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**CERTIFIED ACCOUNTING TECHNICIAN (CAT)**

**STAGE 2 EXAMINATIONS**

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

**DATE: MONDAY, 29 NOVEMBER 2021**

**MARKING GUIDE AND MODEL ANSWERS**

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## Marking guide

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

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

2 Marks for each correct answer      2

**Total Marks                      100**

## **Model answers**

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

Employees are protected under the Public Information Disclosure Act to ensure they cannot be dismissed for whistleblowing. If the disclosure is in the public interest, then the fundamental principle of confidentiality is not breached and if the organisation has an ethics committee, this should be approached before getting to the whistleblowing stage.

The statements which is not correct is (i) which states that the whistle blowing should occur as soon as illegal activity is suspected.

Usually, the whistle blowing should be the last resort option, meaning that it should not occur as soon as illegal activity is suspected.

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

Before whistleblowing externally, the issue of concern should not be discussed internally with the management. Generally, under Law No 35/2012 (Parliament of the Republic of Rwanda, 2012) on protection of whistleblowers, Before whistleblowing externally, the issue of concern should be discussed internally with the management and if the organisation has an ethics committee, should be approached and you obtain third party advice such as taking legal advice or contacting iCPAR before getting to the whistleblowing stage which is the last resort option.

The statements which is not correct is (iv) Before whistleblowing externally, the issue of concern should not be discussed internally with the management.

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

The Law No 35/2012 states that a civil servant or an employee of a public or private entity must disclose any information they have about offences or illegal or unethical behaviours in the workplace

The option A, C and D are not correct because the whistle blower may choose not to disclose information they have about offences in the workplace, the whistle blower who discloses in good faith may still become the object of legal action where their information proves untrue, and the whistle blower may make disclosures to any public organ is not true. The whistle blower should

disclose information to the appropriate authority for example like RRA if an accountant has concerns over tax fraud.

**4. The correct answer is D**

The whistle blower will not be penalised in any way as employees are protected under the Public Information Disclosure Act.

The rest of option are not correct, as the purpose of law in relation whistle blowing is to protect employees who denounce illegal acts and behaviours.

**5. The correct answer is C**

Accountability and objectivity are the pairs of principles of behaviour included in the seven principles of public life

- ✓ Accountability: Holders of public office are accountable for decisions and actions and are subject to whatever scrutiny is appropriate to their office.
- ✓ Objectivity: Decision should be taken impartially, fairly on merit, without discrimination or bias.

Option A and B are not the correct answer as Reliability and confidentiality are not included in the seven principles of public Life.

**6. The correct answer is C**

Selflessness means that holders of public office should act solely in the terms of public interest rather than to gain financial or other benefits for themselves or their families and friends

Therefore, Leadership and Integrity principles are not the right option.

The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Leadership principle means that holders of public offices should challenge poor behaviour when it occurs and should promote and support the principle by setting a good example.

**7. The correct answer is D**

Familiarity threats occurs as a result of having a close relationship with a director or officer of the client or employer who is in position to exert significant influence over the engagement.

The rest of option are not correct as intimidation threat occurs when professional accountant is deterred from acting objectively by threats and pressure, whether they are actual or perceived. For example, the threat of an audit being replaced if they disagree with their client over the application of accounting standard.), A self-review threat is created where an accountant does not appropriately re-evaluate their own or a colleague's work, when relying on it to perform current service. (For example, an audit firm preparing original data used to generate financial statements which it then audits) and advocacy threat is threat that a professional accountant will promote a client's or employer's position to the extent that accountant's objectivity is subsequently comprised.

**8. The correct answer is C**

The ethical principles which will be most at risk for breaching is objectivity. Objectivity means that decision should be taken impartially, fairly on merit, without discrimination or bias.

Confidentiality and professional competence and due care principle will not be the correction option as Kenneth has not disclosed confidential information neither he has not demonstrated incompetency and lack of required skills in performing the work.

**9. The correct answer is B**

The correction option for Kenneth is to inform KM Ltd his relationship with Best Juice Ltd.

Resigning from the KM Ltd and decline the assignment and informing iCPAR of their link and relationship with Best Juice Ltd would are not the most appropriate action to take in this situation.

**10. The correct answer is C**

The correct option is C as **Leadership** principle means that holders of public offices should challenge poor behaviour when it occurs and should promote and support the principle by setting a good example.

The rest of option are not correct in this situation as selflessness means that holders of public office should act solely in the terms of public interest rather than to gain financial or other benefits for themselves or their families and friends, Objectivity means that decision should be taken impartially, fairly on merit, without discrimination or bias and Accountability means that holders of public office are accountable for decisions and actions and are subject to whatever scrutiny is appropriate to their office.

**11. The correct answer is B**

The correct option is objectivity which means that decision should be taken impartially, fairly on merit, without discrimination or bias

Option A and C are not correct options as Mugisha has not disclosed confidential information and neither has not acted in professional manner.

**12. The correct answer is B**

A self-review threat is created where an accountant does not appropriately re-evaluate their own or a colleague's work, when relying on it to perform current service. (For example, an audit firm preparing original data used to generate financial statements which it then audits)

The rest of option are not correct as intimidation threat occurs when professional accountant is deterred from acting objectively by threats and pressure, whether they are actual or perceived. For example, the threat of an audit being replaced if they disagree with their client over the application of accounting standard and Self-interest threat is threat that a financial or other interest will inappropriately influence the member's judgement or behaviour (for example an auditor having direct financial interest in client).

**13. The correct answer is B**

The ethical principles that are relevant to this situation are honesty and objectivity.

- ✓ Honesty means being truthful and not acting in a manner intended to mislead or deceive others
- ✓ Objectivity means that decision should be taken impartially, fairly on merit, without discrimination or bias

The rest of option are not correct as principle of integrity requires all members to be straight forward and honest in business and professional relationships and openness principle states that decision should be taken in an open and transparent manner unless there are clear reasons for not doing so.

**14. The correct answer is A**

The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, the correct statement is that James has misled a potential employer and has therefore breached the ethical principles of integrity

The rest of option are not correct as James had not breached principle of confidentiality, self interest and has not compromised his professional ethics, everyone exaggerates to get a job.

**15. The correct answer is C**

Suppling information to the one of bidder will breach confidentiality thus the principle of confidentiality states that members must respect the confidentiality of information acquired through business relationships and must not disclose any such information without proper and specific authority unless there is a legal or professional right or duty to disclose.

The option A and B are not correct as objectivity is all about ensuring that ecision should be taken impartially, fairly on merit, without discrimination or bias and familiarity is all about having a close relationship with a director or officer of the client or employer who is in position to exert significant influence over the engagement.

**16. The Correct Answer is A**

The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, the correct statement is that Leah should refuse to comply to the request of Edmond as it is a breach fundamental ethical principle of integrity, and no employer can force the employee to breach their code of professional ethics.

The option B is not correct which states that Leah should refuse to comply as it is a breach of principle of objectivity, The objectivity principle states that decision should be taken impartially, fairly on merit, without discrimination or bias.

The option C is not correct also as it would mean breach of objectivity, but Leah has to comply and respond to the request of Edmond as she has an obligation to perform all duties as required by their employer, here she needs to act professional and understand that it is not all duties required by employer that will be done even if knowingly that it is not professional ethical.

The option D is not correct as it would be breach of Integrity, but Leah has to comply and respond to the request of Edmond as she has an obligation to perform all duties as required by their employer

Generally, when a professional accountant is required to perform action for whom he/she believes to be illegal or unethical, then he/she is entitled and require to refuse.

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

Accountant in practice should not hold clients' monies if:

- ✓ The accountant has reason to believe the money is criminal property
- ✓ There is no justification in holding the money
- ✓ There is a condition on the accountant's licence which prohibits dealing in client monies

Option A, C and D are not correct as A and C talks only few about conditions yet there are 3 listed and Option D which is none above is not correct as right option is available.

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

International Federation of Accountants (IFAC) is the international body representing all major accountancy bodies across the world. Its mission is to develop the high standards of professional accountants

The rest of option are not correct as International Accounting Standards Board (IASB) is professional body which is responsible for developing international financial reporting standards(IFRS's) which listed companies in Rwanda have to use as the basis for their financial accounts, International Ethics Standards Board for Accountants is responsible for publishing the



code of ethics for professional accountants, IESBA 2016 and financial reporting council is responsible to monitor the development of international accounting and auditing standards.

**19. The correct answer is A**

Separation requires that clients' money must be kept away from the money belonging to the accountant personally or to the accountancy practice. Accountancy practices typical do this by having separate bank account for the client's money rather than having all monies on single account.

The Option D and C are not correct as they relate to Use where the clients monies must be used for intended purpose and Accountability where the accountant must be ready at all times to account for clients monies.

The option B is which is Appropriation is not among the key safeguards for holding clients' monies.

**20. The correct answer is D**

The Law No 35/2012 states that a civil servant or an employee of a public or private entity must disclose any information they have about offences or illegal or unethical behaviours in the workplace

Therefore, the correct statement is D that an accountant working in business in Rwanda must disclose any information they have about unethical behaviour in their workplace

The option A, B and C are not correct however whistleblowing disclosure in Rwanda must be made to the appropriate authority like investigation unit if the whistle blowers/employee has concern over money launder or financial crimes to which the solution could be provided by the Investigation Authority.

**21. The correct answer is B**

The principle of going concern is on assumption that the business will continue to operate in the foreseeable future

The rest of the option are not correct as going concern principle is not on assumption of effect of transactions being recognised when they occur or to ensure that similar businesses can be

compared to allow for investors to assess them and neither is not about to ensure the financial statements have been prepared on time.

**22. The correct answer is D**

The following are types of professional misconduct an accountant who fails to act with sufficient expertise could face:

- ✓ Breach of contract
- ✓ Breach of trust
- ✓ Professional negligence

Breach of contract and professional negligence arises if appropriate standard care was not applied by professional accountant whereas breach of trust will arise if money is misappropriated yet the professional accountant has access to the funds in trust.

Fraud accusation is not the among the correct option as it is the dishonesty appropriating the property that belonging to the another with the intention of permanently depriving the other of it.

**23. The correct answer is C**

The factors to consider when determining fees to be charged to soft drinks Ltd are:

- ✓ The skills required to carry out the engagement
- ✓ The outcome of the engagement

The value of the service to the client is not among the factors to consider when determining fees to be charged to soft drinks Ltd.

**24. The correct answer is A**

If a company goes into liquidation, the maximum amount that the shareholder can lose is the amount of capital they have agreed to invest in the company

The rest of the option are not correct in line with the liquidation of the company.

**25. The correct answer is C**

The principle of confidentiality states that members must respect the confidentiality of information acquired through business relationships and must not disclose any such information without proper and specific authority unless there is a legal or professional right or duty to disclose.

Therefore, the correct statement is the duty of confidentiality is a legal obligation.

The rest of option are not correct as the duty of confidentiality is not an absolute ethical obligation and can not be overridden in the public interest unless there is professional duty to disclose in public interest for example disclosure to protect the member's professional interest in legal proceedings.

**26. The correct answer is B**

External fraud is a fraud that is committed by vendors, customers, or competitors. External fraud may involve individuals, rings of individuals, organized crime, and even terrorist groups. External frauds may occur along with other forms of fraud. For instance, vendor fraud might also involve a corrupt employee in an organization's purchasing department (occupational fraud).

The rest of option are not correct as Internal fraud is fraud that is committed against the organisation by the employee or the staff who is working with in the organisation. For example, payment fraud committed by accountant or procurement fraud committed by Procurement officer whereas system failure is breakdown of any system hardware, operating system, or application software which prevents the accomplishment of the system's intended function.

**27. The correct answer is B**

The factors to consider in disclosing confidential information are:

- ✓ How reliable is information
- ✓ Who is the appropriate recipient of the information?
- ✓ Will you incur legal liability by disclosing the information?

The rest of option are not correct because all three listed factors are considered in disclosing the confidential information.

**28. The correct answer is D**

The general principles that apply to public sector accountants providing political neutral services are:

- ✓ Balancing rights and neutrality
- ✓ Freedom of expression
- ✓ Fair and honest advice

Integrity and objectivity are not the general principles that apply to public sector accountants providing political neutral services.

**29. The correct answer is B**

Professional competence and due, integrity and professional behaviour

- ✓ The principle of professional competence and due care means that an accountant must maintain their personal knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on the current developments, and in accordance with applicable professional standards. As such, an accountant should refrain from taking on work where they know they do not have the level or skills to provide the service required.
- ✓ The principle of professional behaviour states that members must comply with relevant laws and regulations and avoid any action that discredits the profession.
- ✓ The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, Professional competence and due care is most at risk as Benjamin has been reckless in preparing the financial statements without having the sufficient information, Integrity is also threatened as Benjamin should have been honest to the clients about circumstance and professional behaviour is also threatened as Benjamin has not acted in the manner that ensure compliance with relevant laws and avoiding actions that discredits the profession.

The rest of the option A, C and D are not correct as they are not mostly threatened in this situation.

### **30. The Correct answer is A**

Confidentiality can be breached for the following reasons:

- ✓ As result of an enquiry from iCPAR
- ✓ To protect an iCPAR member's professional interest in a court of law

The option (iii) is not correct as confidentiality of information can not be breached to a financial institution which has requested the information from your firm of accountants directly with out authorisation of client to this request.

**The circumstances in which confidential information can be disclosed are where:**

- ✓ Disclosure is permitted by law and authorised by a client or employer (for example Voluntary disclosure to regulator).
- ✓ Disclosure is required by law and there is legal duty to disclose (for example where information is required by public authorities.
- ✓ There is professional duty to disclose which is in public interest (for example compliance with professional body)

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

Generally, Accountants must undertake the tasks that are competent to perform or where they have access to the necessary supervision or training which enables them to perform these tasks completely.

The principle of professional competence and due care means that an accountant must maintain their personal knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on the current developments, and in accordance with applicable professional standards. As such, Teddy Muneza should refrain from taking on work where they know they do not have the required skills to perform the service requested.

Therefore fore, the fundamental ethical principles that is most at risk is professional competence and due care as Teddy is having issue of insufficient time to spend on duties and insufficient expertise or training to perform the tasks completely.

The rest of option are not correct as acting with integrity is all about presenting clearly and in honest manner and professional accountant should not withhold information, whereas confidentiality is all about not disclosing confidential information and profession behaviours is all about avoiding action that brings profession into disrepute.

**32. The correct answer is B**

When unethical or illegal behaviour is uncovered, whistle blowing should be carried out ‘as a last resort’, External whistleblowing should take place ‘following’ internal discussion with management.

The rest of option are not correct, as whistle blowing should not be carried out ‘immediately and ‘following’ internal discussion with management, neither should not be carried out ‘immediately’ and ‘prior’ to the internal discussion with management nor should not be carried out ‘as a last resort’ and ‘prior to’ internal discussion with management.

**33. The correct answer is C**

Tell CFO of the Real Ltd of the error and recommend the error to be disclosed to RRA for the correction of prior year’s tax returns.

The rest of option are not appropriate action to take as it would not help in solving the issue noted.

**34. The correct answer is B**

Discussing the ethical dilemma with his line supervisor is most appropriate action to take.

In general, a professional accountant should first discuss the issues within the employing organisations before disclosing the issues to third parties.

The option C, A and D are not the most appropriate as when he discusses the ethical dilemma with family members may cause him to breach duty of confidentiality and it not advisable to escalate to appropriate authority like ICPAR without having an internal discussion with line supervisor and the management. Professional accountants are usually advised to follow internal procedures within organisation in first instance.

**35. The correct answer is C**

Discussing his behaviours with him and encourage him to change is the most appropriate action to take.

Reporting him to HR Partner or to the Managing Director or Ignoring it are not the right option to take as Professional accountants are usually advised to follow internal procedures within organisation in first instance therefore Denis should first discusses the issue with Philip before taking it to another step.

**36. The correct answer is B**

Professional behaviour is not among the factors the IESBA code of ethics (IESBA, 2016) has outline that member should consider in attempting to resolve conflicts.

The five factors to consider are:

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

**37. The correct answer is D**

ICPAR Disciplinary Commission is responsible for upholding the professional Code of Ethics, so you contact ICPAR for advice if you are unable to resolve an issue with your supervisor or colleagues.

The rest of options are not correct as these bodies have specific roles which is separate from upholding the professional Code of Ethics

**38. The correct answer is C**

Ethical conduct means complying with laws plus meeting other standards of behaviour

The rest of option are not correct as ethical conduct is not about complying with Rwandan law is all that is required to be ethical, neither ethical conduct is not about being independent of

complying with laws and nor about ICPAR members can be ethical while not complying with the law.

**39. The correct answer is C**

Kellen is entitled and required to refuse the request of her line supervisor. If you are instructed to take a course of action which you believe to be illegal or unethical, then you are not only entitled but also required to refuse to do it.

The other option A, B and D are not correct as generally when a professional accountant is required to perform action for whom he/she believes to be illegal or unethical, then he/she is entitled and require to refuse.

**40. The correct answer is B**

Honesty means being truthful and not acting in a manner intended to mislead or deceive others

Behaving in ethical manner involves acting appropriate and consider ethical qualities and these are:

- ✓ Integrity
- ✓ Honesty
- ✓ Fairness
- ✓ Sensitivity

The rest of option are not correct as fairness looks at whether the decision to be considered will be fair to those affected or any independent third party and Integrity is all about being straight forward and honest in business and professional relationships.

**41. The Correct Answer is A**

Accountability states that holders of public office are accountable for decisions and actions and are subject to whatever scrutiny is appropriate to their office.

Therefore, Openness and Honest principles are not the right option.

Honest states that holders of public office should be truthfully and should declare any private interest which could create conflict of interests in their public duties.



Openness is one of the seven principles of public life which states that decision should be taken in an open and transparent manner unless there are clear reasons for not doing so.

**42. The correct answer is A**

International Accounting Standards Board (IASB) is professional body which is responsible for developing international financial reporting standards (IFRS's) which listed companies in Rwanda have to use as the basis for their financial accounts.

The option B, and C are not correct as these bodies have other specific role but not for developing international financial reporting standards (IFRS's) which listed companies in Rwanda have to use as the basis for their financial accounts

**43. The correct answer is B**

RRA is a professional body responsible for assessing and collecting taxes in Rwanda

The rest of other option are not correct, as ICPAR is the regulatory body of the accountancy profession in Rwanda and RSSB is a professional body which is responsible to monitor and promote Pension, Medical Insurance, Occupational Hazards Insurance, Maternity Leave insurance, Long Term Saving Scheme, contributions before retirement and other necessary schemes to Rwandans.

**44. The correct answer is C**

The responsibilities of iCPAR are:

- ✓ Preserving the integrity of the accounting professional
- ✓ Promoting the competence and capabilities of its members
- ✓ Regulating the accounting professional in Rwanda
- ✓ Issuing regulations to promote the functioning of the institute
- ✓ Taking disciplinary measure against members unable to perform their duties and guilty of misconduct

Therefore, Assessing and collecting taxes in Rwanda is not among the responsibilities of ICPAR.

**45. The correct answer is D**

Sensitivity means respecting another right to confidentiality and privacies. Employers have specific duties to respect the confidentiality of employee information, but this should be extended to individual relationships.

Integrity, honesty and fairness are also ethical qualities but they not among the right option as defined in the question

**46. The correct answer is B**

The circumstances in which confidential information can be disclosed are where:

- ✓ Disclosure is permitted by law and authorised by a client or employer (for example Voluntary disclosure to regulator).
- ✓ Disclosure is required by law and there is legal duty to disclose (for example where information is required by public authorities.
- ✓ There is professional duty to disclose which is in public interest (for example compliance with professional body)

Therefore, information to be disclosed to family members who do not intend to use information for any person gain is not the circumstance under which confidential information can be disclosed

**47. The correct answer is A**

Accountants in the public sector have the same rights of political expression as other members of the public **outside the workplace** and **in their own time**. However, the key point about political neutrality for the accountants in public sector is that they keep their personal political views separate from their jobs.

Therefore, the correct statement is A which that a public sector accountants should not express their personal political views

The rest of option are not correctly as they are general principle that apply to political neutrality such as that it is in public interest for accountants, and other civil servants to be political neutral, An accountants professional duty is to provide fair and honest advice, regardless of their political

views and Accountants in public sector need to keep their personal political views separate from their jobs.

**48. The correct answer is D**

The important reason for an accountant to attend seminar courses for continued professional development is to ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards

The rest of option are not the important reasons for Divine to attend annual budget review seminar courses for continued professional development.

**49. The correct answer is C**

Acting fairly means treating others equally by considering mutual respect and open communication

The option A and B are not correct as integrity is all about being straight forward and honest in business and professional relationships and honest is being truthful and not acting in a manner intended to mislead or deceive others

**50. The correct answer is B**

Openness is one of the seven principles of public life which states that decision should be taken in an open and transparent manner unless there are clear reasons for not doing so.

The option A and C are not correct as leadership principle means that holders of public offices should challenge poor behaviour when it occurs and should promote and support the principle by setting a good example whereas honest is being truthful and not acting in a manner intended to mislead or deceive others

**END OF MARKING GUIDE AND MODEL ANSWERS**