which provides a variety of accounting services for local businesses.

One of ALA & Co's clients, Manzi Ltd, has been allocated to Christella. Manzi Ltd is owned by Christella's sister, Josiane.

Which of the following options gives the correct fundamental principle that is being threatened, the most appropriate type of threat, and the most appropriate action for Christella to take?

- A Self-interest; integrity; inform the ICPAR of her link with Manzi Ltd
 B Familiarity; objectivity; inform the ICPAR of her link with Manzi Ltd
 C Familiarity; objectivity; inform ALA & Co of her link with Manzi Ltd
 D Advocacy; integrity; inform ALA & Co of her link with Manzi Ltd

E None of the above **(2 marks)**

32. The Institute of Business Ethics has set out some simple ethical tests for determining whether business decisions are ethically acceptable.

Which of the following descriptions matches with the principle?

- A Transparency can be assessed by considering whether or not the decision maker would mind other people knowing the decision that they have taken
- B Fairness can be assessed by considering whether the interests of all stakeholders have been considered
- C Fairness can be assessed by considering whether or not the decision-maker would mind other people knowing the decision that they have taken
- D Effect can be assessed by considering whether a decision be considered fair by those affected, or by an independent third party
- E None of the above

(2 marks)

33. Dancille is a trainee auditor working at a large practice in Kigali. She has been assigned to audit the end of year inventory count at a client, Umuhire Ltd, which operates a series of shops selling suits and formal clothing.

This is the first time that Dancille has audited an inventory count and she is unsure of whether she is doing the right thing. Her manager has provided her with written count instructions, together with his phone number so that she can ask him questions if necessary. He has, however, made it clear that he is busy and would prefer not to be bothered.

Which ethical principle is under threat in this situation?

- A Integrity
- B Objectivity
- C Professional competence and due care
- D Professional behaviour
- E None of the above

(2 marks)

34. Etienne has been asked a number of questions about whistleblowing by a junior trainee.

Which of the following statements are true?

- (i) Whistleblowing should occur as soon as illegal activity is suspected
 - (ii) Employees are protected under Rwanda Law N° 35/2012 to ensure they cannot be dismissed for whistleblowing
 - (iii) If the disclosure is in the public interest, then the fundamental principle of confidentiality is not breached
 - (iv) If the employee is bound by a confidentiality clause in their contract, or has signed a non-disclosure agreement, then the employee could still face dismissal
- A (i) and (ii)
 - B (i) and (iii)
 - C (ii) and (iii)

- D (ii) and (iv)
 E None of the above **(2 marks)**

35. Olive has discovered that a client, Umurerwa Ltd, has been fraudulently selling counterfeit goods and then layering the proceeds together with legitimately-obtained monies. As an ICPAR accountant working for a small accounting firm, Olive is bound by the fundamental ethical principle of confidentiality.

To whom should Olive make direct disclosure of the fraudulent sales?

- A The firm's Money Laundering Reporting Officer
 B The Rwanda Revenue Authority
 C The Financial Investigation Unit
 D The ICPAR
 E None of the above **(2 marks)**

36. James is an ICPAR accountant who works for a small company. One of the company's directors, Agnes, has reviewed the financial statements that James prepared, and has made a number of amendments, including removing information regarding the names of the directors. James does not agree with this action, but Agnes continues to insist that the amended accounts are filed.

Which is the most appropriate course of action for James to take in the first instance?

- A James should file the financial statements as they are, since the director has signed them
 B James should report the company director to the Financial Investigation Unit
 C James should raise his concerns in an email to the Board of Directors
 D James should report the company director to the ICPAR
 E None of the above **(2 marks)**

37. Chantal works for a Bazizane Ltd, large manufacturing company which specialises in developing bespoke solutions for clients in the aviation industry. Bazizane Ltd operates under its own Code of Conduct, which aims to contribute to the establishment of an ethical culture in the company's operations.

Which of the following competitive practices are likely to be acceptable within the scope of such a Code of Conduct?

- A Competing aggressively with others to maximise profit
 B Illicitly obtaining competitors' designs for the company's own use
 C Using buyer power to prevent suppliers from dealing with competitors
 D Spreading false negative information about competitors
 E None of the above **(2 marks)**

38. The Seven Principles of Public Life are the principles that holders of public office are expected to take into consideration in their actions in public life.

Which of the following principles is not described correctly?

- A Selflessness means that holders of public office should act solely in terms of the public interest

- B Honesty means that individuals should not place themselves under any financial or other obligation to third parties that might seek to influence them in the performance of their duties
- C Accountability means that holders of public office are subject to whatever scrutiny is appropriate to their office
- D Leadership means that holders of public office should challenge poor behaviour when it occurs
- E None of the above

(2 marks)

39. Claude works as a management accountant for Maniraho Ltd, and is helping to produce the company's annual budget. He has been given the figure for inventory purchases, but is concerned because the budgeted figure is significantly higher than he expected it to be.

Claude is going to talk to his manager about this in order to determine whether the figure is correct.

Which of the professional qualities expected of an accountant is Claude most clearly demonstrating in this situation?

- A Reliability
- B Responsibility
- C Accountability
- D Scepticism
- E None of the above

(2 marks)

40. Charlotte is an audit trainee working for a small firm based in Kigali. One of her firm's audit clients, Umulisa Ltd, has said that she can have lunch at its free staff canteen while she is doing the audit fieldwork.

Which of the following describes the most appropriate course of action for Charlotte to take?

- A Refuse the lunch as it is a *de facto* bribe
- B Refuse the lunch on the grounds that it threatens Charlotte's independence
- C Refuse the lunch and report the offer to the Financial Investigation Unit
- D Accept the lunch as its value is clearly trivial
- E None of the above

(2 marks)

41. Nadine is currently a trainee accountant, and she is applying for a job in at Ruzindana Ltd. The new role would represent a significant step up in her career, and in order to help secure it she has exaggerated some aspects of her work experience in order to meet Ruzindana Ltd's stringent requirements.

Which of the following best evaluates Nadine's actions, and selects the most appropriate ethical principle?

- A Nadine has not compromised her professional ethics; everyone embellishes a little to get a job
- B Nadine has acted irresponsibly and has therefore acted against the principle of self-interest

- C Nadine has misled a potential employer and has therefore acted against the principle of integrity
- D Nadine has misled a potential employer and has therefore acted against the principle of confidentiality
- E None of the above **(2 marks)**

42. Eustache is an audit partner and his client, Mukakigeli Ltd has asked him to attend a meeting with its bank at which Mukakigeli Ltd plans to present the audited financial statements in support of its loan application.

Which threat to the auditor's independence is most clearly present in this situation?

- A Self-interest
- B Advocacy
- C Familiarity
- D Self-review
- E None of the above **(2 marks)**

43. Which of the following statements best describes the reason why an auditor may be held liable to the members of an audited company if they have committed the tort of negligence?

- A The audit is conducted for the purpose of providing assurance to the members by way of the auditor's report
- B The auditor is contractually obliged to report to the members on whether the financial statements are true and fair
- C The auditor is bound by the ICPAR's *Code of Ethics* such that breaches of this *Code* give rise to a liability to the members
- D The auditor may be subject to proceedings at the instigation of the Rwanda Revenue Authority if they fail to discharge their duty of care to the member
- E None of the above **(2 marks)**

44. Which of the following statements regarding the application of the IESBA *Code of Ethics* to members in business are correct?

- (i) Commercial pressure from outside the organisation can give rise to a self-interest threat
- (ii) Being asked to review data or justify or evaluate business decisions that you have been involved in preparing or making gives rise to a familiarity threat
- (iii) Threat of dismissal or replacement over a disagreement relating to the application of an accounting principle, or the manner in which financial information is reported, gives rise to an intimidation threat
- A (i) and (ii)
- B (i) and (iii)
- C (ii) and (iii)
- D (i), (ii) and (iv)

E None of the above

(2 marks)

45. Which of the following consequences could follow from an ICPAR member who fails to comply with the ICPAR's Continuing Professional Development (CPD) requirements?

A Being found guilty of misconduct under tort
 B Being found guilty of negligence under tort
 C Being found guilty of professional negligence
 D Being found guilty of professional misconduct
 E None of the above

(2 marks)

46. Article 237 of the Rwanda Companies Act stipulates that accounting records should contain which of the following elements?

(i) Receipts and expenses with the accounting documents
 (ii) Records of the systems of internal control relating to the accounting system
 (iii) The report of the independent auditor to the members of the company
 (iv) A record of the assets and liabilities of the company

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

(2 marks)

47. Gatuna Ltd has grown quickly in recent years, and is now considering creating a Code of Conduct in order to communicate its expectations regarding ethical behaviour to its employees.

Which of the following are valid reasons for adhering to such a Code of Conduct?

(i) The potential impact of not following policies on workflow
 (ii) In order to guarantee compliance with applicable laws and regulations
 (iii) In order to give a favourable impression to clients and potential clients

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

(2 marks)

48. Nyanza Ltd provides audit and accounting services to clients across a range of industries.

Which of the following actions would be acceptable in accordance with the principle of confidentiality?

A Using client information for Nyanza Ltd's advantage after the relationship with the client has ended
 B Using client information to improve the ICPAR accountant's knowledge of the industry in which the client operates
 C Disclosing client information to a third party under normal circumstances

D Failing to determine whether an independent expert used on an audit adheres to data protection requirements

E None of the above

(2 marks)

49. At which stage should customer due diligence information be obtained in respect of a new client?

A Before providing any services to them

B At the planning stage of the engagement

C As part of the engagement itself

D When delivering the engagement report

E None of the above

(2 marks)

50. Which of the following statements is/are true?

(i) ICPAR members in business are bound by the same ethical principles as members in public practice

(ii) ICPAR members in business have an underlying public interest duty to society

(iii) ICPAR members in business should adhere to the seven Principles of Public Life

A All of the above

B (i) only

C (i) and (ii)

D (ii) only

E None of the above

(2 marks)

Total (100 marks)

End of question paper