
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.3 PROFESSIONAL ETHICS IN ACCOUNTING AND
FINANCE

DATE: MONDAY, 26 APRIL 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.

SECTION A

- 1 Peter, an ICPAR member, is preparing the accounts for a client Ineza Ltd. Ineza Ltd is in process of bidding for new tenders worth Frw 20 Billion as advertised by the utility company in Rwanda. One of the conditions for any successful bidder is to submit certified financial statements for the year that show profitability and a sound financial position. Ineza Ltd had a difficult year with a lot of challenges including the pandemic that affected its business operations and had taken three loans from a financing institution during the year whose repayment was impacted due to Ineza's poor financial position. Ineza Ltd requested Peter to omit two loans it had taken during the year so that its financial position looks better. Peter knows that if he does not do what the client has asked for is likely to lose the tender and will be in danger of going out of business.

Which of the following fundamental ethical principles is most at risk for Peter in this situation?

- A Integrity
- B Confidentiality
- C Objectivity
- D Profession competency and due care

(2 Marks)

- 2 Peter presented the accounts prepared for Ineza Ltd to his supervisor Sam for review and requested him to change the accounts and agree to the request by Ineza Ltd as from question 1 above. He explained to Peter that if accounts remain as they are, it would not be long before they were both out of jobs.

Which of the following threats to Peter compliance with ethical principles does this situation present?

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

(2 Marks)

- 3 Regarding to the scenario in question 2 above, which of the following actions would be the most appropriate for Peter to take, after considering a request from Ineza Ltd and what his supervisor requested him?

- A Change the accounts as requested
- B Refuse to change the accounts and inform the local press as it is in the public interest to disclose the matter
- C Refuse to change the accounts and explain his reasons for doing so with Sam
- D None of the above

(2 Marks)

- 4 James is the audit engagement partner for the audit of a small company, JIM Ltd. JIM Ltd has asked James to prepare financial statements before auditing them.

Which of the following best describes the type of threat to which this request gives rise to?

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

(2 Marks)

- 5 Which of the following will NOT typically be outlined in the organisation's ethical code of conduct?

- A The organisation's strategic objective
- B Behaviours that are prohibited of staff
- C How the organisation sees its responsibilities to its stake holders
- D Behaviours that are required of staff as a condition of ongoing employment

(2 Marks)

- 6 The principles of public life represent an attempt to improve the standards of behaviour for those in public life.

"Holders of public office are countable for decisions and actions, and are subject to whatever scrutiny is appropriate to their office". Which of the following principles best describes the scenario above?

- A Leadership
- B Objectivity
- C Honesty
- D Accountability

(2 Marks)

- 7 John is the director of Corporate Services at KABEZA Construction Ltd, a large provider of construction materials. He discovered that the Internal Auditor of Kabeza construction Ltd has found in his audit report that the Chief Finance officer has fraudulently embezzled the funds of the company but was instructed by the Chief executive officer who is a close friend to the Chief finance officer to remove this finding before presenting the report to the board, to which the Internal auditor agreed. John challenged the decision taken by the Internal auditor.

Which of the following Principle of Public Life is John most clearly demonstrating?

- A Selflessness
- B Openness
- C Honesty
- D Objectivity

(2 Marks)

- 8 Which of the following pairs of principles of behaviour are included in the seven principles of public life?
- A Openness and confidentiality
 - B Reliability and Leadership
 - C Openness and Leadership
 - D Confidentiality and Reliability

(2 Marks)

- 9 Robert is the Director of Human Resources and Administration at SM consultancy firm dealing with tax, accounting and advisory role to its clients, and is considering the introduction of a code of conduct for the practise.

Which of the following are possible reasons for Robert to introduce such a code of Conduct?

- i) To promote stake holder responsibilities
- ii) To establish organisation's values
- iii) To convey values to the stake holder

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

(2 Marks)

- 10 ICPAR is the regulatory body of the accountancy profession in Rwanda. Article 4 of the law N^o 11/2008 (Parliament of Republic of Rwanda) states that each member must be characterised by Integrity, must not cause disrepute to the accounting profession, and should abide by ICPAR Code of Professional Conduct and Ethics.

Which of the following are the responsibilities of ICPAR?

- (i) Preserving the integrity of the accounting professional
- (ii) Promoting the competence and capabilities of its members
- (iii) Regulating the accounting professional in Rwanda
- (iv) Assessing and collecting taxes in Rwanda

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

(2 Marks)

11 Claude is a senior planning engineer at the City of Kigali. Claude had a major disagreement with Steven regarding each one's role in the planning committee. Steven subsequently left his role and joined a construction firm. When Steven's firm applied for a permission to build a hotel, Claude voted it down, despite the application meeting the planning department's criteria. Claude admitted to a colleague that he wanted to take the opportunity to 'teach Steven a lesson'.

Which of the principle of public life has Claude breached here?

- A Leadership
- B Objectivity
- C Integrity
- D Accountability

(2Marks)

12 Odeth is the Chief Internal Auditor of Nolan Ltd and, she is an ICPAR member. ICPAR has shared its annual training calendar to its members. Nolan Ltd sponsors its staff to undertake Continuing Professional Development Courses (CPD) in their area of expertise but she is unsure why the course is necessary for her?

The following statements describe fundamental ethical principles. Which statement describes the principle most relevant to the Odeth's CPD Course?

- A To be straight forward and honest in all professional and business relationships
- B Not to compromise professional or business judgments because of bias, conflicts of interest or undue influence
- C To respect the confidentiality of information acquired as result of professional or business relationships
- D To comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.

(2 Marks)

13 ICPAR CPD Policy requires each member to keep adequate CPD records to demonstrate that they have complied with policy and have maintained and improved their technical skills and abilities. Though Dorine is an ICPAR member she has failed to undertake CPD, and at the end of each year every member is requested to register and renew membership for them to remain on the list of members in good standing. Dorine's firm paid for her renewal fees though ICPAR is currently investigating her failure to comply with the CPD declaration requirement.

Which of the following misconduct might Dorine be found to have committed?

- A Professional Negligence
- B Breach of contract with ICPAR
- C Breach of trust
- D Professional misconduct

(2 Marks)

14 Clementine is working on the audit engagement with a client. She is struggling to complete the work in the amount of time available. She believes that for her to be able to finish the engagement on time, she has to work very long days.

Which of the fundamental ethical principles is mostly likely to be threatened by Clementine's action?

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

(2Marks)

15 The principle of professional behaviour is vital in maintaining the reputation of the profession.

Which of the following is NOT primarily included in the principle of professional behaviour?

- A As a minimum, complying with the law
- B Behaving with courtesy and consideration towards anyone you come into contact with professionally and in your personal life
- C Completing work carefully, thoroughly and a on timely basis
- D Being honest when describing the services, you can offer, or the experience you have gained in a particular area of business.

(2Marks)

16 Vedaste is the Human resource manager of a Large Manufacturing Company in Rwanda. He has attended a training organised by ICPAR on adhering to organisation code of conduct and maintaining professional values. He understood very well that one of the ways organisations can communicate to their employees the behaviour expected of them is through a code of practise. However, codes of practice or codes of conduct will only be effective if employees follow them. He wants to communicate behaviours expected of employees to the senior management of the company.

Advise Vedaste on which of the following is NOT the reason why it is important to adhere to an organisation's code of conduct?

- A Ensure legal compliance
- B Maintain organisation's credibility
- C Maintain good image with the clients
- D To avoid the need for internal disciplinary procedures

(2Marks)

17 The Code of Ethics identifies two key aspects of independence.

Which of the following correctly identifies these two key aspects?

- A Independence of thought; independence of mind
- B Independence of thought; independence of appearance
- C Independence of mind; independence of appearance
- D Professional independence; personal independence

(2Marks)

18 Accountants who work in practice may come into contact with client money. Holding client money can result in self-interest threats to integrity, objectivity and professional behaviour.

Which of the following is NOT one of the key safeguards an accountant in practice can apply in relation to holding client money?

- A Accountability
- B Appropriation
- C Separation
- D Use

(2Marks)

19 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
- (iv) They are monies of investment business clients and the accountant is not regulated

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

(2Marks)

20 Daniel is an ICPAR member in practice. One of his clients is being investigated by RRA. RRA asked Daniel to provide some information to assist with an inquiry. Daniel refused to co-operate arguing that this would be a breach of his duty of confidentiality to his client.

Is Daniel under an obligation to disclose information about his client?

- A No, disclosure has not been authorised by the client
- B Yes, disclosure is required by the law
- C Yes, disclosure is in the public interest
- D None of the above

(2Marks)

21 Diana is a self-employed accountant who specialises in carrying out bookkeeping and accountancy work for other small businesses. She has become aware that one of her clients, a self-employed electrician has been offering services to clients for cash payments but at a lower rate than usual. The electrician is not VAT registered but Diana suspect that he may be working for cash in order to avoid declaring this income on his tax return.

Which of the following actions would be most appropriate for Diana to take?

- A Report the electrician to his trade regulatory body
- B Cease to work on behalf of the electrician
- C Disclose the matter publicly as the matter is one of the public interest
- D None of the above

(2Marks)

22 Dennis is the Human resource officer of Ubuzima NGO. He has recruited Jonah as the new Talent specialist. Jonah is frequently on the phone during normal working hours and sometimes disappears from his desk for long periods of time to make extended personal calls.

What is the most appropriate action for Dennis to take?

- A Escalate the matter to his line manager.
- B Report Jonah to the Director of Human Resources of Ubuzima NGO.
- C Discuss his behavior with him and encourage him to change and take phone calls outside normal working hours.
- D Ignore it, because taking phone calls is not causing any harm to any one.

(2Marks)

23 In line with UK-based organisations, the Institute of Business Ethics (IBE) has an overall objective of promoting high standards of business practices based on ethical values.

Putting yourself in the place of the people on the receiving end of the decision you are about to make, helps you to assess which one of the following?

- A Transparency
- B Effect
- C Fairness
- D None of the above

(2Marks)

24 Liliane is a professional accountant in practice who has had Alpha Ltd as a client for many years. In her professional capacity, Liliane has been asked by Alpha Ltd's new landlord to give a written reference confirming that the company is likely to be able to pay rent over the next five years. Alpha Ltd is paying a large fee for supplying the reference.

Which of the following statement(s) are true?

- A Liliane should not accept this engagement as the large fee compromises her integrity
- B It would be an acceptable practice for Liliane to include a disclaimer or liability in the written reference
- C Liliane should not accept this engagement as the length of the relationship with the client compromises her objectivity
- D Liliane should not accept this engagement as a safeguard against the threat of intimidation presented by this situation

(2Marks)

25 When accountants advertise and promote their services, which one of the following statements are they legitimately able to make?

- A Offering to work for a guaranteed fixed fee
- B Offering to do the work faster and cheaper than any other accountant in the area
- C Claiming to offer the best service of any accountant in the area
- D Offering to guarantee to reduce the tax bill for any new client

(2Marks)

26 Patrick is a trainee accountant, working for a small firm of accountants, and has been employed there for five years. He is responsible for supervising two trainees, both of whom have recently left college and this is their first full time employment. Patrick reports to the Accounts' Manager. His daily work routine involves a variety of urgent and important tasks, and today he encountered the following scenario:

He received an email from one of your existing clients asking for technical advice relating to a specific tax issue. This is an area of work where he has no technical experience or knowledge.

Which of following is the most appropriate course of action?

- A Inform the client that this is an area outside of his expertise and that he will need to seek advice from a more experienced colleague before dealing with their request.
- B Advise the client that this is outside the remit of his agreed contract and that he would need to seek suitable advice from another firm of accountants.
- C Advise the client that this is outside the remit of his work and that his firm would need to consider whether this would result in additional fees being charged.
- D Agree to provide the advice in order to maintain his level of credibility with the client.

(2Marks)

27 Bella, a professional accountant was invited on a night out with other colleagues from the accounts department. This became quite a boisterous evening and it ended with the Finance Director removing a sign from the front of a shop which he brought into the office the next day as a reminder of the good evening.

Which ONE of the fundamental ethical principles is under threat?

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

(2Marks)

28 Tonny is the Chief Accountant of Baho Consultancy firm. One of his responsibilities is to approve the expense claims for the two trainees. One trainee appeared to have seriously overstated their mileage claim relating to the travel to one of the firm's clients located in Huye. The other trainee has submitted a mileage claim for a visit to a client, however, you feel certain that they were given a lift by another member of staff within the firm.

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

- A Process the expense forms, and then report both trainees to the office manager, informing him that you have verifiable evidence that the expense forms have been incorrectly completed
- B Process the expense forms, but informally tell both trainees that in future you will be checking their expense forms more thoroughly, and that you will not be as lenient as in this instance.
- C You need to inform both trainees, that the completion of expense forms implies both honesty and integrity on their behalf, and that you can only authorise valid expense claims.
- D Authorise the expense claims, and then send out a memo to all staff reminding them that they have a duty to demonstrate honesty and integrity when completing expense forms

(2Marks)

29 Deo is the Chief Finance Officer of Fair Ltd. The CEO during the meeting told him that there are going to be some redundancies in the company but Deo will not be affected. He also mentioned to him that a number of people will be laid-off, including a good friend of his who is in the process of buying a house in Kigali. Deo know that his friend would not be able to afford the property if she were to lose her job and that she would pull out of the purchase if she knew about the redundancy plans. The news of the redundancies will not be made public for several weeks.

Which ONE of the fundamental ethical principles is under threat?

- A Professional competence and due care
- B Professional behaviour
- C Objectivity
- E Confidentiality

(2Marks)

30 Mutoni has approached you for advice. She recently joined your company, and the Accounts' Director has asked her to provide information on her previous company's client base. This information would then be used to attract new clients and encourage them to change their accountants and move to your firm.

What would be the most appropriate advice to offer to Mutoni?

- A Advise Mutoni to contact her old employer and obtain permission to use the information on their client base.
- B Inform her that she owes a duty of confidentiality to her previous employer, and should not reveal any information about the client base.
- C Advise her that she now owes a duty towards her new employer and should therefore, provide the information to the Accounts' Director as requested.
- D Inform Mutoni that revealing such information is illegal, and that she would be criminally liable under the fraud regulations.

(2Marks)

31 Teddy has audited the accounts of Real Ltd and issued an unqualified audit report. She received an email from the Chief executive officer of Real Ltd, who is very grateful, and congratulates her for the hard work in producing their recent accounts. He informs her that they would like to show their gratitude by offering her and her family the use of their villa in Dubai and that she would have to arrange her own flight.

Advise Teddy what is the most appropriate form of action to take?

- A Decline the offer of the holiday, as this might affect her independence in any future dealings.
- B Advise the client that she would first have to receive authorisation from her employer, before accepting their offer of the holiday.
- C Advise the client that she is happy to accept the offer of the holiday, as there is no additional cost to the client and all she has to do is to pay for her flight.
- D Decline the offer of the holiday as this would be too extravagant, but suggest that she could accept a less expensive gift, such as a flat screen TV.

(2Marks)

32 Jessica, is an ICPAR member in practice, and has been tasked to complete an important assignment. However, she knows that she will not have enough time to complete the work properly.

Which ONE of the fundamental ethical principles is under threat?

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

(2Marks)

33 Business ethics suggest that businesses have a duty to act in the best interests. Which of the following stakeholders should the business value most?

- A The shareholders or other key investors
- B The employees of the organisation
- C Society as a whole (including shareholders and the employees)
- D None of the above

(2Marks)

34 Justin is an ICPAR member in practice at TPP Ltd. He is a senior on an assurance assignment for KEZA Saloon. He inherited 10% shareholding in this client.

Which type of threat does this situation represent?

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

(2Marks)

35 You are updating the extended trial balance for bank and cash details when you discovered that the petty cash records do not reconcile with the petty cash receipts that have been filed. It appears that for sometime someone has been overclaiming travel expenses.

What fundamental principle has been breached? Select the most appropriate answer.

- A Honesty
- B Selflessness
- C Integrity
- D Professional competence and due care

(2Marks)

36 You are holding money on behalf of a client in a separate bank account which will be used to pay their quarterly tax bill. However, this client has not paid their invoice for the fees incurred for your firm's services, and this payment is now overdue. The firm's credit control manager asks you to withdraw money from the client's account to settle the outstanding fees.

What is the most appropriate course of action that you should take with regard to your supervisor's request?

- A Refuse to undertake the request as you should never withdraw money from a client's account
- B Agree to this request as it is an issue of disciplinary action to ignore any instruction from a manager
- C Agree to this request, but advise the credit control manager that the firm should not confuse the client's money with any outstanding fees
- D Inform the credit control manager that you would first need to obtain permission from the client before withdrawing money from their account

(2Marks)

37 Which body is responsible for upholding Code of Ethics?

- A IESBA Disciplinary Commission
- B ICPAR Committee for Ethics
- C IAASB Regional Disciplinary Committee
- D ICPAR Disciplinary Commission

(2Marks)

38 Rotating senior assurance team personnel helps ensure compliance with the five fundamental principles by safeguarding against which of the following threats?

- A Self-review
- B Self-interest
- C Familiarity
- D Advocacy

(2Marks)

39 There are certain services that an accountant cannot legally offer unless they are authorised to do so by the relevant regulatory body in Rwanda such as ICPAR. These services are known as ‘reserved areas’

Which of the following services are considered to be reserved areas?

- A Internal auditing
- B Insolvency practice
- C Taxation services
- D None of the above

(2Marks)

40 Being straightforward and honest in all professional relationships means that you are abiding by professional code of ethics.

Which fundamental ethical principle is explained in the scenario above?

- A Professional competence
- B Objectivity
- C Integrity
- D Openness

(2Marks)

41 Teta, an accountant in business working for a manufacturing company in Gasabo district is facing an ethical dilemma at work.

Which of the following would be least appropriate for her to consult for advice?

- A ICPAR
- B A solicitor
- C Family members
- D Her line manger

(2Marks)

- 42 Which of the following is NOT one of the main objectives of the accountancy profession?
- A Taking decisions solely in terms of the public interest
 - B Acknowledgement of duties to society as a whole, in addition to the employer or the client
 - C An outlook which is essentially objective, obtained by being fair minded and free from conflicts of interest
 - D Rendering personal services to the highest standards of conduct and performance
- (2Marks)**
-

- 43 Which of the following is the most important reason for an accountant to attend training 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
- (2Marks)**
-

- 44 The IFAC Code of Professional Ethics provides general principles for ethical issues relating to taxation and states that a member providing professional tax services has a duty to put forward the best position in favour.
- Which of the following are correctly described above?
- A The tax authorities
 - B The public
 - C A Client or employer
 - D None of the above
- (2Marks)**
-

- 45 Claude is an ICPAR member, working in small business in Kigali city. One of the company directors John is also an ICPAR member and has reviewed the financial statements compiled by Claude and has made a number of changes, including removing information on the names of the directors and details of the company's bank. Claude does not agree with these changes, and has explained this to John but he is insisting that the accounts get filed.
- What is the most appropriate action for Claude to take?
- A Claude should file the financial statements as the director has signed them
 - B Claude should raise his concerns internally, in an email to the board of directors
 - C He should report John to ICPAR
 - D None of the above
- (2Marks)**
-

46 Diana is an ICPAR member working at a company in Huye district. He has been instructed by her Line manager, Rose who is also an ICPAR member to take some course of action during the preparation of the company financial statements to omit some information regarding loans taken and also omit some bank accounts of the company. Diana feels that this is unethical.

Which of the following best describes how Diana should respond to the Instruction?

- A Diana is entitled to refuse the request
- B Diana is entitled and required to refuse the request
- C Diana must obey an instruction from Rose and take the course of action as requested.

(2Marks)

47 The IESBA Code of ethics outlines five factors that members should consider when attempting to resolve ethical conflicts.

Which of the following are among the five factors that members are advised to consider?

- (i) All potential facts and rumours
- (ii) Established internal procedures
- (iii) Alternative course of action, and their consequences

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

(2Marks)

48 Which of the following correctly describes the approach which allows the individual to decide what behaviour is appropriate in exercising professional judgment on a case-by-case basis?

- A The principles-based approach
- B The compliance-based approach
- C The rules-based approach
- D The laissez-faire approach

(2Marks)

49 Emmanuel, an ICPAR member in practise has prepared a set of financial statements for a client despite knowing that he has inadequate information to prepare the financial statements properly.

Which of the following ethical principles are threatened in this situation?

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

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

(2Marks)

50 Which of the following statements about the duty of confidentiality is/are true?

- (i) Confidentiality applies to the use of information by an accountant, not just to the disclosure of information
- (ii) The duty of confidentiality to a client continues to apply even when the contractual relationship with that client has ended.

- A Neither of them
- B (i) only
- C (ii) only
- D Both of them

(2Marks)