



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

DATE: MONDAY 21, AUGUST 2023

MARKING GUIDE AND MODEL ANSWERS

MARKING GUIDE

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

2 Marks for each correct answer

2

Total marks: 100

Model Answers

1 The correct answer is B.

There are five fundamental principles of ethics for professional accountants: integrity, objectivity, confidentiality, professional competence and due care, and professional behaviour.

Therefore, political neutrality is not among fundamental principles of ethics for Accountant.

2 The correct Answer is A

The correct answer is A because professional behaviour is among fundamental principles of ethics for accountants that requires to comply with relevant laws and regulations; to behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and to avoid any conduct that the professional accountant knows or should know might discredit the profession.

Option B is not correct since objectivity is concerned with acting without bias, conflict of interests and undue influence.

Option C is not correct since professional competence and due care is concerned with attaining and maintaining knowledge and skills needed to perform assigned tasks diligently.

Option D is not correct because confidentiality deals with handling information obtained during professional work with confidence without disclosing it to third parties.

3 The correct Answer is C.

The correct Answer is C because Claudia did not communicate her limited knowledge of the software to her supervisor and hence affecting the fundamental ethical principle of professional competence and due care. Approaching an outsider (John) to migrate data will expose the company's data and hence breaching confidentiality.

Option A is not correct since it combines objectivity and professional behavior which requires to act without bias, undue influence, or conflict of interests, while professional behavior requires Accountants to comply with laws and regulation to behave consistently in a manner that upholds public interests and avoiding conducts that may discredit accounting profession.

Option B is not correct since it combines objectivity and professional competence and due care. Objectivity deals with acting without bias, undue influence, or conflict of interests.

While professional competence and due care deals with maintaining professional knowledge and skill at a level and acting diligently at standards. Not only professional competence and due care is at risk but also confidentiality is breached that's why this option is not correct.

Option D is not correct since not all of the stated fundamental principle of ethics were breached.

4 The correct answer is B

Unethical act of declaring less income to minimize tax liability will lead to fines and penalties by the tax authority (statement (i)). The act will also lead to reputational damage of the company (statement (ii)) and hence option B is the correct answer.

Option A is not correct since the unethical act will not only lead to fines and penalties but also reputational damages.

Option C & D are not correct since the unethical act of declaring less income cannot lead to imprisonment.

5 The correct answer is C

Unethical act of declaring overstated expenses to minimize tax liability by the accountant can lead to reputational damage of the accountant (statement (ii)) and hence option C is the correct answer. ICPAR can charge fines and penalties for unethical acts among other forms of disciplinary sanctions.

Option A, B & D are not correct since the unethical act of declaring overstated expenses cannot lead to imprisonment.

6 The correct answer is D

The correct answer is D because once a noncompliance is noticed it should be discussed with the senior management in the firm and advise that the firm should take the necessary steps to report the non-compliance to responsible authorities in case it is not addressed by the management.

Option A is not correct because reporting the issue to RIB is not the first instance of reporting.

Option B is not correct because it is not advisable to keep quiet for noncompliance issues.

Option C is not correct because concealing the issue to audit manager is not appropriate for accountants on public interests ground.

7 The correct answer is D

The correct answer is D because of the four stated are the primary responsibilities of ICPAR.

8 The correct answer is D

The correct answer is D since the technical commission is composed of disciplinary, inspection and Professional Accountants Curricula, Professional education and Examinations Commission.

9 The correct answer is B

The correct answer is B, the international body responsible for setting international code of ethics (including international independence standards) is International Ethics Standards Board of Accountants (IESBA). International Accounting Setting Board (IASB) is responsible for setting accounting standards and IFAC is the global body that regulates and promotes the accountancy promotion and sets standards through its independent standards setters; hence none of the option A, C&D is correct.

10 The correct answer is D

The correct answer is D since stated paragraph by referring to openness principle of public life.

Option A is not correct because transparency is not a principle of public life.

Option B is not correct because leadership as principle of public life deals with challenging poor behaviour when it occurs and should promote and support the principles by setting a good example.

Option C is not correct because objectivity as principle of public life stipulates that decisions should be taken impartially, fairly on merit, 'without discrimination or bias.

11 The correct answer is A

The correct pair of principles of ethical code that are part of seven (7) principles of public life are objectivity and integrity.

Option B is not correct since confidentiality and professional behaviour are not among principles of public life.

Option C is not correct since Professional competence and due care are not among principles of public life.

Option D is not correct since objectivity is among principles of public life but confidentiality is not.

12 The correct answer is C

The correct answer is C because honesty deals with being truthful and declaring private interests which can lead to conflict of interest in public duties.

Option A is not correct since objectivity principle of public life deals with taking decisions impartially without bias.

Option B is not correct since integrity as principle of public life deals with not exposing yourself to any financial or other influence to third parties to perform your duties.

Option D is not correct since selflessness as principle of public life deals with deciding openly and transparently unless there are reason of not doing so.

13 The correct answer is D

The correct answer is D because self-interest threat is concerned with the threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behavior;

Option A is not correct since Self-review threat – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made, or an activity performed by the accountant or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;

Option B is not correct since Advocacy threat – the threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;

Option C is not correct since Familiarity threat – the threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work.

14 The correct answer is C

The correct answer is C since the familiarity threat is the threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work.

Option A is not correct since intimidation threat is the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

Option B is not correct since Advocacy threat – the threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised.

Option D is not correct since self-interest threat is concerned with the threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behavior.

15 The correct answer is B

The correct answer is B since before accepting audit appointment, a professional accountant should assess his or her independence. Having financial interest in audit client would lead to self-interests threat and hence the best option would be voluntary disclosure and resigning from audit appointment.

Option A is not correct because being silent and accept the appointment is unethical.

Option C is not correct because this does not require ICPAR consultation as long as it is stipulated in professional ethics of accountant, and it is obvious.

Option D is not correct since there is best option available.

16 The correct answer is B

The correct answer is B since the main purpose of attaining CPD hours is to improve existing skills and acquire new skills to a professional accountant to facilitate at work deliverables to avoid professional liabilities.

Option A,C&D are not correct since associating with other members, fulfilling ICPAR CPD hours to be on the list of good standing are not the primary motives for CPD requirements by professional bodies.

17 The correct answer is D

The correct answer is D because all the stated activities constitute CPD activities.

18 The correct answer is C

The correct answer is C because continuing professional development helps to attain and maintain relevant knowledge and skills to deliver accountant's work with diligence and care.

The option A, B & D are not mainly attained through continuing professional development, and hence incorrect options.

19 The correct answer is A

The correct answer is A because the ethical behavior that requires accountants to treat others equally with mutual respect and open communication is fairness.

Option B is not correct since honesty ethical behavior deals with being truthful and not intending to mislead others.

Option C is not correct since integrity deals with presenting the information clearly and honestly.

Option D is not correct since sensitivity deals with respecting others' rights to confidentiality and privacy.

20 The correct answer is B.

The correct answer is B since sensitivity quality of ethical behavior deals with respecting other's privacy.

The option A is not correct since fairness deals with respecting others and treating them equally.

The option C is not correct since integrity deals with presenting information clearly and honestly.

The option D is not correct since honesty deals with being truthful and not intending to mislead others.

21 The correct answer is D

The correct answer is D since Yvette failed to demonstrate ethical quality of honesty which is all about being truthful and not acting in a manner intended to mislead or deceive others.

Option A is incorrect because sensitivity deals with obeying others' privacy and right to confidentiality.

Option B is incorrect because integrity deals with presenting the information clearly and honestly.

Option C is incorrect because fairness deals with respecting others and treating them equally.

22 The correct answer is D

The correct answer is D because none of the statements describes independence of mind. Independence of mind is the state of mind that permits expression of a conclusion to act with integrity, objectivity, and professional skepticism without being compromised by influences.

Option A is incorrect because refers to independence of appearance.

Option B is incorrect because it refers to fundamental principle of integrity.

Option C is incorrect because it refers to fundamental principle of objectivity.

23 The correct answer is A

The correct answer is A, since George is not independent to the company; he should declare the threat to his independence to audit partner and the best action is to replace him on the team.

The option B is incorrect since George is not independent and hence being silent is not professional.

The option C is incorrect since reporting the issue to ICPAR for advice is not needed since it is obvious that George is not independent and safeguard to his independence is needed.

The option D is incorrect since there is a correct answer in the given options.

24 The correct answer is A

Option A is correct since the firms should choose between audit service and bookkeeping service depending on the firm's competence and resources. Providing booking services means that the firm has assumed management responsibilities – which is prohibited by the Code for auditors

Option C is not correct as explained above. Option B is not correct since it is not necessary to decline all engagements, yet the firm can have safeguards to the identified threat.

Option D is not correct since it is obvious for a professional accountant to decide in this scenario, it does not necessarily need Legal Counsel.

25 The correct answer is D

The correct answer is D since all of the statements demonstrate reasons why employees should follow organisation's policies and procedures.

26 The correct answer is D

The correct answer is D since all of the statements demonstrate consequences which may accrue to the company due to failure to respect client's right to confidentiality and privacy.

27 The correct answer is D

The correct answer is D since all of the stated are client's monies. Client monies are cash in hand or any other documents that can be converted into cash hold on behalf of the client.

28 The correct answer is B

The correct answer is B because accountants are prohibited to handle client's money When the Accountant is not licensed to hold client's money and when there is evidence that the money is from illegal/money laundering activities.

Option A is not correct; since money laundering activities are not the only activities under which accountants should not hold client's monies.

Option C &D are not correct since having cash insurance is optional, it is not a must for an accountant to have cash insurance to handle client's money.

29 The correct answer is C

The correct answer is C because accountability requires accountants to avail appropriate records for holding client's money and whenever requested, the money should be availed.

Option A is not correct since it is referring to the principle of separation as far as client's money handling is concerned.

Option B is not correct since it is referring to the principle of use as far as client's money handling is concerned.

Option D is not correct since not all the stated are correct answers.

30 The correct answer is B.

The correct answer is B because the information classified as "private and confidential" or "for authorized individuals only" should be treated with high confidentiality.

Option A is not correct since it is only considering "private and confidential" information only.

Option C & D are not correct since they are incorporating information available on the company's website as confidential.

31 The correct answer is B

The correct answer is B because the confidentiality still applies to past/previous clients/employers.

Option A is not correct answer because it is true that confidentiality serves public interests.

Option C is not correct answer since it is true that confidentiality applies to even future/prospective clients/employers.

Option D is not correct answer since there are options which contain the right statements..

32 The correct answer is A

The correct answer is A because the confidentiality principle requires accountants not to use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party.

Option B since the confidentiality principle does not only look at disclosing but also using the confidential information for personal or third party advantage.

Option C is not correct since the principle does not require us not to maintain instead it requests us to maintain the confidential information

Option D is not correct considering grammatical arrangement of the sentence.

33 The correct answer is D

All of the statements are the circumstances under which disclosure of confidential information is allowed.

34 The correct answer is D

The correct answer is D because understanding of the information does not deprive it from being confidential.

Option A is incorrect since reliability is factor to consider before disclosing an information.

Option B is incorrect since the recipient of information determines who to disclose information to.

Option C is incorrect because the extent of legal liability determines whether to disclose information or not.

35 The correct answer is A

The correct answer is A, insider dealing is all about insiders (Directors, and employees) having insider information/confidential information that may influence the buying or selling of shares. This is illegal once the information is leaked.

The option B is not correct because insider dealing is not a legal practice.

The option C is not correct because the legal practice of selling or buying shares on the public stock market is called listing.

The option D is not correct since there are correct answers in the given options.

36 The correct answer is D

All of the statements are threats to professional competence and due care.

37 The correct answer is B

The correct answer is B because declining appointment due to interests is a safeguard towards independence.

Option A, C&D are not correct since they are the correct statements in regard to safeguards towards professional competence and due care.

38 The correct answer is D

The correct answer is D because all of the stated options will contribute to the professional development/training of the Chief Accountant.

39 The correct answer is D

The correct answer is D because all of the stated options will equip staff to maximize their utilization as far as productivity is concerned.

40 The correct answer is B

The correct answer is B because public accountants are ordinary citizens can express their political views but with much caution to do not put their employers/clients or profession into disrepute.

Option A is not correct because accountants as general citizens can enjoy the right of freedom of expression.

Option C is not correct because accountants can only enjoy the freedom of expression outside the workplace.

Option D is not correct because not all of the above are correct.

41 The correct answer is D

The correct answer is D, because public accountants are not allowed to publicly discuss in favor or against policies for their employers – including for the government.

Option A is not correct because public accountants are accepted to participate in political activities.

Option B is not correct because being a professional accountant, Said is not allowed to criticize publicly government policies.

Option C is not correct because consulting ICPAR on criticizing government policies it is out of the mandate of the Institute.

42 The correct answer is A

The correct answer is A because you should first report to the Chief accountant’s supervisor who is the CEO to take the appropriate course of action.

Option B & C is not correct since it is advisable to exhaust internal hierarchies before attempting external stakeholders.

Option D is not correct because it is not acceptable to accept unethical act though it is proposed by your supervisor.

43 The correct answer is C

The correct answer is C because since the issue involved management, it is ethical to report the issue to Board of Directors.

Option A is not correct because it is advisable to exhaust internal hierarchies before attempting external stakeholders.

Option B is not correct because the CEO was involved in the loan application

Option D is not correct because being silent would not solve any problem and it is not professional to leave unethical or illegal act not reported.

44 The correct answer is B

The correct answer is B because since the unethical act that involve someone at senior level of management, the appropriate course of action is to report the case to the Managing Partner for follow up.

Option A&D are not correct since unethical acts should be reported to a next level of management before taking it to board committee.

Option C is not correct because unethical acts should be reported to a next level of management before engaging Board committee.

45 The correct answer is C

The correct answer is C since management was involved in unethical act, it is recommended to report it to the board of Directors with clear guidance.

Option A & D are not correct because it is advisable to exhaust internal hierarchies before attempting external stakeholders.

Option B is not correct because reporting instance of non-compliance with laws and regulation is not a breach of confidentiality principle.

46 The correct answer is D

The correct answer is D because all of the stated factors are considered to check if an action or behaviour is appropriate or not.

47 The correct answer is D

The correct answer is D because all of the stated are criteria to evaluate what course of action to undertake when dealing with ethical issues.

48 The correct answer is B

The correct answer is B because it is not a responsibility of Whistleblowing officer to report the issue to government department for investigation and prosecution.

Option A is not correct since it is true that a whistleblowing officer report issues to whistleblowing channels for action.

Option C is not correct since it is true that a whistleblowing officer should look after the privacy and confidentiality of whistleblowers.

Option D is not correct since not all of the stated are not the job responsibilities of whistleblowing officer.

49 The correct answer is B

The correct answer is B because Internal whistleblowing is done by employees to whistleblowing channels within an organisation while external whistleblowing is done by employees to outside like RIB, professional body.

The option A, C & D are not correct statements in relation to the term whistleblowing.

50 The correct answer is A

The correct answer is A because a staff complaint does not necessarily mean that it is a whistleblowing case.

Option B, C&D are not correct answers since they are misconducts which qualify for whistleblowing.

END OF MARKING GUIDE AND MODEL ANSWERS.