



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

DATE: MONDAY 26, FEBRUARY 2024

INSTRUCTIONS:

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

SECTION A

QUESTION ONE

Mukamusoni is an accountant in public practice. she has been asked by one of their clients to take a course of action that is considered unethical or illegal.

Which among the following would Mukamusoni be required to do in the first place?

- A Report the client to the relevant authorities
- B Resign from the appointment at once
- C Refuse to carry out the action
- D None of the above

(2 Marks)

QUESTION TWO

Temco company recently recruited CAT, Nkusi, a trainee accountant in business, to help the company in preparation of management accounts. Nkusi's supervisor, Mr. Ntwali noticed that Nkusi takes 2 hours for lunch yet the company policy only allows an hour's lunch break.

What is the most appropriate course of action for Mr. Ntwali to take?

- A Discuss this with him in private and ask him to consider a lunch break allowed by the company.
- B Report Nkusi to ICPAR.
- C Dismiss him.
- D None of the above

(2 Marks)

QUESTION THREE

Professional and ethical standards should be reinforced by all Rwandan professional accountants since they work in the public interest.

Which among the following statements best describes the responsibility to safeguard the public interest?

- (i) To maintain ICPAR's reputation and standing
- (ii) It's a benefit to the members themselves
- (iii) To protect the reputation of the accounting profession as a whole

- A Option (i) only
- B Options (ii and iii)
- C Options (i) and iii)
- D All of the above.

(2 Marks)

QUESTION FOUR

Business ethics suggests that businesses are morally responsible for their actions and should be held accountable for them. John is an accountant in practice, and he is employed with MK Auditors as an Associate auditor. While auditing one of the firm's clients, he discovered that they were not complying with the Value Added Tax (VAT) law.

Which of the following is the most appropriate course of action John should take?

- A Be silent and keep it confidential
- B Report the issue to those charged with governance through a management letter and advise management
- C Report the issue to Rwanda Investigation Bureau (RIB)
- D Report the issue to the Rwanda Revenue Authority (RRA)

(2 Marks)

QUESTION FIVE

Which of the following statements is/are true?

- (i) The Code of Ethics for Professional Accountants is legally binding.
- (ii) Under the Code of Ethics, as minimum accountants are expected to comply with the laws and regulations of the country in which they live and work.

- A Neither of them
- B (i) only
- C (ii) only
- D Both of them

(2 Marks)

QUESTION SIX

Which of the following statements is/are true?

- (i) Ethical values are assumptions and beliefs about what constitutes 'right' and 'wrong' behaviour.
- (ii) 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.

- A Both of them
- B (i) only
- C (ii) only
- D Neither of them

(2 Marks)

QUESTION SEVEN

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

Which of the following offences would be considered as criminal law in Rwanda?

- (i) The Chief Financial Officer of Zim Bank has been charged with embezzlement of banks resources and corruption.
- (ii) Karekezi colluded with a Rwanda Revenue Authority tax officer to carry out some tax fraud for a client who has promised to reward them.
- (iii) Musefano is involved in a conspiracy of a money laundering activity with Mugunga who works at MK Forex bureau.

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

(2 Marks)

QUESTION EIGHT

It is possible that some unethical acts are not illegal.

Which of the following activities would qualify as both unethical and illegal?

- (i) Mistakenly leaving the water tap opened in the office washrooms
- (ii) A misappropriation of excess cash in hand after a cash reconciliation
- (iii) Smoking in the office during working hours
- (iv) Selling expired products to avoid company wasteful resources.

- A (i), (ii), and (iii)
- B (ii), (iii), and (iv)
- C (i), (iii), and (iv)
- D (i), (ii), and (iv)

(2 Marks)

QUESTION NINE

Accountants are expected to comply with the laws whilst remaining ethical in all their dealings. **Which of the following better describes the rationale for accountants to remain both ethical and act legally?**

- (i) Because meeting legal and ethical requirements give credits to accounting profession in society.
- (ii) Because professional bodies like ICPAR require its members to meet legal and ethical requirements.
- (iii) Because meeting legal and ethical requirements protect accountants from criminal and civil liabilities.

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

(2 Marks)

QUESTION 10

Muhire is an accountant in business at ZUKA enterprises, a company that sells fresh irish potatoes. Muhire's roles includes bookkeeping and making contractual agreements. Zebi and sons, the suppliers of the irish potatoes entered into a contract with ZUKA enterprises to supply two (2) tonnes of irish potatoes each month. Zebi and sons failed to honour the contractual arrangements and ZUKA enterprises is considering suing them. Muhire has been following up on this case, but Zebi and sons have refused to compensate ZUKA claiming that, the failure to deliver was attributed to uncontrollable circumstances.

What type of law would be considered to handle this situation?

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

(2 Marks)

QUESTION 11

A professional accountant in a senior management team of Murika Bank is required to foster an ethics-based culture within the bank. **Which of the following best demonstrate ethical initiatives within the senior management at Murika Bank?**

- (i) Advancing policies and procedures designed to prevent non-compliance with laws and regulations.
- (ii) Promotion of non-retaliation policy for the bank's whistle blowers.
- (iii) Implementation of performance based KPIs that include ethical values.
- (iv) Introducing ethics education and trainings within the bank.

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

(2 Marks)

QUESTION 12

Nsengiyumva is an accountant but he owns his business. He recently asked a solicitor to draft a will naming all his children as beneficiaries. Nsengiyumva has five children, and all of them are supposed to inherit his properties equally, but only three were included in the will. When Nsengiyumva passed on, the children went to claim their share, only to realise that, two of the children were mistakenly left out, so they could not inherit anything from their parent. The two children are planning to sue the solicitor.

What type of law would be considered to handle this situation?

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

(2 Marks)

QUESTION 13

Accountants are obliged to understand the laws that apply mostly to their nature of work and conduct.

Which of the following laws would mostly affect an accountant?

- (i) Health and safety legislation
- (ii) Environmental legislation
- (iii) Employment law

- A Only (iii)
- B (ii) and (iii)
- C (i), (ii) and (iii)
- D (i) and (iii)

(2 Marks)

QUESTION 14

Muhongerwa is an accountant working with a small manufacturing company. She is been thinking about how to get a small loan from the bank but her salary is not enough to support her obtain the amount of money she wants. CAT, Patrick who works in the bank where Muhongerwa wants to obtain a loan, advises her to draft and sign her pay slip indicating a higher salary pay to support the loan.

Under which law would Patrick be liable for?

- A Company Law
- B Tort law
- C Civil law
- D Criminal law

(2 Marks)

QUESTION 15

Which type of law would better describe a wrong that relates to conflicts between individuals within a particular community?

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

(2 Marks)

QUESTION 16

The Institute of Certified Public Accountants of Rwanda (ICPAR) is the sole professional Accountancy Organisation (PAO) in Rwanda. It has wide ranging roles of responsibilities.

Which of the following is LESS likely to be part of ICPAR's responsibilities?

- A Preserving the integrity of the accounting profession
- B Providing its members with professional education in accounting and other related disciplines.
- C To enhance the quality of education
- D Taking disciplinary measures against members unable to perform their duties and guilty of misconduct.

(2 Marks)

QUESTION 17

All ICPAR members are supposed to abide by the Code of professional conduct and ethics.

Which International Federation of Accountants (IFAC) affiliated body is responsible for issuing and publishing the code of professional accountants?

- A IAASB
- B IESBA
- C IASB
- D IPSASB

(2 Marks)

QUESTION 18

There are many reasons why ICPAR members should follow ICPAR's Professional Code of Ethics. Which of the following is not one of them?

- A The Code encourages best practice and is in the public interest
- B The Code applies to members in practice and members in business
- C ICPAR members are legally bound by the Code
- D All ICPAR members must follow the Code as a condition of their membership

(2 Marks)

QUESTION 19

Which of the following is not a key role of the governing body of a profession, such as ICPAR?

- A Apply disciplinary sanctions against members
- B Ensure that the scope of activities performed by members is as wide a possible
- C Ensure standards for entry and for continuing professional development (CPD) are maintained
- D Promote and preserve the professional independence of members.

(2 Marks)

The following information relates to questions, 20 to 22:

Ngobwa Peter is a junior accountant who recently joined BB Partners Ltd, and ICPAR licenced firm. During his induction, he was briefed about the fundamental ethical principles to which he should abide by, since he was going to be in charge of book keeping and managing contracts. His colleagues, because they were already familiar with the firm and had been trained on the same, started explaining to him what they thought about these principles. Noella briefed him that he has to be straight forward and honest in all his professional and business relationships; Joana told him that he needs to ensure that contracts are awarded on merit for any item purchased as opposed to awarding them to the less competitive or friends and relatives; while Kagabo reminded him that all the information he gathers should never ever, be disclosed to anyone without proper and specific authority, unless there is a legal or professional right or duty to disclose.

QUESTION 20

Based on the above scenario, what fundamental ethical principle was Kagabo referring to?

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

(2 Marks)

QUESTION 21

Referring to the scenario above, which ethical principle would be at risk if Ngobwa was to act against Joana's briefing?

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

(2 Marks)

QUESTION 22

Referring to the scenario above, which ethical principle would be at risk if Ngobwa was to act against Noella's advice?

- A Integrity
- B Professional competence and due care
- C Objectivity
- D Professional behaviour

(2 Marks)

QUESTION 23

Zitunga is a management accountant of a new coffee shop in Remera. His Friend, Tom has a similar shop and Zitunga used to work there as a bookkeeper. Zitunga has been asked by his friend to share a clients' detailed database of the new coffee shop. Tom has also promised Zitunga a reward for that database, on top of the friendship.

If Zitunga shares the database, which fundamental ethical principle shall be compromised?

- A Integrity
- B Objectivity
- C Confidentiality
- D Professional competence and due care

(2 Marks)

The following information relates to questions 24 to 26

Mukangarambe recently joined DPO Partners as an Associate Auditor and has been appointed to be part of the team that has started the audit at SEKA Supermarket for the financial year ended 31 December, 2023. The supermarket is owned by Mukangarambe's father. In the process, DPO Partners also received a correspondence from their audit client, about a rival audit firm that SEKA supermarket will be considering engaging next year, owning it to audit fees charged which are perceived to be higher. The rival firm is considered to be charging lesser fees compared to DPO Partners. Both audit firms are licenced by ICPAR and Mukangarambe is a member of the institute.

QUESTION 24

Based on the scenario above, what would be the most appropriate potential safeguard for DPO Partners?

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

(2 Marks)

QUESTION 25

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

- A Nina Interiors
- B JP CPA
- C The public
- D Herself

(2 Marks)

QUESTION 26

What is the threat to DPO Partners' principles in such a scenario?

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

(2 Marks)

QUESTION 27

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

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

- A Professional competence and due care
- B Objectivity
- C Confidentiality
- D Professional behaviour

(2 Marks)

QUESTION 28

Kalimba has been an ICPAR member for over six years until recently when he was struck off the list for non-declaration of his CPD hours. When ICPAR published a list of members he did not appear as he is considered to be in “bad standing”.

Which of the following is not a reason to undertake CPD?

- A Maintain the capabilities necessary for a member to continue to perform competently
- B Demonstrate professional commitment among his peer accountants
- C Improve a member’s technical skills and abilities
- D Comply with the Institute's regulations

(2 Marks)

QUESTION 29

Mike is a professional accountant in practice and he is a member of ICPAR, he is a Senior Auditor at KYC Partners. During the course of audit client, he noted an adjustment which would turn the company into loss making. He was approached by the Chief Finance Officer (CFO) of the company who requested not to incorporate the adjustment, since it would affect the company’s performance. The firm was approaching the final year, before a new audit tender is launched. The CFO approached Mike to keep his request confidential and he equally promised a renewal of the contract, the subsequent year.

Which fundamental principle of code of ethics for professional accounts would assist Mike to take an appropriate course of action?

- A Integrity only
- B Confidentiality and objectivity
- C Integrity, objectivity and professional behaviour
- D Both integrity and objectivity

(2 Marks)

QUESTION 30

Considering the case scenario in Question 29 above, **which of the following best describes the appropriate course of action Mike should consider.**

- A Report the issue to his line Manager and request him to convince the CFO to accept the adjustment
- B Disagree and deny the CFO's request and report the noted adjustment
- C Inform and seek advice from the company's top management on the CFO's request
- D Be silent on the issue and consider the client's request by removing the adjustment to avoid lack of audit assignments in subsequent years.

(2 Marks)

QUESTION 31

CPA Mutoni is a partner in KYC Partners Ltd and she owns 15% of the shares in KIVU diary which they are auditing this year.

Which of the following is the most appropriate potential safeguard for KYC Partners?

- A Resign from all relationships with the client
- B Appoint another partner to review the audit
- C Promise the client that the partner will sell the shares
- D Exclude CPA Mutoni from the audit engagement

(2 Marks)

QUESTION 32

Accountants are obliged to keep all the information they access through their work as confidential unless when disclosure is permitted by law, by the client or else in public interest.

Which of the following is a means through which employers may ensure their staff respect the confidentiality principle?

- A Issuing confidentiality contracts and guidelines
- B Giving them warning letters
- C Sharing a company's code of conduct by email to all staff
- D Reminding staff about the duty of confidentiality every week

(2 Marks)

QUESTION 33

Which of the following are examples where confidential information needs to be protected?

- (i) Information protected by data protection and personal privacy law.
- (ii) Information shared with the explicit instruction that it be kept private and confidential.
- (iii) Information that is restricted or classified within an organisation's information system
- (iv) Information shared within a professional/client relationship which is regarded as a relationship of 'trust and confidence' under the law.

- A (i) and (ii)
- B (ii), (iii), and (iv)
- C (i), (ii), (iii), and (iv)
- D (ii) and (iii)

(2 Marks)

QUESTION 34

In which of the following circumstances can confidential information about a client be disclosed?

- (i) Disclosure of the information is required by law.
- (ii) Disclosure of the information is permitted by law and authorised by the client.

- A Neither of them
- B (i) and (ii)
- C (ii) only
- D (i) only

(2 Marks)

The following information relates to Question 35 and 36.

Moses is a junior accountant with Akabanga Company Limited. Because of the number of years, he has spent with the company, the Finance Manager has entrusted him to render support during the current audit, to which Moses has agreed. While checking the progress of work, the Finance Manager was surprised that tasks had not been completed as assigned. When asked why he has not finished work, he did not have enough time to complete the tasks and on some of the tasks he had insufficient information.

QUESTION 35

Based on the scenario above, what fundamental principle is at threat?

- A Integrity
- B Professional competence and due care
- C Professional behaviour
- D Objectivity

(2 Marks)

QUESTION 36

Based on the scenario above, what safeguards should the Finance Manager put in place to eliminate the threats or reduce them to an acceptable level?

- (i) Facilitate Moses to obtain additional advice or training
- (ii) Get help from someone else with the relevant knowledge
- (iii) Ensure there is enough time for the work to be completed

- A (i) and (ii)
- B (i), (ii), and (iii)
- C (i) only
- D (ii) and (iii)

(2 Marks)

QUESTION 37

Accountants who work in the public sector must remain politically neutral, so that they can work effectively within their roles.

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

- A An accountant's professional duty is to provide fair and honest advice, regardless of their political views.
- B Accountants in the public sector should keep their personal political views separate from their jobs
- C Public sectors accountants should not express their personal political views
- D It is in the public interest for accountants, and other civil servants, to be politically neutral

(2 Marks)

QUESTION 38

Businesses have to prepare financial statements at the end of each accounting year, based on an organisation's business financial records.

Which of the following factors may determine the period to which an organisation may be required to retain its records?

- (i) The organisation's own need to access the documents
- (ii) Historical value of the documents
- (iii) Legal or regulatory requirements
- (iv) Costs of keeping the records

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

(2 Marks)

QUESTION 39

Accountants should maintain financial records for all the transactions which are complete, accurate and with valid information.

Which of the following is an exception of the elements to maintaining proper financial records?

- A Setting up appropriate records in the first place
- B Maintaining the records throughout the year
- C Getting the financial statements audited each year
- D Retaining the records for as long as necessary

(2 Marks)

QUESTION 40

Gaga is an accountant at Rwanda Revenue Authority and he is a member of ICPAR. He happens to belong to one of the political parties in Rwanda. When he is at work, he advocates for the benefits of joining his party and induces his colleagues at work to join his political party.

Which principal code of ethics has Gaga violated?

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

(2 Marks)

QUESTION 41

Patrick is a junior account working with AB Partners Ltd. During his induction he was advised that when dealing with clients and he comes across high level of non-compliance with laws and regulations, he should first determine as to whether further actions are needed considering several factors.

Which among the following is the exception?

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

(2 Marks)

QUESTION 42

Kabanda is an accountant working for a small manufacturing company within Kigali. Recently, while facilitating the filing of the annual tax returns for his company, he encountered what he suspected to be an unethical dilemma. From what he was trained, in a such a situation he should investigate the matter to obtain an understanding of what exactly happened.

Assuming Kabanda cannot resolve the matter himself, which of the following would be the most appropriate stakeholder to consult?

- (i) His supervisor
 - (ii) ICPAR
 - (iii) An Advocate
 - (iv) Family members
-
- A (ii), (iii) and (iv)
 - B (i), (ii) and (iii)
 - C (i), (iv) and (iii)
 - D All of the above

(2 Marks)

This following scenario relates to Questions 43 - 45.

Gashumba is an accountant in business working with the Peoples Bank (PB) Plc located in Muhanga district. He works with a team of several other accountants in the Finance Department including the Finance Manager, who is Gashumba's immediate supervisor. The department is headed by the Chief Financial Officer (CFO), who is also a CPA member. Recently, during the course of his work Gashumba encountered an unethical dilemma with a client's file and he is not sure how to handle it, since he believes, he cannot resolve it alone.

QUESTION 43

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

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

(2 Marks)

QUESTION 44

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

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

(2 Marks)

QUESTION 45

Which of the following should Gashumba consider as a course of action in a such a situation?

- (i) If he cannot resolve the issue, he should consider discussing it with the Finance Manager first, assuming the Finance Manager is not involved, before engaging other third parties.
 - (ii) If a suitable resolution cannot be found, he should consider resigning.
- A Neither of them
 - B Both of them
 - C (i) only
 - D (ii) only

(2 Marks)

QUESTION 46

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

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

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

(2 Marks)

QUESTION 47

Mugabe is an accountant working with General Suppliers Ltd., company dealing in whole selling and retailing of general merchandise. Recently the Chief Executive Officer (CEO) requested him to offer a potential client a sum of money to induce them, by awarding the next tender to General Supplier Ltd as their new supplier.

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

- A Consult his manager for authorisation before proceeding with the request
- B Proceed with the CEO's request
- C Politely tell the CEO that such an offer breaches his ethical codex
- D Listen to the CEO then ignore his request

(2 Marks)

QUESTION 48

The IESBA Code of Ethics outlines five factors that members should consider while attempting to resolve ethical conflicts.

Which of the following is not among the five factors that members are advised to consider?

- A All potential facts and rumours
- B Alternative courses of action, and their consequences
- C Established internal procedures
- D Conflicts of Opinion

(2 Marks)

QUESTION 49

While dealing with clients and become aware of a high-level non-compliance with laws and regulations, a professional accountant undertakes further actions.

Which of the following should be part of such further actions?

- (i) Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
- (ii) Withdrawing from the engagement and the professional relationship were permitted by law or regulation.
- (iii) Consulting ICPAR to advise what course of action to undertake.

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

(2 Marks)

QUESTION 50

Kagabo is a senior auditor at MT Partners and he was involved in the audit of BAKO hospital. During the audit exercise, Kagabo realised that BAKO hospital was non-compliant with the labour laws and regulations of Rwanda.

Which of the following is the most appropriate course of action Kagabo should take?

- A Report the issue to those charged with governance through management letter and advise management
- B Report the issue to labour inspector for information and follow up
- C Report the issue to Rwanda Investigation Bureau (RIB)
- D Be silent and keep it confidential since there is no legal obligation to disclose such information.

(2 Marks)

End of Question Paper