



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

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

DATE: MONDAY 26, AUGUST 2024

MARKING GUIDE AND MODEL ANSWERS

Marking guide

Award 2 marks for each correct answer = 100

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

DETAILED MODEL ANSWERS

1) The correct answer is B

Jean has not demonstrated integrity by colluding with the client and also Integrity is relevant here as she did not act honestly in helping the client to evade taxes.

A is not correct because sensitivity does not amount to upholding strong moral code and principles.

C The action did not amount to objectivity therefore C is not correct.

D Honesty is about being truthful and transparent in action.

2) The correct answer is B

B is correct because, claiming to be sick when being well enough to work is an example of dishonest behavior.

A is not correct because she was not truthful in her words but integrity means adhering to strong moral code and principles.

C is not correct because her action does not relate to objectivity.

D is not correct because she did not do any wrong which could affect her colleagues.

3) The correct answer is D

D is correct because ICPAR do not engage on fraudulent act of taking money to allow unqualified accountants to hold office and practice.

A is not correct because it is a responsibility of the Institute to regulate accounting profession in Rwanda.

B is not correct because issuing regulations to promote the functioning of the Institute is a responsibility of the Institute.

C is not correct because it is a responsibility of the institute to promote the competence and capacities of its members.

4) The correct answer is C

C is correct because accountants in public sector have the same rights of political expression as other members of the public in their own time.

The others options are all provided for as per the principle of political neutrality.

A political view should not prevent accountants from providing fair advice on financial matters.

B for public interest, accountants and civil servants should be politically neutral.

D There should be a line of separation between accountants' political interest and jobs.

5) The correct answer is A

A is correct because separation requires that clients' money must be kept away from the money belonging to personal accounts.

Other options are not correct because:

B Accountability is an entity's actions to take responsibility for their actions.

C Use is the proper allocation to money for intended purpose.

D Appropriation is the act of setting aside money for a specific purpose.

6) The correct answer is B

B is correct because Sam has to uphold his professional duty of confidentiality as a Code of Ethics requirement.

Other options are not correct because:

A sharing knowledge to ABC would mean he is not acting professionally,

C the duty of confidentiality has no expiry period,

D duty of confidentiality is not dependant on reliability of the information.

7) The correct answer is B

B is correct because because it is advisable to report first to the next level of management.

Other options are not correct because:

C Communicating the issue to the disciplinary committee will be done by the supervisor of the chief accountant,

A Ignoring can promote that malpractice of misappropriations,

D It is advisable first to follow internal levels of management than external stakeholders.

8) The correct answer is C

C is correct because the statement from the Financial Director is misleading. It did not capture some important information from the government.

Other options are not correct because:

A Objectivity relates to biasness in provision of information,

B Confidentiality relates to unauthorized sharing of information,

D Omitting essential information could imply the Financial director did not act in a professional manner.

9) The correct answer is B

The purpose of CPD is to enable accountants learn new skills and maintain the skills. The members who fail to comply will be deemed guilty by CPD.

A Members do not have to attend courses and seminars to comply with CPD requirements because CPD should make use of the available resources such as books and publications to read on their own.

C is also wrong because members do not have to attend courses and seminars to comply with CPD requirements because CPD should make use of the available resources such as books and publications to read on their own.

D Is wrong because members can find CPD resources on their own and read. They don't have to attend seminars.

10) The correct answer is A

A is correct because members in practice must be seen to act independently to third party showing integrity, objectivity and scepticism (independence in appearance), and also make their own judgement without being influenced (independence of mind). This enhances objectivity in reporting to the responsible and interested stakeholders.

Other options are not correct because:

B The two are not aspects of independence.

C Independence of thought and mind are one and the same aspect but is provided for as independence of mind.

D It is provided for in Code of Ethics as independence of mind and not independence of thought.

11) The correct answer is D

D is correct because it is a combination of all correct answers.

Other options are not correct because:

A Public sector accountants must keep their jobs out of politics, and politics out of their jobs.

B Public sector accountants should not publicly express any view either for or against the policies of the

C Public sector accountants have the same rights of political expression outside the workplace, and in their own time, as ordinary members of the public.

12) The correct answer is D.

D is correct because the malpractice proposed by the Managing Director will attract financial loss to the company hence

Other options are not correct because:

A the malpractice may also attract legal and litigation risks against the company

B the malpractice will also attract reputational damages from clients' claims

C the malpractice will pause operational risk to the company.

13) The correct answer is B

B is correct because accountants are not advised to follow rumors when solving ethical issues. Otherwise, the factors an accountant should consider in solving ethical issues are; relevant facts, established internal procedures and alternative courses of action.

Other options are not correct because:

A is not correct because IESBA Code of Ethics does not provide for facts and rumors

C is not correct because IESBA Code of Ethics does not provide for facts and rumors
D is not correct because rumors is not provided for in Code of Ethics and accounting Principles.

14) The correct answer is B

B is correct because sharing client's information to the third party without client's consent is qualified as a breach of confidentiality.

Other options are not correct because:

A Even if the two companies are not competitors, the principle of confidentiality must be upheld

C Even though the two companies are not in the same line of business the principle of confidentiality must be upheld

D are not correct because they don't amount to breach of confidentiality.

15) The correct answer is A

A is correct because Code of Ethics are not meant to avoid internal disciplinary procedures.

Other options are not correct because:

B Code of ethics maintain organization credibility and trust,

C Code of Ethics are meant to ensure compliance with various guidelines set by regulatory bodies,

D it enhances a good reputation and image to clients.

16) The correct answer is D

This is provided for in Article 234 of the Companies Act 2009 that a company's accounting records must contain record of company's assets and liabilities which must be maintained for a period of ten years similar to accounting records. This is so because in case of any queries during investigations they can be pulled out as evidence. This is also so for historical value of the documents, regulatory requirements and need for future reference by the organization.

Other options are not correct because:

A there is nowhere in the Article 3 years is mentioned

B there is nowhere in the Article 5 years is mentioned

C there is nowhere in the Article 7 years is mentioned

17) The correct answer is C

C is correct because wrongs relating to conflicts between individuals within the community is a description of civil law.

Other options are not correct because:

A Law of tort is a wrongful act other than a breach of contract for which relief may be obtained in the form of damages or an injunction,

B Law of Contract law is a promise enforceable by law,

D Criminal law are offences relating to persons or property that affect the whole community.

18) The correct answer is D

D is correct because an accountant does not have a professional duty or right to disclose confidential information to the newspaper though, it would be of public interest.

Other options are not correct because:

A Voluntary disclosure to a regulator is permitted by accounting regulatory bodies,

B where information is required by public authorities because this gives an accountant a legal duty to do so,

C if confidential disclosure is in compliance with a professional body, an accountant can do so.

19) The correct answer is B

B is correct because Rwanda Revenue Authority is a government agency responsible for assessing and collecting taxes in Rwanda.

Other options are not correct because:

A International Federation of Accounts (IFAC) develops standards for professional accountants.

C International Accounting Standards Board (IASB) develops financial reporting standards used as the basis for financial accounts.

D International Ethics Standards Board for Accountants (IESBA) develops Code of Ethics for Professional Accountants.

20) The correct answer is B

B is correct because the appropriate course of action for Clarisse would be to tell the managing Director that the act would breach her ethical conduct because this amount to unethical Code of conduct.

The other options would compromise what professional Code of conduct provides for as one of the requirements for professional accountants.

A Even after authorization, the act would still be unethical

C Proceeding with Managing Partner's request would amount to unethical behaviour

D Listening to managing Partner's would compromise her independence

21) The correct answer is A

A is correct answer because Familiarity threats occurs as a result of having a close relationship with a director or officer of the client or employer who is in position to exert significant influence over the engagement.

Other options are not correct because:

B advocacy threat occurs when a professional accountant promotes a client's or employer's position to the extent that accountant's objectivity is subsequently comprised,

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

D intimidation threat occurs when professional accountant is deterred from acting objectively by threats and pressure, whether they are actual or perceived.

22) The correct answer is D

D is correct because Professional competence and due care mean an accountant must maintain professional knowledge and skills at the required level and as such they should refrain from taking on works they have no knowledge and skill required.

Other options are not correct because:

A Exercising reasonable judgement when making decisions is objectivity,

B Being straightforward and honest when answering queries and providing information is integrity,

C Providing a quality of service that can reasonably be expected from a skilled and qualified practitioner is competency

23) The correct answer is C

C is the correct answer because it is not one of the reasons provided for by the law.

Other options are not correct because:

A it is a legal requirement for books of accounts to be kept for specific period outlined in the law,

B books of accounts may be kept for inspection by members of the public should there be need,

D the organization keep its records for future references.

24) The correct answer is B

B is correct because it not true that records one recorded should not be updated

Other options are not correct because:

A is not correct because maintaining records is accountant's routine role

C is not correct because record need to be retained for future reference.

D is not correct because records must be set in order in terms of appropriateness before being recorded.

25) The correct answer is A

A is correct because accountants are permitted by law to disclose confidential information under certain conditions • Disclosure is permitted by law and authorized by the client or employer • Disclosure is required by law and a legal duty to disclose • Professional duty or right to disclose which is in the public interest and not prohibited by law.

Other options are not correct because:

B Disclosure for public interest can only occur when permitted by law,

C Members in practice has an obligation to disclose when permitted by law,

D Authorization by a client to disclose confidential information is not provided for in the law.

26) The correct answer is D

Whistleblowing should be the last resort and therefore accountants should not whistle blow as soon as they suspect illegal act.

Other options are not correct because:

A Any accountant need to remember the principle of confidentiality,

B It may be necessary for an accountant to whistle blow to fulfil their public interest duty,

C It can be done in any form either in writing or verbally.

27) The correct answer is D

D is the correct answer because professional competence and due care is the correct answer because failing to refrain from taking on works they have no knowledge and skill required is breach of professional competence and due care.

Other options are not correct because:

A Objectivity is the act of fairness,

B Integrity involves honesty and truthfulness,

C Confidentiality involves keeping information sensitive to client from outsiders.

28) The correct answer is A

A is the correct answer because Nshimiye modified his CV in order to meet the key experience requirement of two years on a managerial position. Therefore, he has misled the potential employer and breached the ethical principle of integrity

Other options are not correct because:

B By modifying his CV in order to meet the key experience requirement of two years on a managerial position, Nshimiye has misled the potential employer and breached the ethical principle of integrity and not the objectivity principle,

C Even if Nshimiye has five years' experience, he does not have experience of two years on a managerial position.

D Is not correct because Nshimiye has misled the potential employer and breached the ethical principle of integrity.

29) The correct answer is B

B is the correct answer because the seven principles of public life are: Selflessness, Openness, Accountability, Leadership, Honesty, Integrity, and Objectivity.

The rest of the options are incorrect because:

A Reliability is not a principle of public life

C Confidentiality is not a principle of public life.

D Reliability and confidentiality are not principles of public life.

30) The correct answer is D

D is correct because all the above are factors which influence the Continuing Professional Development (CPD) of an accountant.

Other options are not correct because:

A Is not correct because feedback from managers and shortfalls are also factors influencing CPD so they cannot be left out.

B Is not correct because introduction of new software or requirements is a factor influencing CPD they cannot be left out

C Is not correct because introduction of new software or requirements and professional developments are factors they cannot be left out

31) The correct answer is A

A is correct because Protas ought to have followed proper professional procedure before reporting his supervisor to RRA. The matter could first be handled internally. Other options are wrong because:

B Reporting to external parties should be the last resort.

C Reporting to RIB is not under his jurisdiction.

D Fear in reporting would amount to breach of professional conduct.

32) The correct answer is D

D is correct because where threat cannot be reduced or eliminated to acceptable level, the member must refuse to perform the duty.

Other options are not correct because:

A Consulting with a supervisor is recommended though not to a level the threat cannot be reduced.

B Obtain additional training is required in cases of incompetency and also it will depend with the urgency of the matter.

C Consult with their relevant professional bodies outlines for threats.

33) The correct answer is A

The professional conduct would be to escalate the issue to the supervisor (audit manager & director).

Other options are not correct because:

B Reporting of the fraud by a professional accountant to a shareholder or colleagues at office is a breach of a fundamental ethical principle of confidentiality.

C An auditor, is required to respect the confidentiality of information acquired through business relationships and must not disclose any such information without proper and specific authority, unless there is a legal or professional right or duty to disclose it which is not the case in the scenario.

D an auditor should be straightforward and honest in all professional and business relationships. Let the team leader handle the case in a wrong way is a breach of the fundamental ethical principle of integrity

34) The correct answer is A

A is correct because to uphold professional Code of Ethics, you should to inform both staff that the completion of expense forms implies both honesty and integrity.

Other options are not correct because:

B Authorizing expense claims would amount to defrauding the company.

C Reporting them to the manager would be on a situation the act is continuous and they have refused to change after informing them.

D Processing the expense claims will amount to fraud.

35) The correct answer is D

D is the correct answer because “independence in mind” is about showing level of integrity, objectivity and professional skepticism.

Other options are not correct because:

A has not included the element of integrity and skepticism,

B does not apply to the principle of independence in mind,

C has not included the element of integrity and skepticism.

36) The correct answer is D

D is the correct answer because accountants are prohibited to hold client's money if holding the money is outside the scope of accounting profession and pauses a risk to money laundering.

Other options are not correct because:

A Is not correct because they are not allowed to hold client's money when it constitute money laundering activities which is (ii).

B Is not correct because if holding the client's money is outside the regulated activities of the accounting profession, they are not allowed which is (i)

C Is not correct because they can hold money if there is justification in holding the clients' money.

37) The correct answer is D

D is correct because the correct step to take is to disassociate from the information as provided for by IEBSA Code of ethics.

A is not a good option because by resigning, the problem will not be solved.

B is not correct because it is not his responsibility to report issues to RIB.

C is not correct because being silent will not solve the issue.

38) The correct answer is A

A is the correct answer because it would be professional for MM ltd to resign from offices because this would amount to intimidation threat from the client.

Other options are not correct because:

- B** Contact the rival auditor and persuade them to raise their quote a violation of accounting Code of Practice.
- C** Reducing the coverage of the audit work to save costs so that the fee will be lower compromise the audit report.
- D** The contract is not between the bank and MM ltd.
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39) The correct answer is D

D is the correct answer because the disclaimer of liability is a statement which relieves an accountant from being responsible for any loss suffered by someone else.

Other options are not correct because:

A disclaimer of trust involves a will over a property,

B disclaimer of ability involves giving an assurance to the best knowledge,

C provides that the receiving party acknowledges that the disclosing party is not making any representation or warranty, express or implied, as to the accuracy or completeness of the confidential information.

40) The correct answer is B

B is correct because 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).

Other options are not correct because:

A honesty involves having a duty to declare one's interest on any business dealing,

C fairness involves none discriminative of others interests and opinions,

D integrity involves pacing one's self in a position that would not influence performance.

41) The correct answer is C

C is correct because the Code of Ethics is not legally binding by itself but requires accountants to comply with the law.

Other options are not correct because:

A Is not correct because a minimum accountant are expected to comply with the laws and regulations of the country in which they live and work.

B Is not correct because Code of Ethics in itself is not legally binding,

D Is not correct because Under the Code of Ethics, as a minimum accountant are expected to comply with the laws and regulations of the country in which they live and work, but Code of Ethics in itself is not legally binding.

42) The correct answer is C

C is correct because according to the principle of public life, objectivity means that decisions should be taken impartially and on merits without discrimination.

Other options are not correct because they are Twahirwa's acts did not amount to

A Accountability involve giving an account or holding someone responsible for the acts which the context of the question is not testing on.

B Integrity involves adhering to strong moral code and principles. Twahirwa action does not show this.

D Leadership involves guiding and leading people to the right direction or doing the right things.

43) The correct answer is D

D is correct because it is advised to refuse any unethical or illegal propositions from supervisors and any unethical and illegal acts should be voiced out.

Other options are not correct because:

A it advised to exhaust internal management hierarchies before consulting those charged with governance (Board of Directors),

B it is not advised to associate with illegal or unethical acts,

C it is better to speak up that the act is not ethical and legal with the Chairperson of the tender committee to resolve the issue easily. Disclosing to the 3rd tender member might not solve the problem.

44) The correct answer is A

A is correct because the principle of professional competence and due care means that an accountant must maintain their personal knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on the current developments, and in accordance with applicable professional standards. As such, Habimana should refrain from taking on work where they know they do not have the required skills to perform the service requested.

Other options are not correct because:

B professional behaviors is all about avoiding action that brings profession into disrepute,

C confidentiality is all about not disclosing confidential information,

D integrity is all about presenting clearly and in honest manner and professional accountant should not withhold information.

45) The correct answer is C

C is correct because it is a mandate of an accountant to prepare statutory accounts.

The other options are not correct because they are reserved areas.

A In investment business an auditor provides financial advice,

B external audit is conducted by auditors,

D auditors provide financial reports during insolvency practice.

46) The correct answer is B

B Is correct because it is not among the general principles that apply to public sector accountant providing political neutral services.

Other options are not correct because:

A Public sectors accountants have the same rights of political expression outside.

C Public should not public sector accountants should not publicly express any view either for or against the policies of the government.

D Public Sector accountants must not confuse their personal political rights with their employment responsibilities.

47) The correct answer is D

D is correct because all options are the reasons for accountants to know and act ethical and legally.

Other options are not correct because:

A is not correct because meeting legal and ethical requirements give credits to accounting profession in society is also a reason accountant should act ethically. **A** left it out.

B is not correct because meeting legal and ethical requirements protect accountants from criminal and civil liabilities is also a reason accountant should act ethically. **B** left it out

C is not correct because meeting legal and ethical requirements protect accountants from criminal and civil liabilities, and professional bodies like ICPAR require its members to meet legal and ethical requirements are also reasons accountant should act ethically. **C** left them out.

48) The correct answer is C

C is correct because One of the key threats to an accountant's independence is accepting gifts, favors or hospitality from parties who may have an interest in the outcome of the accountant's work.

Other options are not correct because:

A skepticism is an attitude that includes a questioning mind, and being alert to conditions which may indicate possible misstatement,

B social responsibility involves the communication of the environmental and social effects of a firm's economic steps,

D accountability involves giving an accounting of one's actions.

49) The correct answer is B

B is correct because Quality controls and internal audit procedures are measures created within an organization to safeguard work environment.

Other options **A**, **C** and **D** are not correct because they are safeguards created by professional standards to be applied in general.

50) The correct answer is C

C is correct because because the confidentiality still applies to past/previous clients/employers.

Other options are not correct because:

A is not correct answer since it is true that confidentiality applies to even future/prospective clients/employers,

B is not correct answer because it is true that confidentiality serves public interests,

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

End of Marking Guide and Model Answers