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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2**

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

**DATE: MONDAY 26, FEBRUARY 2024
MARKING GUIDE AND MODEL ANSWERS**

Marking guide

1. C	31. D
2. A	32. A
3. D	33. C
4. B	34. B
5. D	35. B
6. A	36. B
7. C	37. C
8. B	38. D
9. C	39. C
10. C	40. A
11. C	41. D
12. D	42. B
13. C	43. A

14. B	44. C
15. A	45. B
16. C	46. B
17. B	47. C
18. C	48. D
19. B	49. A
20. B	50. A
21. D	
22. A	
23. C	
24. D	
25. C	
26. B	
27. C	
28. B	
29. C	
30. B	

Award 2 Marks for each correct answer

Total Marks

100

1. The correct answer is C

Refuse to carry out the action, which is Option C. Mukamsoni should refuse simply because other ways of resolving the issue can be sought as opposed to doing something that she already knows to be illegal or unethical. Options A, is not correct since Mukamsoni cannot immediately report to the authorities without first substantiating the facts. Option B is not correct, since this is not a matter that can require her to resign, and Option D, is not a right answer as a correct option is available.

2. The correct answer is A

Discussing with Nkusi in private and ask him to refrain from taking long hours of lunch which is against the company policy would be the most appropriate course of action, which is Option A. Option B is a distractor, as this is not a matter that requires reporting to ICPAR; Option C is also a distractor, as this is not an issue that would get someone dismissed; and Option D is also a distractor, as the correct option is provided.

3. The Correct answer is D

All of the above, Option D is the correct answer since maintaining ICPAR's reputation and standing, beneficial to the members themselves, and protecting the reputation of the accounting profession as a whole, are all prerequisites needed to reinforce professional and ethical standards.

4. The correct answer is B

Since management was involved in non-complying with the VAT law, it is therefore recommended to report the non-compliance to the Board of Directors with clear guidance, which is Option B. Options A is a distractor, not reporting a discovered noncompliance by a client during audit is unethical and unprofessional; Option C and D are both distractors, as this is not a matter to report to either RIB or RRA. RRA can always conduct their own audit at their discretion.

5. The correct answer is D

The Code of Ethics for Professional Accountants is not legally binding in itself, but requires accountants to comply with relevant laws, which are both options in D.

6. The correct answer is A

The correction Option is A since both statements are true. Ethical values are assumptions and beliefs about what constitutes 'right' and 'wrong' behaviour. And ethical values are often linked to our own personal values and these can include loyalty to friends, family and employers, and showing fairness and respect to others that we meet in our daily lives.

7. The correct answer is C

The correct Option is C which combines money laundering, fraud and corruption as offences under the criminal law. A criminal offense is an offense relating to a person or property that affect the whole community, while a civil offense concerns with wrongs relating to conflicts between individuals within the community.

8. The correct answer is B

Some actions are unethical but not illegal. The correct Answer is therefore Option B, because misappropriation of cash is fraud and hence illegal, smoking in office during working hours is illegal and unethical, selling expired products to customers is also illegal and unethical. Leaving the water tap opened unknowingly which is unethical but not illegal.

9. The correct answer is C

All of the statements (i), (ii) and (iii) are correct and hence the correct Option is D. Accountants are expected to comply with laws and ethical requirements to minimize criminal and civil liabilities in their profession. Compliance with laws and ethical norms is also required by accountants' professional bodies like ICPAR and it also contributes to the confidence of the accounting profession in the society.

10. The correct answer is C

The correct option is C, since this is an offense concerning wrongs relating to conflicts between individuals within the community. Option A, Contract law is a distractor as it describes how businesses exchange goods and services; Option B is a distractor as it describes offences relating to persons or property that affect the whole community; and Option D, Tort law is also a distractor as it relates to the law of wrongful injuries that leads to civil legal liability.

11. The correct answer is D

The correct answer is D because all the statements indicated are appropriate courses of action to promote an ethical culture within the bank.

12. The correct answer is D

Where one person owes a duty of care to another, they must

The correct option is D, Tort law as it relates to the law of wrongful injuries that leads to civil legal liability. The solicitor owed a duty of care to the children, he must have exercised reasonable skill and care; Option A, Contract law is a distractor as it describes how businesses exchange goods and services; Option B, Criminal law is also a distractor as it describes offences relating to persons or property that affect the whole community; while Option C, Civil law, relates to wrongs relating to conflicts between individuals within the community.

13. The correct answer is C

Option C is the correct answer since an accountant is affected by the three laws: Health and safety legislation (due to the need to provide a safe working environment for employees); environmental legislation (for controlling pollution and promoting the sustainable use of natural resources); and Employment law (employees' entitlement to sick pay or maternity pay).

14. The correct answer is B

The correct answer is Option B, Tort law as CAT Patrick owes a duty of care to the bank, since the bank in this case, would go ahead to advance the loan without a true supporting pay slip or evidence. Patrick will be liable in tort to the bank for lack of objectivity. Option A, is a distractor, Company Law, since this refers to the law that governs companies; Option C, refers to wrongs relating to conflicts between individuals within the community

15. The correct answer is A

Option A is the correct answer since wrongs relating to conflicts between individuals within the community are described under civil law; Option B is a distractor as it describes offences relating to persons or property that affect the whole community; Option C, Tort law relates to the law of wrongful injuries that leads to civil legal liability; while Criminal law, Option D, describes how businesses exchange goods and services.

16. The correct answer is C

The correct answer is Option C. Enhancing the quality of education is a responsibility of the Higher Education Council (HEC) while the rest of the other statements qualify to be ICPAR's responsibilities.

17. The correct answer is B

The correct answer is B, the International Ethics Standards Board for Accountants (IESBA); Option A, IAASB deals with auditing standards; Option C, IASB deals with international financial reporting standards; while Option D, IPSASB deals with public sector international standards.

18. The correct answer is C

Option C is the current answer as there is no legal obligation to follow the code. The code provides members with guidance on the standards of behaviour that are expected of them, but the code itself is not legally binding. The rest of the other statements are valid reasons as to why an ICPAR member should follow ICPAR's Professional Code of Ethics.

19. The correct answer is B

The governing body of a profession, such as ICPAR, has a number of responsibilities, including: promoting the competence and capacity of its members (which entry requirements and CPD will help to achieve), taking disciplinary members against members who are unable to perform their duties or who are guilty of misconduct, and promoting and preserving the independence of its members. While the members of a profession may perform a range of different activities, ensuring this range is as wide as possible is not one of the governing body's key roles.

20. The correct answer is B

Confidentiality means that professional accountants must respect the confidentiality of information they acquire through business relationships, and must not disclose any such information without proper authority, unless there is a legal or a professional duty to do so. Option A, Integrity requires that a member shall be 'straightforward' and honest in all professional and business relationships; Option C, Objectivity means that an accountant 'shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements', while Option D, professional behaviour requires an accountant to 'comply with relevant laws and regulations, and avoid any action that discredits the profession'.

21. The correct answer is D

The correct Option is D, the fundamental principle of objectivity, which requires accountants not to compromise their professional judgement due to bias, conflict of interest or undue influence or other reasons. The principle of objectivity is particularly important in the context of professional independence. It is important that members not only are independent, but are also seen by others to be independent.

22. The correct answer is A

According to the definition of integrity on the Code of Ethics for Professional Accountants, a member shall be 'straightforward' and honest in all professional and business relationships, which is Option A; Option B, professional competence and due care, requires an accountant to perform a duty carefully with regard to the technical and professional standards expected; Option C, Objectivity means that an accountant 'shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements', while Option D, professional behaviour requires an accountant to 'comply with relevant laws and regulations, and avoid any action that discredits the profession'.

23. The correct answer is C

Confidentiality means that a professional accountant must respect the confidentiality of information they acquire through business relationships, and must not disclose any such information without proper authority, unless there is a legal or a professional duty to do so.

24. The correct answer is D

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

25. The correct answer is C

The accountant's public interest duty means that in a situation where they have an obligation to more than one stakeholder, their primary duty is to the public, rather than to their client, their employer or themselves. Even though Mukangarambe has a duty to her employer, acting in public interest takes precedence.

26. The correct answer is B

This is an intimidation threat with an element of self-interest. Intimidation is a threat that an accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over them. Self-interest threat occurs if a financial or other interest inappropriately influences the accountants' judgement or behaviour. The temptation for the auditor is to make the conduct of the present audit 'soft' to keep the client happy and/or to save costs, allowing a lower fee to be charged, in the hope of retaining the client. Option A, self-review is a distractor as it refers to a threat that an accountant will not properly evaluate the results of previous work or judgements, but then relies on that work to perform an activity or provide a service. Option C, advocacy is also a distractor, as it refers to a threat that a professional accountant will promote a client's or employer's position to the extent that the accountant's objectivity is subsequently Compromised; and Option D, Familiarity is also a distractor as it occurs when, because of a long – or close – relationship with a client or employer, professional accountant becomes too sympathetic and accepting of the other's work.

27. The correct answer is C

Professional competence and due care, requires a member to 'maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques, whilst acting diligently and in accordance with applicable technical and professional standards'.

28. The correct answer is B

Demonstrate professional commitment among his peer accountants is not a reason why members undertake CPD. The rest of the other options: maintaining the capabilities necessary for a member to continue to perform competently; improving a member's technical skills and abilities; and complying with the institute's regulations are valid reasons for undertaking ICPAR CPDs.

29. The correct answer is C

As per IESBA code of ethics, integrity involves being honest and straight forward on something that is wrong while objectivity involves avoiding bias, undue influence/pressure to do unethical acts and professional behaviour principle requires accountants to comply with laws and regulations and avoid any acts that may discredit the profession and hence Option B being correct, since it combines integrity, objectivity and professional behaviour principles to assist Mike to take an appropriate course of action.

30. The correct answer is B

The correct answer is B because Mike should clearly deny the request and explain respectfully to the CFO that the noted error should be adjusted in the books to reflect the true financial status of the company. In this way, Mike will have applied the principle of integrity, objectivity and professional behaviour. Option A, is not correct since reporting the issue to his line

manager would show his lack of integrity, objectivity and professional behaviour. Option C is not correct because informing and seeking advice from the company's management will not help Mike to decide ethically what to do, the rest of the other top management might even deviate his thoughts further. Seeking advice from top management would showcase lack of objectivity from Mike. Option D, is incorrect as remaining silent and collaborating with the client to remove the noted adjustments would showcase lack of professionalism.

31. The correct answer is D

The correct Option is D, to exclude Mutoni from the audit engagement. Resigning from the engagement Option A, in uncalled for where there is an effective safeguard; appointing another partner to review the audit, Option B, with CPA Mutoni's involvement doesn't provide an adequate safeguard; and promising the client that the partner will sell the shares, Option C, does not appear to be a timely safeguard.

32. The correct answer is A

Issuing confidentiality contracts and guidelines would be the most effective safeguard to protect employers' confidentially. Giving them warning letters, Option B; sharing a company's code of conduct by email to all staff, Option C and reminding staff about the duty of confidentiality every week, Option D, cannot guarantee confidentiality.

33. The correct answer is C

Information protected by data protection and personal privacy law; information shared with the explicit instruction that it be kept private and confidential; information that is restricted or classified within an organisation's information system; and information shared within a professional/client relationship which is regarded as a relationship of 'trust and confidence' under the law, are all examples where confidential information needs to be protected.

34. The correct answer is B

Although the general principle in the Code of Ethics is that accountants should not disclose confidential information, there are circumstances where the law allows, or requires, confidentiality to be breached. These include circumstances where disclosure is required by law (e.g., providing documents for legal proceeding), and circumstances where disclosure is permitted by law and authorised by a client or employer (e.g., providing working papers to a new firm who is taking on a client).

35. The correct answer is B

The correct answer is Option B, Professional competence and due care, which means that an accountant should perform a duty carefully with regard to the technical and professional standards expected. Having agreed to take on a task, Moses has an obligation to carry it out to the best of his ability and he should not have misled the Finance Manager.

36. The correct answer is B

The correct answer is Option B, since facilitating Moses to obtain additional advice or training; getting help from someone else with the relevant knowledge; and ensuring there is enough time for the work to be completed, are all safeguards that can be out in place to eliminate or reduce the threat to an acceptable level.

37. The correct answer is C

Accountants in the public sector have the same rights of political expression as other members of the public outside the workplace and in their own time. However, the key point about political neutrality for accountants in the public sector is that they should keep their personal political views separate from their jobs.

38. The correct answer is D

The correct answer is Option D, since the organisation's own need to access the documents; historical value of the documents; legal or regulatory requirements; and costs of keeping the records are all factors that may determine the period to which an organisation may be required to retain its records.

39. The correct answer is C

While it is important to have a company's financial statements audited each year; it is not part of the elements to maintaining proper financial records. The rest of the other options: setting up appropriate records in the first place; maintaining the records throughout the year; and retaining the records for as long as necessary, are.

40. The correct answer is A

The correct answer is A because accountants should be neutral to political positions without favouring any party over another. Gaga is therefore biased by exhibiting undue reliance on his political party and is inducing his team members to join his political party.

41. The correct answer is D

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

42. The correct answer is B

When faced with an ethical dilemma, it is acceptable to consult with an immediate supervisor, an advocate and or ICPAR, which renders Option B, correct. Other Options are incorrect because they include family members and engaging family members may propel Kabanda to breach the duty of confidentiality.

43. The correct answer is A

Gashumba is expected to apply appropriate levels of knowledge, judgement and expertise when considering whether an act is unlawful or unethical, so statement (i) is true. However, if he suspects that a client, or employer or someone is acting for a client or employer and she or he

is acting unlawfully or unethically, Gashumba should investigate the matter as opposed to keeping silent, which renders Option (ii) false.

44. The correct answer is C

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

45. The correct answer is B

Gashumba is expected to exercise professional judgment when deciding who to discuss ethical matters with, including consulting with any internal policies and procedures for further guidance. Similarly, he should first discuss the matter with his employer or supervisor before disclosing to any third party, so statement (i) is true. If he discussed the conflict with all relevant parties and he is still not satisfied with its resolution, he should therefore consider resigning to maintain his integrity, so statement (ii) is also true, making Option B, as the correct answer.

46. The correct answer is B

Receiving gifts and hospitality from parties who have an interest in the accountant's work could present a threat to the accountant's independence and objectivity. This could be a bribe if the value of the gift is perceived as high. However, in this case, Uwantege's gift has been received in the normal course of a firm's public relations and marketing activities without any specific intention to influence her decision making or professional judgement, rendering it appropriate to accept it.

47. The correct answer is C

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

48. The correct answer is D

The five factors an accountant should consider are: Relevant facts; Ethical issues involved; Fundamental principles related to the matter in question; Established internal procedures; Alternative courses of action, considering the consequences of each. While conflicts of opinion might be among the relevant facts of the ethical conflict, by itself, it is not among five factors.

49. The correct answer is A

The correct answer is Option A, because further courses of action to be undertaken may include disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so; as well as withdrawing from the engagement and the professional

relationship were permitted by law or regulation. Consulting ICPAR which is statement (iii) might not be required. As a professional accountant you should be in position to decide since the client is highly non-compliant.

50. The correct answer is A

The correct answer is Option A, since management was involved in noncompliance with laws governing labour in Rwanda, it is recommended to report it to the Board of Directors with clear guidance. Options B and C, are not correct because it is advisable to exhaust internal hierarchies before escalating to external stakeholders. Option D is not correct because reporting instances of non-compliance with laws and regulations is not a breach of confidentiality principle.