



**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 2 EXAMINATIONS**

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

**DATE: MONDAY 24, APRIL 2023**

**INSTRUCTIONS:**

- 1. Time allowed: 2 hours and 30 minutes.**
- 2. This exam has one section only: Section A.**
- 3. Section A has 50 Compulsory multiple choices questions equal to 2 Marks each.**
- 4. Question papers should not be taken out of the examination room.**

## SECTION A

### QUESTION ONE

**Which of the following would be considered as a breach of criminal law in Rwanda?**

- (i) Annet has been involved in a conspiracy of a money laundering activity with John who works at ABC bank
- (ii) Musonera has colluded with Rwanda Revenue Authority's (RRA) tax officer to carry out some tax fraud for a client who has promised to reward them.
- (iii) The Chief Executive Officer of XYZ Ltd has been charged with embezzlement of company resources and corruption.

- A Both (i) and (ii)
- B Both (ii) and (iii)
- C Both (i) and (iii)
- D All of the above

**(2 Marks)**

### QUESTION TWO

Musoni is a CAT student and works part time with Akeza Company Ltd. The company embraces an ethical behaviour and encourages all staff to report any kind of unethical practices.

As a CAT candidate, **which among the following best demonstrates management's commitment towards promotion of a whistleblowing culture within Akeza Company Ltd?**

- (i) Having an anonymous online platform where unethical or illegal issues are reported
- (ii) Awarding best employee of the year in voicing out unethical or illegal acts within Akeza Company Ltd
- (iii) Suggestion boxes and encouraging internal stakeholders to utilize them
- (iv) Having an ethics committee among board committees.

- A (i), (ii) and (iii)
- B (ii), (iii) and (iv)
- C (i), (iii) and iv)
- D All of the above

**(2 Marks)**

**QUESTION THREE**

While dealing with your client, you come across high level of non-compliance with laws and regulations, and as a professional accountant you should determine whether further actions are needed by considering several factors.

**Which among the following is the exception?**

- A The legal and regulatory requirement.
- B The disagreement with top management and those charged with governance.
- C The non-compliance or suspected non-compliance is likely to occur.
- D Whether there is evidence of actual and potential substantial harm to the interests of investors, creditors, customers, employees or general public. **(2 Marks)**

**QUESTION FOUR**

Any ICPAR member should abide by the institute’s Professional Code of Ethics for various reasons.

**Which among the following is the exception?**

- A The code encourages best practice and its provisions uphold public interest.
- B ICPAR members are legally bound by the Code.
- C The code applies to both members in practice and members in business.
- D All ICPAR members must follow the Code as a condition of their membership. **(2 Marks)**

**QUESTION FIVE**

**Which of the following statements about whistleblowing is/are true?**

- (i) Whistleblowing disclosures in Rwanda must be made to the Financial Intelligence Centre.
- (ii) An accountant working in business in Rwanda should disclose any information they have about unethical behaviour in their workplace.

- A Neither of them
- B (i) Only
- C (ii) Only
- D Both of them **(2 Marks)**

**QUESTION SIX**

Anita is an accountant working for a medium size company within Kigali and she is being faced with an ethical dilemma at work.

**From which among the following would be the most appropriate for her to consult?**

- (i) Her supervisor
- (ii) ICPAR
- (iii) An Advocate
- (iv) Family members

- A (i), (ii) and (iii)
- B (ii), (iii) and (iv)
- C (i), (iv) and (iii)
- D All of the above

**(2 Marks)**

**This following scenario relates to Questions 7, 8 and 9.**

Nkubito works with BIZ Ltd as an accountant. The company specialises in the production and sale of branded crisps. He works with three other people in the Finance Department where he reports to the Finance Manager and the department is headed by the Chief Financial Officer. Recently he was encountered with an unethical dilemma with a client and he is not sure how to handle it, since he believes, he cannot resolve it alone.

**QUESTION SEVEN**

**Which among the following should Nkubito consider as a course of action in a such a situation?**

- (i) If he cannot resolve the issue, he should consider discussing it with the Finance Manager first, assuming he or she is not involved, before engaging third parties.
- (ii) If a suitable resolution cannot be found, he should consider resigning.

- A Neither of them
- B (i) only
- C (ii) only
- D All the above

**(2 Marks)**

**QUESTION EIGHT**

**Which among the following should be the least appropriate for Nkubito to report his concerns to? (Assuming that none of the parties listed are involved in the unethical act.)**

- A Audit Committee members.
- B Local newspaper.
- C The Finance Manager.
- D The Chief Financial Officer.

**(2 Marks)**

**QUESTION NINE**

**Which of the following statements is true about Nkubito's reaction?**

- (i) Nkubito is expected to apply appropriate levels of knowledge, judgement, and expertise when considering whether an act is unlawful or unethical.
  - (ii) If Nkubito suspects that a client is behaving unethically, he should remain silent to protect his duty of confidentiality.
- A Neither of them  
B (i) only  
C (ii) only  
D Both of them **(2 Marks)**

**QUESTION 10**

The IESBA Code of Ethics outlines five factors that members should consider while 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) Alternative courses of action, and their consequences.
  - (iii) Established provisions of internal procedures.
- A (i) and (ii) only  
B (i) and (iii) only  
C (ii) and (iii) only  
D (i), (ii) and (iii) **(2 Marks)**

**QUESTION 11**

There are three recommended characteristics linked to the Institute of Business Ethics that should be considered while evaluating business decisions.

**Which among the following is an exception?**

- A Transparency.
- B Fairness.
- C Effect.
- D Selflessness. **(2 Marks)**

**The scenario below relates to questions 12, 13 and 14.**

Umutohi Nadia works with a consulting firm registered with ICPAR as an internee in finance.

The firm carries out consultancies in various areas and sometimes allocates interneenes to provide support to the engagement partner depending on the nature of the assignment.

The most recent work involved an assignment on company book keeping and the companies Act of 2009. Nadia has been asked to answer a few questions about the Act but she appears un aware. As a CAT finalist, please help Nadia by answering the following questions.

**QUESTION 12**

**According to companies Act 2009, for how long does a Rwandan company need to keep its accounting records at its head office?**

- A Twenty years.
- B Five years.
- C Ten years.
- D Permanently. **(2 Marks)**

**QUESTION 13**

**According to companies Act 2009, for how long does a Rwandan company need to keep a record of its assets and liabilities?**

- A Permanently.
- B Five years.
- C Ten years.
- D Twenty years. **(2 Marks)**

**QUESTION 14**

An organisation considers a number of factors in determining how long it should keep its books of accounts.

**Which among the following is the least significant?**

- A The organisation's need to access the documents.
- B Public interest in the documents.
- C Cost of keeping the documents.
- D Legal or regulatory requirements. **(2 Marks)**

**QUESTION 15**

Kalisa is an ICPAR member in practice and he has recently been engaged in the preparation of financial statements for a client, and he is aware that he lacks some knowledge in International Financial Reporting Standards (IFRSs) to be in position to prepare the financial statements properly.

**Which among the following ethical principles is threatened in this situation?**

- A Professional Competence and due care.
- B Confidentiality.
- C Objectivity.
- D Integrity. **(2 Marks)**

**QUESTION 16**

**Which among the following is not an allowable disclosure of confidential information?**

- A Making a voluntary disclosure to a regulator.
- B Disclosing confidential information to a newspaper about a story of public interest.
- C Disclosing information in order to comply with the requirements of a professional body.
- D Disclosing information required by public authorities. **(2 Marks)**

**QUESTION 17**

**Which among the following is not one of the key safeguards an accountant in practice may apply in relation to holding client money?**

- A Accountability: being read and able to account for moneys held.
- B Appropriation.
- C Separation: keeping clients' money separate from the firm's own money.
- D Use: only using monies for the purpose intended. **(2 Marks)**

**QUESTION 18**

James is an auditor working on the statutory audit of a client. Upon leaving the client at the end of the audit work, James accepted a valuable gift from the client's financial controller, as thanks for the advice he had shared during the audit.

**Which personal quality of an accountant is most likely to have been breached here?**

- A Social responsibility.
- B Accountability.
- C Scepticism.
- D Independence. **(2 Marks)**

**QUESTION 19**

One of the ways of communicating the appropriate behaviour expected of the employees by the organisation authorities is through a code of practice. However, codes of practice or codes of conduct will only be effective if employees follow them.

**Which of the following is not a reason why it is important to adhere to an organisational code of conduct?**

- A To avoid the need for internal disciplinary procedures
- B Maintain a good image with clients
- C Ensure legal compliance
- D Maintain the organisation's credibility **(2 Marks)**

**QUESTION 20**

**If a member of the audit team, or a member of that individual's immediate family, holds shares in the client company, what type of threat to independence does this pose?**

- A Advocacy threat.
- B Self-interest threat.
- C Intimidation threat.
- D Self-review threat. **(2 Marks)**

**QUESTION 21**

Accountants should ensure the security of information in their possession, unless there is a legal or professional right to disclose.

**Which fundamental principle is being described in the statement above?**

- A Integrity
- B Professional behaviour
- C Confidentiality
- D Objectivity **(2 Marks)**



**QUESTION 22**

Umulisa is working with an audit firm registered with ICPAR and she is part of the team auditing one of their clients. She recently accepted a gift of relatively low value, towards the end of the year from the client but she is not so sure whether it is acceptable or not.

**In which of the following circumstances may it be appropriate for Umulisa to accept gifts and hospitality from a client?**

- A When the value of the gift is significant.
- B When they are intended to influence an accountant's judgement.
- C When Umulisa is given an expensive gift by a client at the completion of the audit.
- D When they are made in the normal course of public relations and marketing and it is material or significant.

**(2 Marks)**

**QUESTION 23**

**What is the most likely type of threat when a client with a dominant personality attempts to influence an accountant's professional judgement?**

- A Self-interest.
- B Advocacy.
- C Familiarity.
- D Intimidation.

**(2 Marks)**

**The following information relates to questions 24 – 26**

JP CPA are registered auditors with ICPAR. Felicien recently joined the firm as an associate auditor and has been appointed on the team which will audit Nina Interiors owned by his mother. Shortly before the year end audit, JP CPA received a correspondence about a rival audit firm from Nina Interiors, communicating that they will be considering changing auditors next year who are cheaper than them.

**QUESTION 24**

**What is the threat to JP CPA ethical principles in such a scenario?**

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

**(2 Marks)**

**QUESTION 25**

Based on the scenario above, what would be the most appropriate potential safeguard for JP CPA?

- A Contact the rival auditor and persuade them to raise their quote
- B Stay with the original audit plan for this year and give the client a clear account of the time spent
- C Resign from the audit engagement
- D Reduce the coverage of the audit work to save costs so the fee will be lower (2 Marks)

**QUESTION 26**

In Felicien's situation, where a potential conflict of interest is at large, to whom should be his primary obligation?

- A The public
- B Nina Interiors
- C JP CPA
- D Himself (2 Marks)

**QUESTION 27**

Assuming that you a management accountant of a company and you are equally responsible for the preparation of the financial statements for the year ended 31 December 2022; and you have been asked to write an assessment of your company's financial performance at the same time.

What threat to the fundamental ethical principles has occurred in this situation?

- A Self-interest
- B Self-review
- C Intimidation
- D Familiarity (2 Marks)

**QUESTION 28**

You are an accountant working with Zano Enterprises Ltd. Your customers are (Nziza) and Zink bank. The bank has requested a reference from you about Nziza, one of their clients who is seeking additional funding. The client's value to you could increase significantly if Nziza succeeds in raising the needed extra funds.

What fundamental ethical principle are you threatened with in a such a situation?

- A Confidentiality
- B Advocacy
- C Intimidation
- D Familiarity (2 Marks)

**QUESTION 29**

Referring to question 28 above, what could be your most appropriate potential safeguard?

- A Resign from Zano Enterprises Ltd
- B Seek permission from ICPAR to continue with the client relationship
- C Refuse to supply the reference to Zink bank
- D Get the reference externally reviewed before submitting it to Zink bank **(2 Marks)**

**QUESTION 30**

Anita is a junior accountant who joined an audit firm a year ago, and on several occasions, she has heard about the need to keep the firm's information confidential, even after she gets another job, at the same she has heard that at some point, you may be allowed to disclose.

**Under what circumstances could a duty of confidentiality most likely to be breached?**

- A When information is disclosed as evidence in a legal proceeding
- B When she has obtained authorisation from the firm before disclosing the information
- C When she discloses little information about the firm after her resignation
- D When information is disclosed in response to a formal investigation by RRA **(2 Marks)**

**QUESTION 31**

Ornella works with a manufacturing firm called OZ Ltd located in southern province as an accounting clerk, recently the Chief Executive Officer (CEO) requested her to offer a potential client a sum of money if they chose OZ Ltd as their new supplier.

**Which among the following actions would be the most appropriate for Ornella to take?**

- A Politely tell the CEO that such an offer breaches his ethical code.
- B Consult her manager for authorisation before proceeding with the request.
- C Proceed with the CEO's request.
- D Listen to the CEO then ignore his request. **(2 Marks)**

**QUESTION 32**

**Which among the following is NOT a key role for any Professional Accountancy Organisation (PAO) such as ICPAR?**

- A Promote and preserve the professional independence of members
- B Apply disciplinary sanctions against members
- C Ensure standards for entry and for Continuing Professional Development (CPD) are maintained
- D Ensure that the scope of activities performed by members is as wide as possible **(2 Marks)**

**QUESTION 33**

**Which type of law best describes ‘wrongs relating to conflict between individuals within the community’?**

- A Criminal law.
- B Contract law.
- C Tort law.
- D Civil law.

**(2 Marks)**

**QUESTION 34**

**Codes of conduct are established by various organisations including accountancy bodies setting out a series of statements about an organisation’s values, staff behaviours expected, responsibilities towards suppliers and stakeholders, among many others.**

**Which among the following is the least likely reason as to why organisations introduce Codes of Conduct?**

- A Controlling individual’s behaviour
- B Promoting business objectives
- C Establishing the organisation’s values
- D Defining activities that are criminal in nature

**(2 Marks)**

**The following information relates to question 35 - 37**

Josiane just joined ABC Ltd as a junior accountant, during her induction she was briefed about the fundamental ethical principles to which she should abide by. The Finance Manager, Olga started by asking her to be straight forward and honest in all her professional and business relationships; The Operations Manager briefed her of the need to ensure that contracts are awarded on merit for any item purchased as opposed to awarding them to the less competitive or friends and relatives; the Human Resource Manager explained to her that it would be important to always state the truth even if doing otherwise would lead to a favourable outcome such as securing a promotion. “never ever, over qualify yourself than you are”. Josiane is an ICPAR member.

**QUESTION 35**

**Based on the above scenario, what fundamental ethical principle was the Finance Manager referring to?**

- A Integrity.
- B Confidentiality.
- C Objectivity.
- D Professional behaviour.

**(2 Marks)**

**QUESTION 36**

Referring to the scenario above, which ethical principle would be at risk if Josiane was to act against the Operations Manager’s briefing?

- A Integrity.
- B Confidentiality.
- C Objectivity.
- D Professional behaviour. (2 Marks)

**QUESTION 37**

Referring to the scenario above, which ethical principle would be at risk if Josiane was to act against the Human Resource Manager’s advice?

- A Professional competence and due care.
- B Integrity.
- C Objectivity.
- D Professional behaviour. (2 Marks)

**QUESTION 38**

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

- A Openness and Confidentiality.
- B Openness and Leadership.
- C Reliability and Leadership.
- D Reliability and Confidentiality. (2 Marks)

**QUESTION 39**

Which among the following is an example of a familiarity threat to the fundamental principles?

- A A client is insisting that the extent of work for the annual audit should be substantially reduced.
- B The auditor is also a director of the client company.
- C The auditor has a personal loan, on normal commercial terms, from a new client which is a bank.
- D The auditor accepts an offer from a client company of an expensive holiday. (2 Marks)

**QUESTION 40**

If you are a member of ICPAR who is supposed to follow a Continuing Professional Development (CPD) program but you decide not to, due to your belief that your current job has not changed since you qualified.

**What fundamental ethical principle would you be at risk of breaching?**

- A Objectivity.
- B Confidentiality.
- C Professional competence and due care.
- D Professional behaviour. **(2 Marks)**

**QUESTION 41**

**Which of the following principles of public life, would describe a situation in which individuals are required not to place themselves under any financial or other obligation to third parties that might seek to influence them in performance of their duties?**

- A Accountability.
- B Integrity.
- C Leadership.
- D Selflessness. **(2 Marks)**

**QUESTION 42**

**What does the statement ‘disclaimer of liability’ mean to an accountant which sometimes forms part of what is added to their work?**

- A Guilty until proven innocent.
- B Disclaim from any money laundering offence.
- C Safeguard against the risk of being found liable to pay compensation.
- D An accountant’s limited liability status. **(2 Marks)**

**QUESTION 43**

Nkusi works with the Kigali City Council Authority (KCCA) as an engineer and he recently had a disagreement with Ronald who is a business man in town. Ronald wanted to renovate his house and he went to KCCA to request for a permit and came across Nkusi who was the one in charge. Nkusi refused to provide the permit and lied that Ronald’s request was incomplete, an allegation that was proved to have been wrong.

**Which among the following principles of public life is being threatened in such a situation?**

- A Leadership.
- B Objectivity.
- C Integrity.
- D Accountability. **(2 Marks)**

**QUESTION 44**

Which among the following describes the professional quality of social responsibility?

- A Recognising that you are accountable for your own judgements and decisions.
- B Recognising that you have a public duty as well as a duty to your employer or clients.
- C Completing your work without bias or prejudice.
- D Questioning information given to you so that you form your own opinion regarding its quality and reliability.

(2 Marks)

**QUESTION 45**

The Code of Ethics recognises two key aspects of independence.

Which of the following correctly identifies them?

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

(2 Marks)

**QUESTION 46**

Musonera is a public servant accountant and he is a strong supporter of one of the country's political parties.

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

- A As an accountant in the public sector, Musonera should keep his personal political views separate from his job.
- B As a public sector accountant, he should not express his personal political views.
- C Musonera's professional duty is to provide fair and honest advice, regardless of his political views.
- D It is in the public interest for Musonera, and other public servants, to be politically neutral.

(2 Marks)

**The following information relate to question 47 - 49.**

Paul Mugisha is an accountant who has just joined BJ Associates, an audit firm licenced by ICPAR. During his induction the Finance Manager, Umulisa Sandra explained to him some of the expected personal qualities of an accountant which include: the need to take ownership of his work, 'respecting another's right to confidentiality and privacy', among other qualities. Sandra went ahead to explain to Paul that, each time he is provided with information, he should question that information in order to form his own opinion regarding its quality and reliability.

**QUESTION 47**

**With reference to the above scenario, what personal quality would the need for taking ownership of Paul's work depict?**

- A Respect.
- B Reliability.
- C Courtesy.
- D Responsibility. **(2 Marks)**

**QUESTION 48**

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

- A Sensitivity.
- B Integrity.
- C Honesty.
- D Fairness. **(2 Marks)**

**QUESTION 49**

**About the idea of questioning information, which professional quality will Paul be demonstrating in such a situation?**

- A Independence.
- B Scepticism.
- C Accountability.
- D Competence and due care. **(2 Marks)**

**QUESTION 50**

**There are certain services, known as reserved areas, which an accountant cannot legally offer unless they are authorised to do so by the relevant regulatory body such as ICPAR.**

**Which among the following services is an exception?**

- A Insolvency practice.
- B Investment business.
- C External audit.
- D Statutory accounts preparation. **(2 Marks)**

**End of Question Paper**