
CERTIFIED ACCOUNTING TECHNICIAN

STAGE 2 EXAMINATIONS

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

DATE: MONDAY, 29 NOVEMBER 2021

INSTRUCTIONS:

1. Time allowed: **2 hours and 30 minutes**
2. This examination has **one** section only: **SECTION A**
3. Section **A** has **50** compulsory multiple-choice questions equal to **2 marks each**.
4. Question paper should not be taken out of the examination room

SECTION A

QUESTION ONE

Whistle blowing is the disclosure by an employee of illegal or unethical practices by his or her employer.

Which of these statements relating to whistleblowing are true?

- (i) Whistle blowing should occur as soon as illegal activity is suspected
- (ii) Employees are protected under the Public Information Disclosure Act 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 organisation has an ethics committee, this should be approached before getting to the whistleblowing stage

A (i) only

B (ii), (iii), and (iv)

C (i) and (ii)

D None of the above

(2 Marks)

QUESTION TWO

Law No 35/2012 (Parliament of the Republic of Rwanda, 2012) provides protection to whistleblowers.

Which of the following statement is not true in relation to whistleblowing?

- (i) Whistleblowing may sometimes be necessary in order to protect the public interest
- (ii) It might be appropriate to report tax fraud to the Rwanda Revenue Authority (RRA)
- (iii) Information must be reported verbally, in writing or in any other means
- (iv) Before whistleblowing externally, the issue of concern should not be discussed internally with the management.

A (i) and (iv) only

B (i), (ii), (iii) and (iv)

C iv) only

D None of the above

(2 Marks)

QUESTION THREE

One of the ways in which an accountant could raise an ethical issue is through whistle blowing. The Law No 35/2012 makes a number of provisions in relation to a public servants and employees of both public and private entities.

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

- A The whistle blower who discloses in good faith may still become the object of legal action where their information proves untrue
 - B The whistle blower must disclose any information they have about offences in the workplace
 - C The whistle blower may choose not to disclose information they have about offences in the workplace
 - D The whistle blower may make disclosures to any public organ **(2 Marks)**
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QUESTION FOUR

In most organisations, People who tell organisation secrets to other parties (individual or group of people) internally or externally are termed as whistle blowers.

Which of the following action would be the appropriate to be taken on identified whistle blowers within the organisation?

- A The whistle blower must be fired/ sacked immediately for breach of confidentiality
 - B The whistle blower be suspended until any legal action is finalised
 - C The whistle blower must be fired/ sacked immediately for breach of contract, if their contract includes keeping organisation secrets confidential
 - D The whistle blower will not be penalised in any way as employees are protected under the Public Information Disclosure Act **(2 Marks)**
-

QUESTION FIVE

Which of the following pairs of principles of behaviour are included in the seven principles of public life?

- A Reliability and Leadership
 - B Confidentiality and honesty
 - C Accountability and objectivity
 - D None of the above **(2 Marks)**
-

QUESTION SIX

The principles of public life represent an attempt to improve the standards of behaviour for those in public life. One of these principles is described as follows.

“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”

Which one of the following of principles of public life that is described correctly above?

A Integrity

B Leadership

C Selflessness

D None of the above

(2 Marks)

QUESTION SEVEN

Kenneth John, an Institute of Certified Public Accountant of Rwanda (ICPAR) member in practice at KM Ltd a firm which provides bookkeeping, auditing and tax advisory services for local business in Karongi district. One of the clients of KM Ltd, Best Juice Ltd has been allocated to Kenneth. Best Juice Ltd is owned by Kenneth’s sister, Nina Leah.

Which type of threat does this situation represent?

A Self-review threat

B Intimidation threat

C Advocacy threat

D Familiarity threat

(2 Marks)

QUESTION EIGHT

Regarding to scenario in question 7 above if Kenneth John carries out the work.

Which of the fundamental ethical principles will he be most at risk for breaching?

A Confidentiality

B Professional competence and due care

C Objectivity

D None of the above

(2 Marks)

QUESTION NINE

In relation to the above scenario of Kenneth in Question 7, which of the following is the most appropriate action for Kenneth John to take?

- A Resign from the KM Ltd and decline the assignment
- B Inform KM Ltd of their relationship with Best Juice Ltd
- C Inform ICPAR of their link and relationship with Best Juice Ltd
- D None of the above

(2 Marks)

QUESTION 10

Mugisha David, Chief Executive Officer of DM Ltd, a company specialising in the production of cement in Rwanda. DM Ltd were in need of staffs for its accounting, and auditing departments. Mugisha David being the Senior Manager during the Senior Management requested other members to agree on decision of hiring their brother Lewis Green and their cousin Sharon Teta. Mugisha David was in view that Lewis Green will prepare management reports and Sharon Teta check them and if they found errors or fraud in the report. Sharon will not publish the reports and will talk to Mugisha David Immediately. Members of the Senior Management were not in view with David of hiring family members and challenged the decisions as it would impose bad reputation on DM Ltd.

In relation to the principles of public life, which of the following principles were exercised by the members of the Senior Management of DM Ltd?

- (i) Leadership
 - (ii) Accountability
 - (iii) Objectivity
 - (iv) Selflessness
- A (ii),(iii) and (iv) only
 - B (iii) and (iv)
 - C (i) only
 - D None of the above

(2 Marks)

QUESTION 11

In line with question 10 above, which of the following fundamental ethical principles is most at risk for Mugisha David in this situation?

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

(2 Marks)

QUESTION 12

Joan is an ICPAR member in practice at Jade Ltd. She was an audit Manager who helped in the designing internal control system of Keza Treated Timber Ltd that supply wooden poles in Rwanda. Keza Treated Timber Ltd asked Jade Ltd to come and carry audit on the effectiveness of the operation of its internal control systems.

Which threats to professional ethics is Jade Ltd facing here?

- A Self-interest threats
- B Self-review threat
- C Intimidation threat
- D None of the above

(2 Marks)

QUESTION 13

Normally in Public Organs in Rwanda Senior Officials/Employees are appointed or recommended by the cabinet for the appointment to different institutions. In doing so, holders of public office should make choices on merit and have duty to declare any private interests relating to their duties and take steps to resolve any conflicts arising in a way that protects public interest

Which one of the following principles of public life is most appropriate to this situation?

- (i) Honesty
 - (ii) Openness
 - (iii) Objectivity
 - (iv) Integrity
- A (i) only
 - B (i) and (iii)
 - C (i),(ii),(iii) and (iv)
 - D None of the above

(2 Marks)

QUESTION 14

James Lee, a Finance Internee at one of the big companies of Energy Production in Rwanda. The company has published their offers for the recruitment of Accountants in their finance department. James applied for the jobs and really want it. James Lee exaggerated his experience to meet the job specification requirements of the experience of 3 years and having qualification such as Certified Accounting Technician (CAT) or Certified Public Accountant (CPA) as listed in the terms of reference for the positions.

Which one of the following statements best describes this situation?

- A James has misled a potential employer and has therefore breached the ethical principles of integrity
 - B James has misled a potential employer and has therefore breached the ethical principles of confidentiality
 - C James has not compromised his professional ethics, everyone exaggerates to get a job
 - D James has acted irresponsibly and therefore has breached the ethical principles of self-interest
-

(2 Marks)

QUESTION 15

Johnson Lion, an ICPAR member in a practice working for Health Sector in Rwanda who have been appointed as a member of internal tender committee for his institution. Johnson is involved in the process of deciding which supplier will be granted a tender for the supply of office stationaries for his institutions. One bidder/supplier asked James if its bid is competitive in relation to the other prices of the bidder.

Which of the fundamental ethical principles is Johnson most at risk of breaching in this situation?

- A Objectivity
 - B Familiarity
 - C Confidentiality
 - D None of the above
-

(2 Marks)

QUESTION 16

Mutoni Leah, a qualified accountant at TM Ltd, a mining company located in Rwamagana district has prepared the financial statements for the year ended December 2020 and shared it to the Chief Finance Officer Edmond Kagire for the review. Edmond noted that there is significant net loss before tax and refused to sign the report and requested Leah to manipulate the figures and give favourable results that Edmond would present to the board shareholders.

What is the potential ethical dilemma here, and what should Leah respond to Edmond?

- A Leah should refuse to comply to the request of Edmond as it is a breach of integrity
 - B Leah should refuse to comply as it is a breach of principle of objectivity
 - C Breach of objectivity, but Leah must comply and respond to the request of Edmond as she has an obligation to perform all duties as required by their employer
 - D 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
- (2 Marks)**
-

QUESTION 17

Accountants must not take custody of client moneys or other client's assets unless they are permitted to do so by law.

Which of the following are situations in which accountants in practice should not hold client's monies?

- (i) The accountant has reason to believe the money is criminal property
 - (ii) There is no justification in holding the money
 - (iii) There is a condition on the accountant's licence which prohibits dealing in client monies
- A (i) only
 - B (i), (ii) and (iii)
 - C (ii) and (iv) only
 - D None of the above
- (2 Marks)**
-

QUESTION 18

Which of the following is the international body representing all major accountancy bodies across the world?

- A Financial Reporting Council
 - B International Accounting Standards Board
 - C International Federation of Accountants
 - D International Ethics Standards Board for Accountants
-
- (2 Marks)**

QUESTION 19

TMS Ltd, an accountancy firm located in Rubavu district hold some monies on behalf of its clients. The firm has only a single bank account in which it holds its own money and their clients' money.

Which one of the following key safeguards for holding client money that the TMS Ltd appear to not be applying in this situation?

- A Separation
 - B Appropriation
 - C Use
 - D Accountability
-
- (2 Marks)**

QUESTION 20

Which of the following statements is about whistle blowing is/ are true?

- (i) Whistleblowing disclosure in Rwanda must be made to the investigation unit
 - (ii) An accountant working in business in Rwanda must disclose any information they have about unethical behaviour in their workplace
- A Both of them
 - B (i) only
 - C Neither of them
 - D (ii) only
-
- (2 Marks)**

QUESTION 21

Normally a Public and a Private Entity or a business prepare its financial statements for specific year on a going concern basis.

Tonny Brian is a student pursuing professional course of Certified Accounting Technician (CAT) in Rwanda, but he is unaware of what going concern principle implies in relation to the preparation of entity financial statements.

Advise Tonny Brian on which one of the following statements best explains the term “going concern”?

- A The effect of transactions being recognised when they occur
 - B That the business will continue to operate in the foreseeable future
 - C To ensure similar businesses can be compared to allow for investors to assess them
 - D To ensure the financial statements have been prepared on time **(2 Marks)**
-

QUESTION 22

The fundamental principle of professional competence and due care requires accountants to only undertake work in which they have suitable skills and experience in order to be able to complete.

Which of the following types of professional misconduct could be faced by an accountant who fails to act with sufficient expertise?

- (i) Breach of contract
 - (ii) Breach of trust
 - (iii) Professional negligence
 - (iv) Fraud accusations
- A (i) only
 - B (i), (ii), and (iv)
 - C (i) and (iii) only
 - D (i), (ii), and (iii) **(2 Marks)**
-

QUESTION 23

Betty Dusabe, an ICPAR member in accountancy firm has obtained an assurance engagement from one of its Clients Soft drinks Ltd located in Nyagatare district. Betty is going to charge fees to soft drinks Ltd and is analyzing a number of factors to take into account when charging fees to the client.

Advise Betty Dusabe on which of the following factors could be taken into account when determining fees to be charged to soft drinks Ltd?

- (i) The skills required to carry out the engagement
- (ii) The outcome of the engagement
- (iii) The value of the service to the client

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

(2 Marks)

QUESTION 24

Ivan King, Managing Director of Delta Ltd, a medium sized company in Kigali specializing in supply of IT equipment's and its spare parts. The company have 5 shareholders, Ivan presented the financial statements with a net worth of FRW 3 billion to the shareholders. Two of the shareholders did not agree on certain decisions with other shareholders after getting results of the financial reports presented to them, due to the above disagreement, these shareholders decided to withdraw capital invested from the company and after few months the company become insolvent and has started the process of liquidating its assets.

Which one of the following statements is correct?

- 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
- B The information provided in the financial statements is strictly limited
- C The amount of time each shareholder can work in a company is restricted
- D None of the above

(2 Marks)

QUESTION 25

Nolan Ken, a student member of ICPAR is unsure about the meaning of the principle of confidentiality.

Which of the following best describes the principle of confidentiality?

- A The duty of confidentiality can be overridden in the public interest
- B The duty of confidentiality is an absolute ethical obligation
- C The duty of confidentiality is a legal obligation
- D None of the above

(2 Marks)

QUESTION 26

Trust Ltd a company specializing in provision and production of materials used in Education Sector in Rwanda has had loss of several client records, the Management of Trust Ltd took decision to hire in an IT consultant who later proved that Trust Ltd recently had their computer system hacked.

Which of the following types of operation risk are presented?

- A Internal fraud
- B External fraud
- C Systems failure
- D None of the above

(2 Marks)

QUESTION 27

Although accountants have duty to respect the confidentiality of information, there are certain circumstances in which accountants are permitted or required to disclose confidential information. In doing so, accountants have to consider a number of points in whether and how to disclose.

Which of the following are possible factors to consider in disclosing confidential information?

- (i) How reliable is information
- (ii) Who is the appropriate recipient of the information
- (iii) Will you incur legal liability by disclosing the information

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

(2 Marks)

QUESTION 28

The principle of political neutrality requires that accountants in public sector act impartially when dealing with governments and other officials to avoid favoring one political party over another.

However, there are general principles that apply to public sector accountant providing political neutral services.

Which of the following are general principles?

- i) Balancing rights and neutrality
- ii) Freedom of expression
- iii) Fair and honest advice
- iv) Integrity and objectivity

A (ii) only

B (i), (ii), and (iv)

C (i) and (ii)

D (i),(ii) and (iii)

(2 Marks)

QUESTION 29

Musore Benjamin, a professional accountant in practice has knowingly prepared a set of financial statements for one of its clients TBB Ltd on the basis of inadequate information. TBB Ltd was not aware that Musore Benjamin did this and had not asked him or put pressure on him, to omit any information from the financial statements.

Which of the fundamental principles are most threatened here?

A Professional competence and due care, integrity, and objectivity

B Professional competence and due care, integrity, and professional behaviour

C Integrity, objectivity, and confidentiality

D Integrity, objectivity and professional behaviour

(2 Marks)

QUESTION 30

Josephine Mutesi, a member of ICPAR who works in public practice, has been asked by their colleague Diana Teta about the circumstances in which an ICPAR member might be required to breach confidentiality.

In which of the following situations should confidentiality be breached?

- (i) As a result of an enquiry from ICPAR
- (ii) To protect an ICPAR member's professional interest in a court of law
- (iii) To a financial institution which has requested the information from your firm of accountants directly without authorisation of client to this request.

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

(2 Marks)

QUESTION 31

Teddy Muneza, a member in practice, has been tasked to complete an important assignment by their supervisor, However Teddy Muneza knows that she will not have enough time to complete the work properly and she does not have required skills to perform the task completely.

Which one of the fundamental ethical principles is under threat?

- A Confidentiality
- B Integrity
- C Professional competence and due care
- D Professional behaviour

(2 Marks)

QUESTION 32

In line with Law No 35/2012 (Parliament of the Republic of Rwanda,2012) that provides protection to whistle-blowers. Complete the following sentence in regard to whistleblowing

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

- A ‘Immediately’ and ‘following’
- B ‘As a last resort’ and ‘following’
- C ‘Immediately’ and ‘prior to’
- D ‘As a last resort’ and ‘prior to’

(2 Marks)

QUESTION 33

Liliane Mutesi, a Senior Accountant at Real Ltd was working on the submission of corporate Income tax return for the year ended 31st December 2020. They noticed that they had incorrectly deducted entertaining expenditure on last year's returns.

Which one of the below actions should Liliane Mutesi do?

- A Correct the error on this year's return and do not tell anyone
- B Advise RRA of the error without disclosing it to the Real Ltd
- 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.
- D Be silent and not tell any one of the errors made in prior year tax returns

(2 Marks)

QUESTION 34

Ronald Blair, an ICPAR member in practice, is working for transportation company in Muhanga district and is facing an ethical dilemma at work.

Which of the following would be most appropriate for him to consult for advice?

- A ICPAR
- B His line Supervisor
- C Family members
- D None of the above

(2 Marks)

QUESTION 35

Denis Musonera, an iCPAR member in accountancy firm, the firm has recruited an audit assistant Philip Kaneza. Denis noticed that Philip frequently uses the colour printer in the office to print their personal item. They do this in normal office working hours.

What is the most appropriate action for Denis Musonera to take in this circumstance?

- A Report Philip to HR Partner
 - B Ignore it, because using photocopying is not causing any one any harm
 - C Discuss his behaviours with him and encourage him to change
 - D Report Philip to the Managing Director of the accountancy firm for his unethical behaviours
-
- (2 Marks)**

QUESTION 36

The International Ethics Standards Board for Accountants Code of Ethics (IESBA, 2016) has outlined factors that members should consider in attempting to resolve conflicts.

Which of the following is not among the factors outline by IESBA code of ethics?

- A Ethical issue involved
 - B Professional behaviour
 - C Relevant facts
 - D Established internal procedures
-
- (2 Marks)**

QUESTION 37

Which body is responsible for upholding Code of Ethics?

- A IESBA Disciplinary Commission
 - B ICPAR Committee for Ethics
 - C International Auditing and Assurance Standards Board (IAASB) Regional Disciplinary Committee
 - D ICPAR Disciplinary Commission
-
- (2 Marks)**

QUESTION 38

Which of the following best sets out the relationship between ethics for professional ICPAR members and the law?

- A Complying with Rwandan law is all that is required to be ethical
 - B ICPAR members can be ethical while not complying with the law
 - C Ethical conduct means complying with laws plus meeting other standards of behaviour
 - D Ethical conduct is independent of complying with laws
-
- (2 Marks)**

QUESTION 39

Kellen Debora, an ICPAR member in practice working for Food delivery services in Kigali has been instructed by their line supervisor to take a course of action which he feels is unethical.

Which of the following best describes how Kellen should respond to the instructions?

- A Kellen must obey an instruction from her line supervisor and should take the course of action requested
 - B She is entitled to refuse the request
 - C Kellen is entitled and required to refuse the request of her line supervisor
 - D Kellen should escalate this request to other colleagues to seek advice before responding to her line supervisor
-
- (2 Marks)**

QUESTION 40

Claude Pascal is working in health sector in Rwanda which was allowed to work during lock down. Claude intentionally misleads his employer that he will unfortunately not be able to attend work for a week as he has signs of covid-19.

Which of the following qualities of ethical behaviour has Claude failed to demonstrate?

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

QUESTION 41

The principles of public life represent an attempt to improve the standards of behaviour for those in public life. One of these principles is described as follows.

“Holders of public office are countable for decisions and actions, and are subject to whatever scrutiny is appropriate to their office”

Which one of the following principles of public life is most appropriate to this situation?

A Accountability

B Openness

C Honesty

D None of the above

(2 Marks)

QUESTION 42

Which body is responsible for developing international financial reporting standards (IFRS's)?

A International Accounting Standards Board (IASB)

B International Ethics Standards Board of Accountants (IESBA)

C International Federation of Accountants (IFAC)

D ICPAR

(2 Marks)

QUESTION 43

Which of the following bodies is responsible for assessing and collecting taxes in Rwanda?

A Rwanda Social Security Board (RSSB)

B Rwanda Revenue Authority (RRA)

C Institute of Certified Public Accountant of Rwanda (ICPAR)

D None of the above

(2 Marks)

QUESTION 44

The institute of Certified Public Accountant of Rwanda (ICPAR) was established by the law N° 11/ 2008 (Parliament of Republic of Rwanda). The legislation also determines the ICPAR roles and responsibilities as well as how it governs and conduct its business.

Which of the following statements are the responsibilities of ICPAR?

- (i) Regulating the accounting professional in Rwanda
- (ii) Taking disciplinary measures against members unable to perform their duties and guilty of misconduct
- (iii) Assessing and collecting taxes in Rwanda
- (iv) Issuing regulations to promote the functioning of the institute

A (i) and (ii)

B (i), (ii),(iii), and (iv)

C (i), (ii) and (iv)

D None of the above

(2 Marks)

QUESTION 45

Respecting another right to confidentiality and privacy's is an example of which quality of ethical behaviour?

A Integrity

B Honesty

C Fairness

D Sensitivity

(2 Marks)

QUESTION 46

Which of the following is not a circumstance in which confidential information may be shared by an accountant?

A Disclosure of information is required by law and an accountant has legal duty to disclose

B Information will only be disclosed to family members who do not intend to use information for any person gain

C Disclosure of information is permitted by law and authorised by the accountant's client

D The accountant has professional duty or right to disclose the information because it is in the public interest and disclosure is not prohibited by law

(2 Marks)

QUESTION 47

Which of the following is not a general principle that applies to political neutrality?

- A Public sector accountants should not express their personal political views
 - B It is in public interest for accountants, and other civil servants to be political neutral
 - C An accountant's professional duty is to provide fair and honest advice, regardless of their political views.
 - D Accountants in public sector need to keep their personal political views separate from their jobs
- (2 Marks)**
-

QUESTION 48

Divine is an ICPAR member in practice. He has received an invitation from ICPAR to attend seminar for annual budget review for the fiscal year 2021/2022. The seminar will generate a certificate of 3 hours (CPD) in their area of expertise.

Which of the following is the most important reason for Divine to attend annual budget review seminar courses for continued professional development?

- A To demonstrate to the firm's clients that their staff are being treated in a professional Manner
 - B To comply with the requirements of the professional body with respect to training
 - C To show leadership towards the junior staff and encourage them to attend training sessions
 - D To ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards
- (2 Marks)**
-

QUESTION 49

Treating others equally by considering mutual respect and open communication is an example of which quality of ethical behaviour?

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

QUESTION 50

One of the seven principles of public life whose aim is to improve standards of behaviour in public life is described as follows.

‘Decision should be taken in an open and transparent manner unless there are clear reasons for not doing so’

Which one of the following of principles of public life that is best described above?

A Leadership

B Openness

C Honesty

D None of the above

(2 Marks)

End of Question Paper