

CERTIFIED ACCOUNTING TECHNICIAN

STAGE 2 EXAMINATION

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

MONDAY: 30 NOVEMBER 2020

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. The accountancy profession is affected by laws and regulations in many different areas. Which of the following statements concerning laws and regulations is true?
- A Companies must pay tax on their income
 - B Employees must pay tax on their profits
 - C Employers and employees must both contribute to the national medical insurance scheme (RAMA)
 - D Employees must contribute to the social security fund, but employers need not
 - E None of the above
- (2 marks)**
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2. The following statements concern the relationship between legal and ethical standards of behaviour in a society whose laws are just. Which of these statements are true?
- (i) An action may be unethical but not illegal
 - (ii) An action that is ethical may be illegal
 - (iii) An action that is ethical is likely to be legal
 - (iv) An action that is legal may also be ethical
- A (i) only
 - B (i) and (ii)
 - C (i) and (iv)
 - D (i), (iii) and (iv)
 - E None of the above
- (2 marks)**
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3. International Financial Reporting Standards (IFRS Standards) provide one possible basis for the preparation of limited company financial statements. Which of the following statements best describes the applicability of IFRS Standards in Rwanda?
- A Only listed companies may prepare financial statements under IFRS Standards
 - B Only listed companies are required to prepare financial statements under IFRS Standards
 - C All companies registered in Rwanda must prepare financial statements under IFRS Standards
 - D No companies registered in Rwanda are required to prepare financial statements under IFRS Standards
 - E None of the above
- (2 marks)**
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4. Laws may be placed into a variety of different categories. Which of the following statements is true?
- A Civil law relates to offences committed by individuals against the state
 - B The tort of negligence falls within criminal law

- C ICPAR members could be convicted of criminal offences under anti-money laundering legislation
 - D Auditors can never be held liable where management misstates the accounts
 - E None of the above
- (2 marks)**
-

5. Claudine has been asked to submit her firm's tender to perform a due diligence engagement for an existing audit client in relation to a potential acquisition target. If the acquisition goes ahead, then it has been made clear that Claudine's firm would stand to gain from the increase in the audit fee for the audit of the acquired company.

In relation to this situation, which of the following options best describes the threat present and the most relevant safeguard to that threat?

- A Self-interest threat – safeguard by declining the due diligence engagement
 - B Advocacy threat – safeguard by requesting permission to proceed from ICPAR
 - C Advocacy threat – safeguard by rotating the audit partner off of the audit
 - D Self-interest threat – safeguard by resigning from the relationship with the client
 - E None of the above
- (2 marks)**
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6. The ICPAR forms part of the accountancy profession internationally.

Which of the following statements regarding international bodies is correct?

- A The IESBA is a body of IFAC
 - B The IASB is a body of IFAC
 - C The IFAC is a body of the IASB
 - D The IESBA is a body of the IASB
 - E None of the above
- (2 marks)**
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7. Jean-Damascene is a member of the ICPAR, and is responsible for training students in his firm on the principles of professional ethics. He has been asked a question about whether the ethical principles that ICPAR students are taught are the same as those that apply internationally. The student has read that Article 82 of Law N° 11/2008 makes certain requirements that have a bearing on ICPAR, but is not sure what these requirements are.

Which of the following is correct, in line with Article 82 of Law N° 11/2008?

- A The ICPAR is required to develop its own *Code of Ethics* independently of other such codes
 - B The ICPAR is required to issue a *Code of Ethics* whose provisions are consistent with the IESBA *Code of Ethics*
 - C The ICPAR is required to issue a *Code of Ethics* whose provisions exceed those of the IESBA *Code of Ethics*
 - D The ICPAR is required to issue a *Code of Ethics* whose provisions are the same as those of the IESBA *Code of Ethics*
 - E None of the above
- (2 marks)**
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8. Leoncie is head of procurement for her local district, and has decided that the contract to supply stationery to the district office should be subject to a tender. The results and decision-making criteria are then to be made public.

Which Principle of Public Life does Leoncie's decision most clearly demonstrate?

- A Selflessness
- B Openness
- C Accountability
- D Leadership
- E None of the above

(2 marks)

9. Claude is a student member of ICPAR, and is unsure whether the seven Principles of Public Life (the Principles) are relevant to him, as he works in the private sector where creating value for shareholders is the organisation's main priority.

Which of the following best describe the relevance of the Principles to Claude?

- (i) Applying the Principles is conducive to the creation of long-term value for shareholders
- (ii) There is a conflict between acting in line with the Principles and acting in the best interests of the business
- (iii) Applying the Principles is in conflict with acting according to one's own self-interest

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

(2 marks)

10. Louise is an ICPAR member working in public practice. The audit profession is in the midst of considerable change as a result of the introduction of emerging technologies, but Louise does not feel the need to learn about them.

Which of the following describe Louise's obligation to undertake continuing professional development (CPD) as an ICPAR member?

- (i) Louise is required to maintain her skills and abilities
- (ii) Louise must keep adequate records of her CPD activities
- (iii) Louise is required to learn new skills and abilities
- (iv) Louise is free to make her own determination of the best way of undertaking CPD

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

(2 marks)

11. Solange is currently being investigated by the ICPAR for failing to comply with the CPD requirements it imposes upon its members.

Which of the following might Solange be found to have committed?

- A Professional misconduct
- B Gross professional misconduct
- C Professional negligence
- D Breach of contract with the ICPAR

E None of the above

(2 marks)

12. It has been written that behaving in an ethical manner involves acting with integrity, honesty, fairness and sensitivity.

The following situations concern these principles; which of the statements are valid?

- (i) By improperly using her work phone to make personal calls, Josiane has breached the principle of honesty
- (ii) By refusing to employ a potential trainee because they are disabled, Clement has breached the principle of sensitivity
- (iii) By disclosing confidential information obtained during a grievance interview, Cissy has breached the principle of sensitivity.

A (i) only

B (ii) only

C (i) and (ii)

D (ii) and (iii)

E None of the above

(2 marks)

13. ICPAR members are expected to demonstrate personal ethical qualities. Each of the following statements contain both a situation and an ethical quality. Which of the statements is/are accurate?

- (i) Constance has made an error when attempting to perform a bank reconciliation, but claims that this was the fault of a colleague. Constance has therefore failed to demonstrate the quality of responsibility.
- (ii) While working on an audit, Rene failed to consider whether payroll calculations performed by his firm's own outsourced department might be unreliable. Rene has therefore failed to demonstrate the quality of reliability.
- (iii) Ronald promised to deliver a final trial balance to the financial controller of his company by last Wednesday, but it is still not ready. Ronald has therefore failed to demonstrate the quality of timeliness.

A (i) only

B (ii) only

C (i) and (ii)

D (i) and (iii)

E None of the above

(2 marks)

14. Jean-Marie is an ICPAR member working in public practice, and in recent months has been approached by a number of potential clients.

In which of the following situations would Jean-Marie need to give particular consideration to the suitability of the potential client?

- A Butare Ltd, which has asked Jean-Marie to produce its statutory financial statements because it disagreed with the accounting treatment suggested by its previous ICPAR accountant

- B Nyanza Ltd, which has asked Jean-Marie to produce its monthly management accounts because it has recently moved offices with the result that it was inconvenient to travel to its previous accountant's office
 - C Rwamagana Ltd, which requires specialist advice on a potential acquisition target that its previous accountant was unable to provide.
 - D Kibuye Ltd, which has become dissatisfied with its previous auditor's habit of raising the audit fee every year, and wishes to obtain a cheaper audit
 - E None of the above
- (2 marks)**
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15. Kalisa Partners Ltd is a firm of ICPAR accountants based in Kigali. At a recent discussion of the firm's senior partners the idea was raised that the firm might begin a programme of advertising. Kevin, the firm's ethics partner, is unsure of the exact position regarding the ethical status of advertising

Which of the following statements are true of the position of the ICPAR *Code of Ethics* regarding advertising?

- (i) Advertising is not considered to be acceptable, since it would be inconsistent with the dignity of the profession
 - (ii) Members may place any advert that they consider to have sufficient integrity
 - (iii) Adverts must project an image that is consistent with the dignity of the profession
 - (iv) Adverts should be sensitive and fair
- A (i) only
 - B (ii) only
 - C (iii) only
 - D (ii), (iii) and (iv)
 - E None of the above
- (2 marks)**
-

16. Munyaburanga Partners Ltd plans to begin offering potential clients free initial consultations regarding the possibilities for reducing the potential clients' tax liabilities.

Which of the following statements best describes the ethical status of this plan?

- A Munyaburanga Partners Ltd would be in breach of the ICPAR *Code of Ethics* because free services should not be offered
 - B Munyaburanga Partners Ltd would be able to implement the plan because free initial consultations are not considered to be a breach of the ICPAR *Code of Ethics*
 - C Munyaburanga Partners Ltd would be in breach of the ICPAR *Code of Ethics* because the fee from any service should be sufficient to ensure its quality
 - D Munyaburanga Partners Ltd would be in breach of the ICPAR *Code of Ethics* because the aim of tax services should be fair presentation, not the reduction of liabilities
 - E None of the above
- (2 marks)**
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17. An accountant has a duty to maintain an appropriate professional distance between their work and their personal life at all times.

Which of the following would constitute a breach of this duty?

- A An auditor has been offered a gift of two tickets to an overseas sporting event by her client, Niyonsenga Ltd, which are valued at RWF500,000
 - B An auditor has, together with all of the client's other suppliers, been offered a gift of a free meal at the client's restaurant
 - C An ICPAR member working in business has been offered a gift of a calendar from a supplier for the next year
 - D An ICPAR member's work colleague offers to help them to decide which mortgage would be best for them when purchasing a house
 - E None of the above
- (2 marks)**
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18. Dancille is an ICPAR member working in corporate finance, who often has to handle clients' monies on their behalf. She is aware that self-interest threats can arise in these situations, but is unsure where the line should be drawn between ethically acceptable and unacceptable practices.

In which of the following situations would Dancille be able to hold the client's monies without breaching her ethical duties as an ICPAR member?

- A In relation to CMG Ltd, some of whose money Dancille suspects may have illegal origins
 - B In relation to Butare Partners Ltd, who simply need Dancille to hold the monies for them without doing anything with the monies
 - C In relation to Cyangugu Retail Ltd, which is an investment business in respect of which Dancille is not regulated
 - D In relation to Kicukiro Manufacturing Ltd, for whom Dancille is making an investment that she is regulated to make
 - E None of the above
- (2 marks)**
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19. Etienne has been accused of failing to pay clients the interest earned while holding their monies in trust. Etienne does not require clients to sign letters of engagement when he begins working for them, but is a member of ICPAR with significant experience of working in corporate finance.

Which of the following is Etienne most at risk of having committed?

- A Professional neglect
 - B Breach of contract
 - C Breach of trust
 - D Theft
 - E None of the above
- (2 marks)**
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20. Bella is an ICPAR member working in public practice as an audit manager. Bella knows from its recent audit that one of her listed audit clients is experiencing significant difficulties bringing a new product to market. This information is not known publicly.

While at a social event, Bella's friend tells her that she has just bought shares in this company. Without giving specific details, Bella tells her friend that she should sell the shares if she doesn't want to lose money on them.

Has Bella breached the fundamental principle of confidentiality?

- A Yes, because she has used confidential information for the gain of a third party
 - B No, because she did not disclose specific information and did not stand to gain from doing so
 - C No, because although she disclosed information she did not stand to gain from doing so
 - D Yes, because she has used confidential information for her personal gain
 - E None of the above
- (2 marks)**
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21. Dative is a student member of the ICPAR who works at a small manufacturing company. One of Dative's colleagues told her that he had made a significant mistake in his work. Upon discovering this, Dative immediately informed their manager of the mistake and offered to rectify the situation.

The ICPAR *Code of Ethics* requires members to apply the fundamental principle of confidentiality.

Has Dative breached the fundamental principle of confidentiality?

- A Yes, because she has disclosed information acquired confidentially from which she stood to gain
 - B No, because the information was acquired as a result of a personal relationship to which the *Code of Ethics* does not apply
 - C No, because she did not stand to gain financially from disclosing the information
 - D No, because the *Code of Ethics* applies only to full members of the ICPAR
 - E None of the above
- (2 marks)**
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22. Vedaste is a student member working for TKC Engineering Group Ltd. Vedaste has recently passed his first exams and, following the departure of TKC Engineering Group Ltd's financial accountant, has been asked to take on responsibility for production of the Group's consolidated statutory accounts. He has been given just half a day to produce the consolidation.

Vedaste is concerned that the fundamental principle of professional competence and due care is under threat.

Which of the following could be appropriate safeguards in this situation?

- (i) Getting help from someone with the relevant knowledge
 - (ii) Obtaining more time to complete the work
 - (iii) Refusing to perform the requested task
 - (iv) Obtaining additional advice or training
 - (v) Asking for the assignment to be performed by two separate teams
- A (i), (ii) and (iii)
 - B (i), (ii) and (iv)

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

(2 marks)

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23. In addition to the ethical safeguards that may be applied to individual engagements, there exist safeguards created by the profession and/or legislation and regulation, and safeguards in the work environment.

Which of the following are safeguards created by the profession and/or legislation and regulation?

- (i) Continuing professional development (CPD) requirements
- (ii) Quality controls and internal audit procedures
- (iii) Rotation of personnel
- (iv) ICPAR disciplinary procedures

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

(2 marks)

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24. Codes of Conduct are part of the effort of organisations to behave in a more ethical manner.

Which of the following statements is true in relation to Codes of Conduct?

- A In general terms, the more ethical the culture of an organisation, the less ethical the behaviour of individual employees is likely to be
- B If an organisation's management wants to develop an ethical culture then management need only embody these expectations in a Code of Conduct
- C The need to behave in line with a Code of Conduct supersedes the need to maximise profit
- D Some of the key business values associated with ethical behaviour are: objectivity, integrity, professional competence and due care, professional behaviour, and confidentiality.
- E None of the above

(2 marks)

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25. The conceptual framework of the ICPAR *Code of Ethics* sets out a basic conflict resolution process that can assist in complying with the fundamental principles.

Which of the following most accurately depicts this process?

- A Establish the relevant facts; then identify where there may be a threat to a fundamental principle; then evaluate the threat; then apply safeguards to eliminate or reduce the threat to an acceptable level; if safeguards cannot be applied, decline or discontinue the service
- B Identify whether there may be a threat to a fundamental principle; then establish the relevant facts; then evaluate the threat; then apply safeguards to eliminate or reduce the threat to an acceptable level; if safeguards cannot be applied, decline or discontinue the service

- C Establish the relevant facts; then evaluate the threat; then apply safeguards to eliminate or reduce the threat to an acceptable level; if safeguards cannot be applied, decline or discontinue the service
- D Establish whether there where there may be a threat to a fundamental principle; then apply safeguards to eliminate or reduce the threat to an acceptable level
- E None of the above

(2 marks)

26. Maniraho Partners Ltd is a firm of ICPAR accountants that has advertised in the local press for some years. The following is an extract of its latest advertisement.

Maniraho Partners Ltd can save you money!
Best quality in the country, all others' work is poor by comparison.
Guaranteed to save you tax and deliver accounts cheaper than the rest.

Which of the following statements apply to this advertisement?

- (i) The advertisement maintains the integrity of the Maniraho Partners Ltd
 - (ii) The advertisement may bring the profession into disrepute
 - (iii) The advertisement is not ethically acceptable since the ICPAR *Code of Ethics* prohibits advertising
 - (iv) The advertisement makes unsubstantiated comparisons to the work of others
- A (i) only
 - B (ii) and (iv)
 - C (iii) only
 - D (iv) only
 - E None of the above

(2 marks)

27. The IESBA and the ICPAR *Code of Ethics* places threats to the fundamental principles into categories.

Which of the following statements correctly describes the category of threat it refers to?

- A A self-interest threat is the threat that an accountant will not properly evaluate the results of previous work or judgements, but then relies on that work to perform an activity or provide a service
- B A familiarity threat is the threat that a professional accountant will promote a client's or employer's position to the extent that the accountant's objectivity is subsequently compromised
- C An advocacy threat is the threat that a financial or other interest will inappropriately influence the member's judgement or behaviour
- D An advocacy threat is the threat that, as a result of a long – or close – relationship with a client or employer, a professional accountant becomes too sympathetic and accepting of the other's work
- E None of the above

(2 marks)

28. Christella works as the management accountant of a small professional publishing firm based in Butare. She has been asked to amend her cashflow forecast so that it shows a substantial net cash inflow for the next month, where before it had forecast an outflow. Christella is aware that the cashflow forecast is to be used in support of a loan application with the firm's bank.

Which fundamental principle is breached here, and how should Christella respond?

- A Breach of integrity, Christella should refuse to comply
 - B Breach of objectivity, Christella should refuse to comply
 - C Breach of integrity, but Christella must comply due to their obligation to perform all duties as required by their employer
 - D Breach of objectivity, but Christella must comply as they have an obligation to perform all duties as required by their employer
 - E None of the above
- (2 marks)**
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29. The Principles of Public Life represent an attempt to improve standards of behaviour for those in public life. One of these principles is described as follows.

'Decisions should be taken impartially, fairly on merit, without discrimination or bias'

To which of these principles does the above description most clearly relate?

- A Integrity
 - B Honesty
 - C Accountability
 - D Objectivity
 - E None of the above
- (2 marks)**
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30. Philomene is a senior partner in a firm of ICPAR accountants and has spent 10 hours working on Murebwayire Retail Ltd's audited financial statements.

While preparing the invoice to the client, Philomene notices that 20 hours have been used for the invoice calculation, significantly inflating the fee charged. Philomene allows the invoice to be sent based on 20 hours instead of 10 hours.

Which fundamental principle is most clearly threatened in this situation?

- A Integrity
 - B Self-interest
 - C Objectivity
 - D Honesty
 - E None of the above
- (2 marks)**
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31. Claudine works for a Ngarambe Retail Ltd, a small chain of supermarkets. The chain operates a code of practice to which all employees are expected to adhere.

Claudine sometimes neglects to remove out of date foods from sale, on the grounds that she thinks it's 'probably fine' and she 'needs to rest'. This is contrary to her employer's code of practice, which requires her to monitor the shelves for out of date products and remove them from sale.

Which of the following best describes why Claudine should have adhered to the code of practice?

- A Impact on other people – the effect of Claudine's actions on her colleagues
 - B Legal compliance – Claudine is required to adhere to Ngarambe Retail Ltd's code of practice
 - C Image to customers – customers may stop shopping at Ngarambe Retail Ltd if they discover that Claudine has not been adhering to the code of practice
 - D Company credibility – substandard products may damage Ngarambe Retail Ltd's reputation with customers
 - E None of the above
- (2 marks)**
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32. Evelyne, an ICPAR member working in public practice, has suspicions that a client is involved in understating the tax liabilities it discloses to the Rwanda Revenue Authority (RRA). Evelyne is determining whether to make a voluntary disclosure to the RRA.

Which of the following considerations is most relevant to Evelyne's determination? Disregard any obligations Evelyne might have under anti-money laundering regulations.

- A How reliable is the information?
 - B Will Evelyne incur legal liability by disclosing the information?
 - C Can Evelyne protect the on-going confidentiality of the information as far as possible?
 - D Will Evelyne gain from making the disclosure?
 - E None of the above
- (2 marks)**
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33. Safeguards against threats to the fundamental principles can be placed into a number of different categories.

Which of the following is a safeguard in the work environment?

- A External review of the accounts by an external auditor
 - B Using different engagement teams for assurance and non-assurance engagements
 - C Leadership which stresses the importance of ethical behaviour
 - D Professional standards
 - E None of the above
- (2 marks)**
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34. Didier works for the Ministry of Health as a financial accountant based in Kigali. A letter of his was recently published in a national newspaper, in which he argued in favour of a more extensive role being played by private healthcare providers. The letter invoked Didier's job title and place of work in order to signal his authority in the subject under discussion.

Which of the following fundamental principles is most clearly under threat in this situation?

- A Advocacy
 - B Self-interest
 - C Professional behaviour
 - D Integrity
 - E None of the above
- (2 marks)**
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35. Eustache is the financial controller of a small general retailer based in Butare. The company is moving to a smaller premises, and has decided that it will dispose of some of its books and records as part of the move.

Which of the following should be factors in Eustache's assessment of which books and records to maintain?

- (i) Legal or regulatory requirements
- (ii) Money laundering requirements
- (iii) The costs of keeping the records
- (iv) Whether the company needs to access the records

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

(2 marks)

36. Article 237 of the 2009 Companies Act makes certain requirements in relation to the retention of a company's accounting records.

Which of the following are classed as 'accounting records' in line with Article 237 of the 2009 Companies Act?

- (i) Receipts and expenses with their accounting documents
- (ii) Statement of financial position and statement of financial performance
- (iii) For a company whose business involves dealing in goods: a record of services provided and relevant invoices
- (iv) For a company whose business involves dealing in services: a record of goods bought and sold

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

(2 marks)

37. Seraphine is a management accountant working for a manufacturer of industrial plant and machinery, for which she is helping to produce the annual budget. The sales manager has given Seraphine the projected revenue figures, but she is worried because the budgeted revenue figure is much higher than she had expected on the basis of the current year's figures.

Seraphine is going to talk to the sales manager about this, to check whether the figure is reliable.

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

- A Professional judgment
- B Scepticism
- C Responsibility
- D Reliability

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

38. As the partner responsible for ethics in a medium-sized firm, Kevin has come across a number of ethical dilemmas in recent months, several of which concern the receipt of gifts from clients.

In which of the following situations might it be appropriate for the ICPAR member to accept the gift or hospitality?

- A Rose has been offered a free first session by a client operating a chain of gyms, in line with the client's normal marketing practices
- B Alphonse has been offered a gift of a case of wine that is of significant value
- C Francis has been offered a gift of sports tickets if he accepts that the client's depreciation estimate is reasonable
- D Nadine, an auditor, has been offered an expensive gift by a client on completion of the audit

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

39. Ruzindana & Partners Ltd is a firm operating in general practice in Kibuye. It has been discovered that a senior partner at the firm, Claude, owns a 25% stake in a company for which he serves as the audit engagement partner. The firm is concerned about this situation and the self-interest threat it creates to Claude's independence.

Which one of the following potential safeguards would be the most appropriate in this situation?

- A Appoint an Engagement Quality Control Reviewer (EQCR) to perform a review of the audit file prior to the signing of the auditor's report
- B Ruzindana & Partners Ltd should resign from all relationships with the client in question
- C Claude should be made to promise to sell his shares in the client
- D Claude should be rotated away from the audit

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

40. Brigitte is an ICPAR member working in business for the New Gisenyi Mining Company Ltd, a company which operates a series of coltan mines in Western Rwanda. Brigitte has discovered that the company has been making payments to foreign officials in exchange for lucrative export contracts, and is concerned about the legality of these arrangements.

To whom does Brigitte owe her primary ethical obligation?

- A To the New Gisenyi Mining Company Ltd
- B To the foreign officials
- C To the public
- D To herself
- E None of the above

(2 marks)

41. As the principal technical partner of a firm of ICPAR accountants, Fabien is considering whether the firm ought to be doing more to protect itself from the risk of being sued by its clients.

Which of the following would it be most appropriate for Fabien's firm to add to its contracts?

- A Disclaimer of negligence
- B Disclaimer of liability
- C Limitation of negligence
- D Limitation of confidentiality
- E None of the above

(2 marks)

42. Robert, who is employed as an accountant in a manufacturing business, has been charged with 'Appropriating property belonging to another, with an intention to permanently deprive them of it'.

Of which offence has Robert been accused.

- A Theft
- B Money laundering
- C Professional negligence
- D Gross misconduct
- E None of the above

(2 marks)

43. Laetitia has worked as the audit manager on the audit of The Quality Stationery Company Ltd for several years. She has just begun the planning of this year's forthcoming audit, and has discovered a significant error that she made while calculating materiality in the previous year. Correcting the error would have meant that misstatements that were immaterial should in fact have been deemed material, which means that an inappropriate auditor's opinion was expressed last year.

Laetitia is unsure what to do and is in need of advice.

Which of the following would it be least appropriate for Laetitia to consult with?

- A The ICPAR
- B Her husband
- C Her legal counsel
- D The audit engagement partner for The Quality Stationery Company Ltd
- E None of the above

(2 marks)

44. Etienne, a professional accountant who has recently starting working for a property developer, does not agree with the way the company has traditionally accounted for its investment properties. He thinks that the company is recognising fair value gains in a way that results in inflated profit figures. Etienne is unsure about what to do.

The ICPAR *Code of Ethics* specifies five factors that members should consider when attempting to resolve ethical conflicts of this nature.

Which of the following factors, among others, should Etienne consider when attempting to resolve this conflict?

- (i) Established internal procedures for reporting fraud
- (ii) Fundamental ethical principles related to the matter in question

- (iii) Possible effects on Etienne's own interests
- (iv) Alternative courses of action, and their consequences

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

(2 marks)

45. Chantal and Georgette are colleagues working in the finance department of a small company which manufactures off the shelf and bespoke formal wear. Chantal discovered a significant error in a schedule produced by Georgette, but when she pointed the error out to Georgette, Georgette immediately told their mutual superior that Chantal had made the error.

To whom should Chantal disclose this unethical practice?

- A To an appropriate authority under Law N° 35/2012, which protects whistleblowers
- B To the Rwanda Revenue Authority
- C To the Financial Investigation Unit
- D To the ICPAR
- E None of the above

(2 marks)

46. Law No 47/2008 requires financial institutions in Rwanda to adopt measures to help prevent and detect money laundering and terrorist financing.

Which of the following measures is required by Law No 47/2008?

- A Implementing customer due diligence, keeping information for one month
- B Developing and maintaining a Code of Conduct
- C Developing and maintaining programs against money laundering
- D Developing a function to conceal or disguise the nature and origin of criminal property
- E None of the above

(2 marks)

47. Law No 35/2012 relates to the protection of whistleblowers.

Which of the following statements in relation to Law No 35/2012 is true?

- A Perpetrators of criminal acts cannot be dismissed for reporting information to the appropriate regulator
- B Where an employee blows the whistle on illegal acts, they must themselves bear the risk of their employment being terminated
- C A whistleblower should make an external disclosure as a first line of recourse where illegal acts are suspected
- D In certain situations, it may be necessary for an accountant to whistleblow in order to fulfil their public interest duty
- E None of the above

(2 marks)

48. Auditors and accountants may be held liable to their clients in certain situations.

Which of the following statements are true?

- (i) A tortious action is the same as breach of contract
- (ii) Tortious liability may exist even where there is no contract
- (iii) Liability in tort exists only where a duty of care is established
- (iv) Neither breach of contract nor negligence involve individuals' relationships with the State

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

(2 marks)

49. Bella is an ICPAR professional accountant working as an accounting manager in public practice. While working on the statutory accounts of a new client, she notices a significant amount included within purchases for 'general expenses'. The amount is the same each week, and appears to be paid to an overseas bank account.

When Bella asks the client's accountant about this payment, he becomes angry and tells her that it "is not her job to be asking questions about the amounts included in the accounts, but simply to prepare them as instructed".

Which of the following statements, relating to Bella's situation, are true?

- (i) Although making a disclosure to the authorities might be in the public interest, Bella is bound by her duty of confidentiality towards her client
- (ii) Bella must ensure that she makes the client aware that the relevant disclosures have been made
- (iii) If Bella does not disclose suspicions of money laundering, then she herself will have committed a criminal offense.

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

(2 marks)

50. Behaving in an ethical manner involves acting appropriately and therefore with integrity, honesty, fairness and sensitivity.

Cissy is the financial controller of a dress-making company based on the outskirts of Kigali. She has noticed that a recently-recruited seamstress has been taking offcuts of material home in her bag at the end of the day.

Which of the following actions might it be most appropriate for Cissy to take?

- A Immediately inform the seamstress' line manager of the theft
- B Discuss her observations with the seamstress and encourage her to desist from taking the offcuts home
- C Report the situation with the seamstress to the ICPAR
- D Report the seamstress to the police on the grounds that a crime has been committed
- E None of the above

(2 marks)

Total (100 marks)

End of question paper