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

**DATE: MONDAY 24, APRIL 2023  
MARKING GUIDE AND MODEL ANSWERS**

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### Marking guide

1. D	26. A
2. C	27. B
3. B	28. B
4. B	29. D
5. C	30. C
6. A	31. A
7. D	32. D
8. B	33. D
9. B	34. D
10. C	35. A
11. D	36. C
12. C	37. B
13. C	38. B
14. B	39. B
15. A	40. C
16. B	41. B
17. B	42. C
18. D	43. B
19. A	44. B
20. B	45. B
21. C	46. C
22. D	47. D
23. D	48. A
24. C	49. B
25. B	50. D

**Award 2 Marks for each correct answer**

**2**

**Total Marks**

**100**

**1. The correct answer is D**

A criminal offense is an offense relating to a person or property that affect the whole community, while a civil offense concerns with wrongs relating to conflicts between individuals within the community.

The correct answer is therefore D since money laundering, fraud and corruption are all offences under the criminal law.

**2. The correct answer is C**

The correct answer is C because having an anonymous online platform to log in unethical or illegal issues (i), suggestion boxes (iii) and having an ethics board committee will spur an ethical culture within Akeza Company Ltd (iv). Options (ii) is not correct since whistle blowers' details should be kept secretly to avoid conflicts among staff.

**3. The correct answer is B**

The correct answer is B since the disagreement with top management and those charged with governance should not interfere the professional accountant to probe further the non-compliance or suspected non-compliance. Options A, C and D are not correct because those are among the factors to consider when there is need for further action in regard to non-compliance or suspected non-compliance.

**4. The correct answer is B**

There is no legal obligation to follow the code. The code provides members with guidelines on the standards of behaviour that are expected of them, but the code itself is not legally binding. The rest of the other options: A, C and D, are applicable for a member to abide by the Code.

**5. The correct answer is C**

The law relating to whistleblowing requires that a civil servant, or an employee of a public or private entity, must disclose any information they possess about offences or illegal or unethical behaviours in the workplace, so statement (ii) is correct. Nonetheless, whistleblowing should be made to an appropriate authority which is the Finance Intelligence Centre (FIC) if the employee had concerns about money laundering, but it should not always be FIC, which renders statement (i) false.

**6. The correct answer is A**

When faced with an ethical dilemma, it is acceptable to consult with an immediate supervisor, an advocate and or ICPAR; though engaging family members may cause Anita to breach the duty of confidentiality.

**7. The correct answer is D**

Nkubito is expected to exercise professional judgment when deciding who to discuss ethical matters with including consulting with any internal policies and procedures for further guidance. Similarly, he should first discuss the matter with his employer or supervisor before disclosing to any third party, so statement (i) is true.

If he has discussed the conflict with all relevant parties and he is still not satisfied with the way the conflict is being resolved, he should therefore consider resigning to maintain his integrity, so statement (ii) is also true.

**8. The correct answer is B.**

In case of any unethical act discovered within an organization, the chain should be first with the immediate supervisor or manager, then consequently to higher levels of authority, such as the Chief Financial Officer, Audit Committee etc. However, reporting to a third party such as a local newspaper, would be a breach of confidentiality. Therefore, B is the right answer.

**9. The correct answer is B**

Nkubito is expected to apply appropriate levels of knowledge, judgement and expertise when considering whether an act is unlawful or unethical, so statement (i) is true. However, if he suspects that a client, or employer or someone is acting for a client or employer and she or he is acting unlawfully or unethically, Nkubito should investigate the matter as opposed to keeping silent. So, statement (ii) is false.

**10. The correct answer is C**

The five factors an accountant should consider are:

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

Since the first factor is relevant facts only and not all potential facts and rumours; this renders option (i) in the question incorrect

**11. The correct answer is D**

The three characteristics identified are:

- Transparency – Is the decision characterized by integrity, openness and honesty?

- Effect – Who does the decision affect or hurt? Have the interests of all stakeholders been considered?
- Fairness – Will a decision be considered fair by those affected, or by an independent third party?

Selflessness is therefore one of the principles of public life – which means that holders of public office should act solely in terms of public interest, as opposed to gaining financial or other benefits for themselves or their families and friends.

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

Article 234 of the Companies Act 2009 requires a company to keep its accounting records at its head office for 10 years.

The options A, B and D are incorrect as accounting records of a company are not kept for five years, twenty years or permanently at its head office.

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

Article 237 of the Companies Act identifies that a company’s accounting records must contain a record of the company’s assets and liabilities for the same length of time as the accounting records, which is ten years.

So, the options A, B and D are incorrect as accounting records which include a record of its assets and liabilities of a company are not kept for five years, twenty years or permanently.

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

The period for which an organisation retains its books and records depends on a number of factors, including:

- The organisation’s need to access the documents
- Historical value of the documents for the organisation
- Cost of keeping the documents
- Legal or regulatory requirements

Since public interest is not among the factors, it renders B to be the correct option.

### **15. The correct answer is A**

Professional competence and due care are mostly at risk because Kalisa does not appear to possess the required knowledge and skills to prepare the financial statements appropriately.

Therefore, the rest of the options B, C and D are incorrect as they are not ethical principles threatened in this situation.

**16. The correct answer is B**

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

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

It appears the newspaper story could be of public interest, but an accountant does not have a professional duty or right to disclose confidential information to the newspaper.

**17. The correct answer is B**

The three key safeguards are: accountability (being read and able to account for moneys held); separation (keeping clients' money separate from the firm's own money) and use (only using monies for the purpose intended). There is no 'appropriation' safeguard.

**18. The correct answer is D**

One of the key threats to an accountant's independence and objectivity is accepting gifts, services, favours or hospitality from parties who may have an interest in the outcome of the accountant's work. In this case, Jame's gift is 'valuable', therefore accepting that gift is likely to result in a breach of independence.

**19. The correct answer is A**

While a code of conduct may reduce the need to discipline staff for poor behaviour, it will not eradicate or avoid the need to have disciplinary procedures in the event that staff breach the code of conduct, or are guilty of some other form of misconduct.

**20. The correct answer is B**

If a member of the audit team, or a member of that individual's immediate family has a financial interest in a client, this poses a self-interest threat.

**21. The correct answer is C**

Professional accountants must respect the confidentiality of information they acquire through business relationships, and must not disclose any such information without proper authority, unless there is a legal or a professional duty to do so. Therefore, safeguarding the security of information relates to confidentiality principle.

**22. The correct answer is D**

Receiving gifts and hospitality from parties who have an interest in the accountant's work could present a threat to the accountant's independence and objectivity. This could be a bribe if the

value of the gift is perceived as high. However, in this case, Umulisa's gift has been received in the normal course of a company's public relations and marketing activities which is not significant or material without any specific intention to influence Umulisa's decision making or professional judgement, rendering it appropriate to accept it.

**23. The correct answer is D**

Intimidation is a threat that an accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over them. This is the case here, where the client is trying to use the strength of their personality to influence the accountant. Self-interest threat (Option A) occurs if a financial or other interest inappropriately influences the accountants' judgement or behaviour; Advocacy threat (Option B) occurs when an accountant promotes a position or opinion to the point that the accountant's objectivity may be compromised; and Familiarity threat (Option C) results from close or long relationship with a client or employer such that an accountant becomes sympathetic and accepting of the other's work.

**24. The correct answer is C**

This is an intimidation threat with an element of self-interest. The temptation for the auditor is to make the conduct of the present audit 'soft' to keep the client happy and/or to save costs, allowing a lower fee to be charged, in the hope of retaining the client.

**25. The correct answer is B**

Stay with the original audit plan and give the client a clear account of the time spent on the audit. JP CPA has a duty to carry out the audit to an appropriate standard so that Nina Interiors receives a competent professional service. Failing to conduct the audit to an appropriate standard could discredit the profession as a whole.

**26. The correct answer is A**

The accountant's public interest duty means that in a situation where they have an obligation to more than one stakeholder, their primary duty is to the public, rather than to their client, their employer or themselves. Even though Felicien has a duty to his employer and/or Nina Interiors (Options B & C), acting in the public interest (Option A) takes precedence over his interest (Option D).

**27. The correct answer is B**

A self-review threat occurs when an accountant does not appropriately re-evaluate their own, or a colleague's work, when relying on it to perform a current service.

**28. The correct answer is B**

This is an advocacy threat and potentially self-interest though it's not among the provided options. The reference could be biased to help Nziza obtain the funds he needs.

**29. The correct answer is D**

The reference could be externally reviewed, or you disclose your relationship with Nziza to Zink bank – though presumably the bank should be knowing about it. Resigning (Option A); seeking permission from ICPAR (Option B); and refusing to supply the reference to Zink bank (Option C) are not appropriate responses under the circumstance.

**30. The correct answer is C**

The duty of confidentiality does not end at the termination of an employment relationship neither at the end of a client relationship in case of audit firms. Confidential information can only be disclosed when disclosure is permitted by law and authorised by a client (Option B), required by law (Option A), or if she has a professional duty or right to disclose (Option D).

**31. The correct answer is A**

Proceeding with the request (Option C), or consulting and then proceeding (Option B), will mean that Ornella has breached the fundamental principle of professional behaviour. Offering bribes is likely to bring the profession into disrepute. Ignoring the request (Option D) avoids breaching the fundamental principle, but it is not professional behaviour either, because Ornella should highlight the potential issues surrounding the bribe.

**32. The correct answer is D**

Any PAO such as ICPAR has a number of responsibilities including promoting the competence and capacity of its members, taking disciplinary sanctions against members who are guilty of professional misconduct, promoting and preserving the independence of their members among others. Nonetheless, ensuring the scope of activities being as wide as possible is not within their purview.

**33. The correct answer is D**

Wrongs relating to conflicts between individuals within the community is a description of civil law. Criminal law (Option A) are offences relating to persons or property that affect the whole community, Contract law (Option B) is a promise enforceable by law, while a tort (Option C) is a wrongful act other than a breach of contract for which relief may be obtained in the form of damages or an injunction.

**34. The correct answer is D**

The responsibility of defining criminal activities rests with the government agencies and courts of law, not organisations. Any criminal activities would automatically be excluded from an organisation’s code of conduct.

**35. The correct answer is A**

According to the definition of integrity on the Code of Ethics for Professional Accountants, a member shall be ‘straightforward’ and honest in all professional and business relationships. Confidentiality (Option B) means that Professional accountants must respect the confidentiality



of information they acquire through business relationships, and must not disclose any such information without proper authority, unless there is a legal or a professional duty to do so, Objectivity (Option C) means that an accountant ‘shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements’, and professional behaviour (Option D), an accountant must ‘comply with relevant laws and regulations, and avoid any action that discredits the profession’.

**36. The correct answer is C**

The principle of objectivity requires that an accountant ‘shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements’, and professional behaviour. In this case, Josiane has been warned not to breach that ethical principle by being biased in selecting suppliers.

**37. The correct answer is B**

The principle of integrity requires that a member shall be ‘straightforward’ and honest in all professional and business relationships. If Josiane was to claim that she had a masters degree which practically she did not have, this would have been considered as being dishonest.

**38. The correct answer is B**

The seven principles of public life are: Selflessness, Openness, Accountability, Leadership, Honesty, Integrity, and Objectivity.  
The rest of option are incorrect as they are not among the seven principles of public life.

**39. The correct answer is B**

Familiarity results from knowing a client very well, and being more persuaded to accept explanations from the client instead of applying professional scepticism in an audit. Familiarity will therefore occur when the auditor is also a director of the client company.

**40. The correct answer is C**

Professional accountants are obliged to remain technically up to date to ensure their professional competence. Objectivity (Option A) means that an accountant ‘shall not allow bias, conflict of interest or undue influence of other to override professional or business judgements’, Confidentiality (Option B) means that Professional accountants must respect the confidentiality of information they acquire through business relationships, and must not disclose any such information without proper authority, unless there is a legal or a professional duty to do so, and professional behaviour (Option D), an accountant must ‘comply with relevant laws and regulations, and avoid any action that discredits the profession’.

**41. The correct answer is B**

Integrity is one of the seven principles of public life as well as being one of the fundamental ethical principles. In public life context, it means that individuals should not place themselves under any financial or other obligation to third parties that might seek to influence them in their performance.

**42. The correct answer is C**

Disclaimer of liability means that an accountant has been safeguarded against the risk of being found liable to pay compensation in case someone suffers a loss as a result of acting upon the work that was authored by him or her.

**43. The correct answer is B**

In relation to the principles of public life, objectivity means that decisions should be taken impartially, fairly on merit, without discrimination or bias. Leadership (Option A) means that ‘holders of public office should challenge poor behaviour when it occurs’, Integrity (Option C) means that individuals should not place themselves under any financial or other obligation to third parties that might seek to influence them in their performance, while Accountability (Option D) means that holders of public office are accountable for decisions and actions, and are subject to whatever scrutiny is appropriate to their office.

**44. The correct answer is B**

It is highlighted that in social responsibility quality, accountants have a public duty as well as a duty to their employer or client. Audit work, accountancy work and investment decisions may all affect the public in some way. Option A describes independence, Option B describes accountability, and Option D relates to the quality of scepticism.

**45. The correct answer is B**

Members in practice must be independent of their clients. This is necessary so that they act objectively whilst providing opinion on the financial statements. The Code of Ethics highlights that independence is a function of deeds (independence of mind) and also being seen to act independently (independence in appearance).

**46. The correct answer is C**

Musonera’s professional duty is to provide fair and honest advice, regardless of his political views. An accountant in the public sector has 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 Musonera as an accountant in the public sector is that, he needs to keep his personal political views from his job.

**47. The correct answer is D**

Accountants should take ownership of their work in the workplace. In this case, Paul should take ownership of his work which is termed as Responsibility. Respect (Option A) requires an accountant to respect others by developing constructive relationships and recognising the values and rights of others; Reliability (Option B) requires an accountant to ensure that all the work she or he takes on, should get done and should also meet professional standards; while Courtesy (Option C) requires an accountant to conduct himself or herself with courtesy and consideration towards clients and colleagues.

**48. The correct answer is A**

Sensitivity means respecting another's right to confidentiality and privacy. Employers have specific duties to respect the confidentiality of employee information, but this should be extended to individual relationships – particularly if you have authority over others (and may be involved in counselling, disciplinary or grievance interviews).

**49. The correct answer is B**

The quality of scepticism requires Paul to question information given to him in order to form his own opinion regarding the quality and reliability of that information.

**50. The correct answer is D**

The reserved services are: external audit, or where the services of a registered auditor are required; investment business (including agency for a building society) and the provision of corporate financial advice; and insolvency practice (company liquidation and administration). Preparation of statutory accounts is within what accountants do legally offer which is (Option D).

**END OF MARKING GUIDE AND MODEL ANSWERS**