



ICPAR
Unlimited possibilities

CERTIFIED ACCOUNTING TECHNICIAN

STAGE 2 EXAMINATIONS

S2.3: PROFESSIONAL ETHICS IN ACCOUNTING AND FINANCE

DATE: MONDAY 21, AUGUST 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. The question papers should not be taken out of the examination room.**

SECTION A

QUESTION ONE

Which of the following is NOT a fundamental ethical principle for professional accountants?

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

QUESTION TWO

Which fundamental ethical principle requires Accountants to:

- (i) Comply with relevant laws and regulations;
- (ii) Behave in a manner consistent with the profession’s responsibility to act in the public interest in all professional activities and business relationships; and
- (iii) Avoid any conduct that the professional accountant knows or should know might discredit the profession.

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

QUESTION THREE

Claudia is an accountant for a construction company in Rwanda and is a member of ICPAR. The company's management has recently adopted to change its reporting software and Claudia has limited knowledge about the new software, however her colleague; John who works for a competitor company masters very well the system. Claudia told her supervisor that she is confident about using the new software. On personal commitment, Claudia has approached John to assist her to migrate company's data from old system to the newly adopted software.

Which fundamental principle of ethics for accountants Claudia breached?

- (i) Professional behavior
 - (ii) Objectivity
 - (iii) Professional competence and due care
 - (iv) Confidentiality
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C Both (iii) and (iv)
 - D All of the above
- (2 Marks)**

QUESTION FOUR

Janvier is a tax accountant for Ishema Banking Plc. He has been within the Bank for the last 5 years. Recently, he was requested verbally by his supervisor, the Chief Financial Officer (CFO) to overstate some expenses in tax declaration in a bid to minimize tax liability of the Bank for the year ended 31 December 2022.

Which of the following are consequences of this act by Janvier to Ishema Banking Plc:

- (i) Fines and penalties by Rwanda Revenue Authority (RRA)
 - (ii) Reputational damage
 - (iii) Imprisonment
- A (i) only
B (i) and (ii)
C (ii) and (iii)
D All of the above
- (2 Marks)**

QUESTION FIVE

Referring to the same scenario on question four above, which of the following are consequences of this act to Janvier:

- (i) Fines and penalties by ICPAR of which he is a member
 - (ii) Reputational damage
 - (iii) Imprisonment
- A (ii) only
B (i) and (iii)
C (i) and (ii)
D All of the above
- (2 Marks)**

QUESTION SIX

Carine is a Senior Auditor working for a global audit firm in Rwanda and an active member of ICPAR. Recently, she noticed a non-compliance with laws and regulations of one of its audit clients.

Which of the following is the best course of action that should be undertaken by Carine?

- A First, report the issue to Rwanda Investigation Bureau for further steps.
- B Keep silent since reporting it can cause litigations to her audit client
- C Conceal the issue to her Supervisor, Audit Manager to avoid business conflict with their client.
- D Discuss the issue 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.

(2 Marks)

QUESTION SEVEN

Which of the following are among the key responsibilities of Institute of Certified Public Accountants of Rwanda (ICPAR)

- i) Preserving the integrity of the accounting profession in Rwanda.
- ii) Promoting the competence and capacities of its members.
- iii) Providing its members with professional education in accounting and other related disciplines.
- iv) Issuing regulations to promote the functioning of the Institute.

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

(2 Marks)

QUESTION EIGHT

The Institute of Certified Public Accountants of Rwanda (ICPAR) was established by Law No.11/2008, in May 2008. The legislation also determined ICPAR's role and responsibilities, as well as how it governs and conducts its business.

Which of the following is among the technical commissions of ICPAR?

- A The Commission for Inspection;
- B The Disciplinary Commission;
- C The Professional Accountants Curricula, Professional education, and Examinations Commission.
- D All of the above **(2 Marks)**

QUESTION NINE

Which of the following bodies is responsible for international code of ethics (including international independence standards) for professional accountants.

- i) International Accounting Standards Board (IASB)
- ii) International Ethics Standards Board for Accountants (IESBA)
- iii) International Federation of Accountants (IFAC)

- A Both (i) and (ii)
- B Only (ii)
- C Both (i) and (iii)
- D All of the above **(2 Marks)**

QUESTION 10

Decision making is a process of identifying problems, setting out possible solutions and implementation of optimal course of action. In public interests, decisions should be taken in an open and transparent manner unless there are clear reasons for not doing so.

Which of the following principles of public life is under discussion in the above paragraph?

- i) Transparency
 - ii) Leadership
 - iii) Objectivity
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C Both (i) and (iii)
 - D None of the above **(2 Marks)**

QUESTION 11

Which of the following pairs of fundamental principles of ethical codes are included in the seven (7) principles of public life.

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

QUESTION 12

At the initial stage, the principles of public life were intended for politicians, however these principles remain relevant to accountants also for their public interest duty to the society. one of the seven (7) principles of public life states that holders of public office should be truthful and should declare any private interests which could create a conflict of interest in their public duties.

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

- A Objectivity
- B Integrity
- C Honesty
- D Selflessness **(2 Marks)**

QUESTION 13

Charles is a Senior Audit Manager of one of the leading audit firms in Rwanda. He is a renown accountant and member of ICPAR. He holds 20% of ordinary shareholding in Nyabugogo Commercial Bank (NCB). Audit Partner alerted Charles to assess his professional independence against Nyabugogo Commercial Bank (NCB) as the company came on board as audit client.

Which threat to independence is at risk referring to the above?

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

QUESTION 14

As per National Bank of Rwanda (BNR) guidelines, an auditor/audit firm cannot audit a financial institution for a period exceeding three (3) consecutive years.

Which of the following best indicates the threat which the National Bank of Rwanda wanted to address?

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

QUESTION 15

Jacob is an audit partner of one of the leading audit firms in Rwanda and a member of ICPAR. Recently, he was appointed as the audit engagement partner for a banking company of which he holds 30% shareholding.

What is the best appropriate course of action to be undertaken by Jacob?

- A Be silent and accept the appointment to maximize audit fees.
- B Declare the self-interests threat to the management of the company and resign from the appointment.
- C Report to ICPAR for professional advice.
- D None of the above. **(2 Marks)**

QUESTION 16

ICPAR Continuing Professional Development (CPD) return requires evidence of 40 CPD hours (20 structured and 20 unstructured hours) in accordance with Institute's CPD Policy and IFAC Guidelines.

Which of the following best describes the main reason why a good standing member of ICPAR should fulfill CPD hours?

- A To associate with other professional accountants when attending the ICPAR seminars and training sessions.
- B To attain and maintain professional knowledge and skills for business, technical, professional and technology current trends.
- C To fulfill ICPAR CPD requirements to be on list of good standing members published on the ICPAR website.
- D All of the above **(2 Marks)**

QUESTION 17

Which of the following does not constitute CPD activities for accountants in Rwanda?

- A Attending a Master of Science in data analytics and presentation.
 - B Writing up a taxation research note in a widely read newsletter in Rwanda.
 - C Attending ICPAR training and seminar sessions.
 - D None of the above.
- (2 Marks)**

QUESTION 18

The way an accountant can achieve standard knowledge and skills to deliver his work adequately and diligently is through continuing professional development (CPD). However, it is important that accountants don't simply maintain their existing skills and abilities, but also improve them, and learn new skills.

Which fundamental principle of ethical code is mainly maintained through Continuing professional Development?

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

QUESTION 19

Acting with integrity, honesty, fairness, and sensitivity are qualities to decide what constitute appropriate behaviour in any given situation. Ethical matters often require the use of personal judgement as to what is 'right way' to handle them.

Which ethical behaviour requires accountants to treat stakeholders (both internal and external) equally with respect and mutual communication?

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

QUESTION 20

Kalisa is an invoicing accountant in one of renown hospitals in Rwanda. He has access to treatments, and prescription of patients. He recently disclosed to family members that their neighbor Carine is HIV positive as he saw his medical consultation card when checking invoices.

Which of the following qualities of ethical behaviour Kalisa failed to demonstrate?

- A Fairness
- B Sensitivity
- C Integrity
- D Honesty

(2 Marks)

QUESTION 21

Yvette is a Tax Accountant of Bank of Remera Plc, she willingly omitted some income lines in income tax declaration for the year ended 30 June 2022 to minimize tax liability for Bank.

Which of the following ethical behavior did Yvette fail to demonstrate?

- A Sensitivity
- B Integrity
- C Fairness
- D None of the above

(2 Marks)

QUESTION 22

Professional accountants in practice, being independent is particularly important for those involved in assurance engagements like external audits. **Which of the following best describes independence of mind?**

- A The state of avoiding circumstances that would lead a reasonable and informed third party to conclude that professional independence has been impaired.
- B The principle that requires accountants to be straightforward and honest in all professional and business relationship.
- C The principle that requires accountants to be to exercise professional or business judgement without being compromised by bias, conflict of interest and undue influence.
- D None of the above.

(2 Marks)

QUESTION 23

George is a Senior Auditor in General Auditors Ltd and he is a member of ICPAR. The engagement Partner allocated him to conduct audit of Ishema Construction company in which his Wife is the Chief Accountant.

Which of the following best describes the best course of action should be undertaken?

- A George should declare the threat to his independence and withdraw from the audit team.
- B George should be silent as this does not pose any threat to the audit exercise.
- C George should report the limitation of his independence to ICPAR for advise.
- D None of the above.

(2 Marks)

QUESTION 24

Iwacu school has approached one of local audit firm to conduct a statutory audit and bookkeeping advisory services for the year ended 31 December 2022.

What is the appropriate course of action should the audit firm management undertake?

- A Choose between audit service and bookkeeping service depending on the firm's competence and resources.
- B Decline all services since the audit firm's independence is compromised.
- C Accept the appointment and segregates audit and bookkeeping services to different independent teams.
- D Consult Legal Counsel of the audit firm on course of action to undertake.

(2 Marks)

QUESTION 25

One of the ways organisations can communicate to their employees the behaviour expected of them is through code of conduct. However, the code of conduct will only be effective once employees follow them.

Which of the following reasons best indicate why employees should adhere to organisational policies and procedures?

- A Each employee's activity impacts the workflow of another employee.
- B Each employee's activity can expose the company to legal and litigation risks.
- C Following or negligence to follow company's policies and procedures damages company's image.
- D All of the above.

(2 Marks)

QUESTION 26

Yvonne is an invoicing officer of one of the renown public hospitals in Rwanda. Once invoicing clients, she found a medical prescription of her neighbour was suffering from Covid 19. When she returned home, she discussed the information with her sisters and cousins at home as a joking story. The hospital's code of conduct requires employees to treat patient's information with confidentiality.

Which of the following consequences are likely to accrue to the hospital as a result of Yvonne's unethical behavior?

- A Reduction in number of patients and revenues in the hospital.
 - B Litigation exposure once the information is leaked.
 - C Reputational damages of the hospital
 - D All of the above
- (2 Marks)**

QUESTION 27

Which of the following is client's monies?

- (i) Client's cash in hand
 - (ii) Client's blank cheque
 - (iii) Client's payment orders
- A Both (i) and (ii)
 - B Both (ii) and (iii)
 - C (i) Only
 - D All of the above
- (2 Marks)**

QUESTION 28

Under which circumstances should accountants not hold client's monies?

- (i) When there is reason to believe that client's money is sourced from money laundering activities.
 - (ii) When an accountant is not licensed to hold client's money
 - (iii) When an accountant has no cash insurance over holding client's money
- A (i) Only
 - B Both (i) and (ii)
 - C Both (ii) and (iii)
 - D Both (i) and (iii)
- (2 Marks)**

QUESTION 29

There are safeguards available to accountants when handling client's monies to avoid self-interest threats to integrity, objectivity and professional behaviour.

Which of the following best describes the safeguard of accountability?

- A Clients' money must be kept safely and separately from the personal belongings of the accountant.
- B Client's money must be used for the purposes intended for
- C Client's money must be availed to the client whenever requested with appropriate records keeping.
- D All of the above

(2 Marks)

QUESTION 30

Which of the following information should be treated with high confidentiality depending on classification of information?

- (i) Information shared with the explicit instruction that it should be kept "private and confidential".
- (ii) Information classified as "for authorized individuals only".
- (iii) Information readily published on the company's website.

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

(2 Marks)

QUESTION 31

Which of the following statements is not correct as far as a fundamental ethical principle of confidentiality to accountants is concerned?

- A Confidentiality serves public interests since it facilitates the free flow of information from clients or employers to professional accountant with confidence that the information shall not be disclosed.
- B Duty to comply with confidentiality will cease after expiry of contract between accountant and his/her client or employer.
- C Confidentiality principle is also applicable to information acquired from prospective clients/employers for future business or professional relationships.
- D None of the above.

(2 Marks)

QUESTION 32

Which sequence of words from the below options correctly completes the sentences in the below paragraph?

As per International Ethics Standards Boards for Accountants, a professional accountant shall comply with principle of confidentiality. The principle requires not to.....confidential information acquired as a result of professional and business relationships for the.....advantage of the accountant or for the advantage of a.....

- A Use, personal, third party.
- B Disclose, personal, third party
- C Maintain, third party, personal
- D Expose, third party, personal

(2 Marks)

QUESTION 33

Confidentiality is one of the fundamental ethical principles which requires accountants not to disclose information about their client's affairs. It is prohibited to use confidential information acquired through their work for personal interests.

Under which of the following circumstances, accountants may disclose confidential information?

- (i) When disclosure is required by law or required by court of law
- (ii) When disclosure is permitted willingly by the client/employer
- (iii) When disclosure is required by ICPAR during quality assurance inspection

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

(2 Marks)

QUESTION 34

Which of the following is not a factor to consider while determining which information to disclose?

- A Reliability of the information
- B Appropriate recipient of the information
- C Legal liability emanating from information disclosure
- D Understandability of the information

(2 Marks)

QUESTION 35

Which of the following best describes insider dealing?

- A An illegal practice of trading on the stock exchange to one's own advantage through having access to confidential information.
- B A legal practice of disclosing confidential information by insiders in the company (Directors, Executives, and employees) to trade well on the stock market.
- C A legal practice of selling or buying shares on the public stock exchange market.
- D None of the above. **(2 Marks)**

QUESTION 36

Which of the following is included among threats to professional competence and due care within an organisation?

- A Insufficient time to spend on duties.
- B Inadequate trainings to perform duties properly.
- C Inadequate resources.
- D All of the above. **(2 Marks)**

QUESTION 37

Which of the following is not a safeguard to threats of professional competence and due care?

- A Obtaining additional training or academic degree.
- B Declining appointment if you have interest in the client or employer.
- C Consulting someone with adequate knowledge and skills.
- D Dedicating enough time for the assigned work. **(2 Marks)**

QUESTION 38

During staff performance evaluation at Isaro life Insurance Company, it was noted that the Chief Accountant needs additional trainings/knowledge to preparation of financial statements in accordance with International Financial Reporting Standards (IFRSs).

Which of the following best demonstrate the course action that should be undertaken by the Chief Accountant?

- A Self-paced study of IFRSs applicable to insurance sector
- B Seeking coaching from his or her supervisor
- C Attending ICPAR seminar on financial statement preparation
- D All of the above. **(2 Marks)**

QUESTION 39

The Managing Director of a commercial bank in Rwanda noticed that employees spend most of their working hours over phone discussing or chatting their personal affairs. This has led to failure to meet deadlines in some departments and deliver quality services to company's clients.

Which of the following is the best safeguard to the above identified problem?

- A Management shall put in place a code of conduct which stipulates the usage of mobile phones during working hours.
- B Management will put in place time sheet tracking system to track utilization rate of each employee.
- C Providing trainings to staff on time management skills
- D All of the above. **(2 Marks)**

QUESTION 40

Which of the following statements best demonstrates how accountants should behave as far as freedom of expression is concerned?

- B Accountants are allowed to express their political views but should avoid any behavior that should put the profession or employers into disrepute.
- C Accountants as ordinary members of the general public can enjoy the same right of political expression in the workplace and in personal endeavors.
- D All of the above **(2 Marks)**

QUESTION 41

Said is a Management Consultant for the Ministry of Finance and Economic Planning. He is a member of ICPAR for the last 5 years. During his work, he accesses wide range of confidential information related to government finances. He recently wrote up a note in widely read newsletter in Rwanda that he is against government politics in financing infrastructural projects.

Which of the following statements is correct referring to the above scenario?

- A Being a professional accountant, Said should not involve in political activities
- B Said has provided constructive feedback to the government through the published article.
- C Said should consult ICPAR, as the regulating professional Body in Rwanda before publishing article
- D Said as a professional accountant employed by the government, should not publicly criticize government policies. **(2 Marks)**

QUESTION 42

You are an Accounts Officer for food processing company, and the Chief Accountant has requested you to conceal some of the expenses in the books of accounts to turn the company into profitable venture.

Which of the following is the most appropriate course of action:

- B Report the issue to ICPAR
- C Report the issue to Rwanda Revenue Authority
- D Accept the advice from Chief Accountant **(2 Marks)**

QUESTION 43

You are a senior auditor of Pacis Hotel. During the audit exercise, you noted that the hotel management has falsified its financial statements when applying for a loan.

Which of the following is the most appropriate course of action:

- A Report the issue to ICPAR of which the Chief Financial Officer of the hotel is a member
- B Report the issue to Chief Executive Officer of the company
- C Your firm should report the issue to Board of Directors
- D Be silent and ignore the evidences to avoid cancellation of audit assignment. **(2 Marks)**

QUESTION 44

You are a senior auditor in one of the leading audit firms in Rwanda, your supervisor sexually harassed you and intimidated you of losing your job.

Which of the following is the most appropriate course of action would you undertake?

- A Report the issue to Rwanda Investigation Bureau
- B Escalate the issue to Managing Partner of the audit firm
- C Report the issue to Board audit committee of the company
- D Report the issue to ICPAR for their information and follow up **(2 Marks)**

QUESTION 45

You work as Payroll Officer in Ishusho Industries Ltd, a company specialized in production of kids' toys. You noticed Managing Director fighting with the Head of Human Resources Manager. The Managing Director requested you to do not disclose the fighting to any person otherwise your employment contract will be terminated.

Which of the following is the most appropriate course of action:

- A Report the issue to RIB (Rwanda Investigation Bureau)
- B Be silent and keep it confidential since there is legal obligation to disclose such information
- C Report the issue to those charged with governance
- D Report the issue to labor inspector for information and follow up

(2 Marks)

QUESTION 46

Which of the following factors should be considered to determine if an action or behaviour is ethical or not?

- A The legal and regulatory framework of which a company works in
- B Consider the consequences of the action or behaviour
- C Consider whether the behaviour is fair to all stakeholders.
- D All of the above

(2 Marks)

QUESTION 47

Which of the following are criteria for evaluating what course of action to undertake in case of ethical dilemma

- (i) Transparency
- (ii) Fairness
- (iii) Financial impact of the action

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

(2 Marks)

QUESTION 48

Which of the following is not a job responsibility of a whistleblowing officer within an organisation?

- A Reporting the issues received from staff to appropriate level of management for action.
- B Reporting the issues to Rwanda Investigation Bureau for investigation and prosecution.
- C To safeguard the privacy and confidentiality of whistleblowing staff.
- D All of the above

(2 Marks)

QUESTION 49

Which of the following best demonstrates the difference between internal whistleblowing and external whistleblowing?

- A Internal whistleblowing is done by internal stakeholders (employees) while external whistleblowing is done by external stakeholders (like Suppliers).
- B Internal whistleblowing is done by employees to whistleblowing channels within an organisation while external whistleblowing is done by employees to outside.
- C Internal whistleblowing refers to whistleblowing done by employees's internal hierarchies within an organisation while external whistleblowing is done by clients to complain about poor service provided.
- D Internal whistleblowing is done by employees to top management while external whistleblowing is done by employees to Board of Directors.

(2 Marks)

QUESTION 50

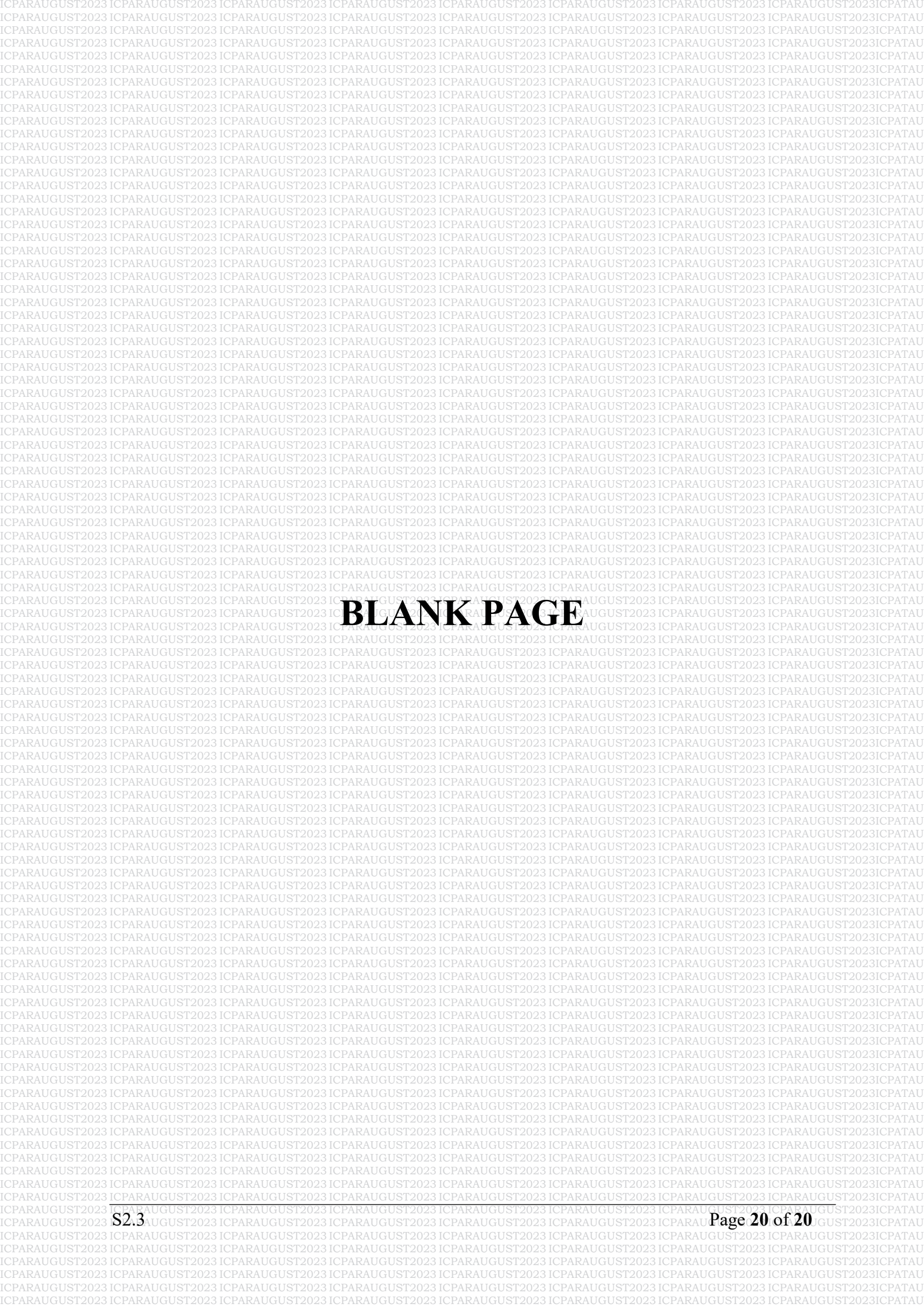
Which of the following is not a reportable misconduct to whistleblowing?

- (i) Staff complaint about salary increment which was given to others last month
- (ii) Non-disclosure of interests in a transaction
- (iii) Discrimination and favouritism among team members.
- (iv) Noncompliance with laws and regulations

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

(2 Marks)

End of Question Paper



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