



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

DATE: MONDAY 27, MAY 2024

MARKING GUIDE AND MODEL ANSWERS

Marking guide

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

Award 2 Marks for each correct answer

2

Total Marks

100

1. The correct answer is A

The correct answer is A. The duty of confidentiality does not end at the termination of an employment relationship. Confidential information can only be disclosed when disclosure is required by law (Option B), when disclosure is permitted by law and authorised by a client (Option C), or if she has a professional duty or right to disclose (Option D).

2. The correct answer is D

Professional accountants such as Uwimana are obliged to remain technically up to date to ensure their professional competence. The principle of integrity (Option A) requires that a member shall be 'straightforward' and honest in all professional and business relationships, Objectivity (Option B) means that an accountant 'shall not allow bias, conflict of interest or undue influence of others to override professional or business judgements, while Confidentiality (Option C) 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.

3. The correct answer is C

The seven principles of public life are: Selflessness, Openness, Accountability, Leadership, Honesty, Integrity, and Objectivity.

4. The correct answer is D

The correct answer is D. Integrity (Option B) is concerned with being honest and straight forward, Leadership (Option C) means that holders of public office should challenge poor behaviour when it occurs and should promote and support the principles by setting a good example, while Openness (Option D) means that decisions should be taken 'in an open and transparent manner unless there are clear reasons for not doing so.

5. The Correct answer is C

The correct answer is C since any member in public practice is expected to be independent both in mind and appearance.

6. The correct answer is A

Theft can be defined as 'dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it'. One of the reasons why an accountant in practice must keep clients' monies separate from their own is that the accountant must be careful not to do anything that might be interpreted as theft. Transferring a client's money into the accountant's own account would be an example of theft. Bribery (Option B) occurs when a person offers, or promises, a financial or other advantage to another individual in exchange for improperly performing a function or activity, Money laundering (Option C) refers to the attempt to conceal the identity of money created as a consequence of illegal activities.

7. The correct answer is B

Separation - Clients' money must be kept separate from the money belonging to the accountant personally or to the practice; Use - Clients' money must only be used for the purpose intended; and Accountability - Accountants must be ready at all times to account for the money.

8. The correct answer is A

Independence in appearance is being seen to be independent or objective: it is an additional requirement to being independent (i.e., acting with integrity, objectivity and professional scepticism). Option D describes independence of mind, rather than independence in appearance. In relation to the fundamental principles, independence has nothing to do with freedom from supervision, or autonomy.

9. The correct answer is B

A code of conduct can only be judged to be effective if employees follow the guidance within it.

10. The correct answer is D

The law relating to whistleblowing requires that a civil servant, or an employee of a public or private entity, must disclose any information they possess about offences or illegal or unethical behaviours in the workplace, so statement (ii) is correct. Nonetheless, whistleblowing should be made to an appropriate authority which is the Finance Intelligence Centre (FIC) if the employee had concerns about money laundering, but it should not always be FIC, which renders statement (i) false.

11. The correct answer is B

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

12. The correct answer is A

When considering the appropriate action to take, think of the consequences and your obligations. In this case, Mahoro has already stated her concerns to one director, who has chosen not to take the advice. The Board of Directors will have joint responsibility for the financial statements, so it would be recommended that Mahoro ensures that all parties who are responsible for the financial statements should be made aware of her concerns. If Mahoro believes that Paul's actions are illegal or unethical then she is both entitled and required not to file the financial statements, even though she has been asked to do so.

13. The correct answer is A

In relation to the principles of public life, integrity means that individuals should not place themselves under any financial or other obligation to third parties that might seek to influence them in performance of their duties. Openness (Option B) means that decisions should be taken in an open and transparent manner unless there are clear reasons for not doing so, Leadership (Option C) means that holders of public office should challenge poor behaviour when it occurs and should promote and support the principles by setting a good example, while Objectivity (Option D) emphasises that individuals should not place themselves under any financial or other obligation to third parties that might seek to influence them in performance of their duties

14. The correct answer is C

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

15. The correct answer is A. The duty of confidentiality does not end at the termination of an employment relationship. Confidential information can only be disclosed when disclosure is required by law (Option B), when disclosure is permitted by law and authorised by a client (Option C), or if she has a professional duty or right to disclose (Option D).

16. The correct answer is B

The quality of scepticism requires that an accountant should question the information given to them in order to form their own opinion regarding its quality and reliability. Reliability (Option A) means that when taking on work, one must ensure that it gets done and meets professional Standards, Accountability (Option C) means that one should recognise that he or she are accountable for their own judgements and decisions, while Responsibility (Option D) means that in the workplace, an accountant should take 'ownership' of their work.

17. The correct answer is C

Wrongs relating to conflicts between individuals within the community is a description of civil law. Tort law relates to the law of wrongful injuries that leads to civil legal liability (Option A), Criminal law describes offences relating to persons or property that affect the whole community (Option B), Contract law describes how businesses exchange goods and services (Option D).

18. The correct answer is D

Money laundering is an example of criminal law. A, B and C are not correct because breach of contract whether with a supplier or employee and negligence at workplace are all regulated by civil law.

19. The correct answer is C

Developing the international financial accounting standards is the responsibility of the International Accounting Standards Board (IASB).

Responsibilities of ICPAR include promoting the competence and capacities of its members, preserving the integrity of the accounting profession and issuing regulations to promote the functioning of the Institute mentioned in option A, B and D

20. The correct answer is B

The overall purpose of ICPAR is to regulate the accounting profession in Rwanda. Promoting and preserving the professional independence of its members while exercising their profession, taking disciplinary measures against members unable to perform their duties and guilty of misconduct and providing its members with professional education in accounting and other related disciplines are ICPAR's responsibilities towards achieving its general purpose. Therefore, A, C and D are not correct.

21. The correct answer is D

Fairness, responsibility, and trust are all part of key business values associated with ethical behavior.

22. The correct answer is B

The importance of business values in an organization's **culture** is that they underpin both policy and behavior throughout the company, from top to bottom.

23. The correct answer is D

Using buyer power to prevent suppliers from dealing with competitors, spreading false negative information about competitors and stealing competitors' designs are part of unethical competition.

24. The correct answer is A

Behaving in an ethical manner involves acting appropriately and therefore with integrity, honesty, fairness, and sensitivity. These qualities can be used to decide what constitutes appropriate behavior in any given situation.

B and C are not correct because responsibility is not part of the four ethical qualities stated above. Responsibility is one of personal qualities expected from an accountant requiring an accountant to take 'ownership' of his/or her work.

25. The correct answer is A

The Independence of mind is the state of mind that permits an individual to act with integrity, objectivity and professional skepticism, in order to reach a conclusion without being affected by influences that compromise their professional judgement.

B is not correct because it refers to independence in appearance or being seen independent or objective.

C is not correct because independence as one of the fundamental ethics principles has nothing to do with autonomy.

26. The correct answer is B

One way to be used to reduce the threat of bribery is having a clear policy on gifts and hospitality which is communicated to employees so that they know what is, or is not, acceptable.

Therefore, A and C are not correct. It is important to develop and maintain mutual business relationships and inform a professional body for any professional misconduct but these are only distractors because they are not safeguards to the threat of bribery.

27. The correct answer is D

Before disclosing the information, the following has to be considered

- ✓ The appropriate recipient of the information
- ✓ The protection of the on-going confidentiality of the information
- ✓ If you may incur legal liability by disclosing the information

28. The correct answer is D

Setting up appropriate records, maintaining the records throughout the year and retaining the records for as long as necessary are the key elements to maintaining proper financial records

29. The correct answer is B

The minutes of all shareholder meetings, and resolutions should be kept for 10 years.

30. The correct answer is D

Key questions to consider when assessing whether actions or behaviors are appropriate or inappropriate are:

- ✓ Is the action legal, and in line with company policy and professional guidelines?
- ✓ Is the action balanced and fair to all involved?
- ✓ What stakeholders are affected by the actions, and how do the actions affect them?
- ✓ What are the alternative actions that could be taken, and what are the consequences of them?

31. The correct answer is A

As per the law relating to whistleblowing, before whistleblowing externally, the issue of concern should be discussed internally with management. External whistleblowing should be a last resort option.

Whistleblowing should also be made to an **appropriate authority**:

- ✓ if the employee had concerns about money laundering, this would be the Financial Investigation Unit (FIU)
- ✓ if an accountant has concerns about tax fraud, this should be reported to the RRA.

32. The correct answer is D

Failure to exercise reasonable skill and care, change of agreed shirt specifications and late delivery of laptops all relate to the breach of contract and are considered as civil law offences

33. The correct answer is C

A company should keep its articles of association permanently. Therefore, A, B and D are not correct.

34. The correct answer is C

Customer **due diligence** must be carried out on all new clients before providing any services to them.

35. The correct answer is D

Confidentiality is the fundamental ethical principle being threatened. However, there is a self-interest threat here in that, the offer to pay Musirikare could inappropriately influence his judgement or behaviour.

36. The correct answer is B

The correct option is B, theft can be defined as ‘dishonestly appropriating property belong to another with the intention of permanently depriving the other of it’. One of the reasons why an accountant in practice must keep client’s monies separate from their own is that the accountant must be careful not to do anything that might be interpreted as theft.

The option A is not the right option as money laundering is about the concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses.

The option C is not the right option as bribery is all about offering a bribe and option D which is none of the above is not the right option as the right answer is available.

37. The correct answer is A

The correct option is A, the principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, the correct statement is that Janet has misled a potential employer and has therefore breached the ethical principles of integrity

The rest of option are not correct as Janet had not breached principle of confidentiality, self-interest and has not compromised his professional ethics, everyone exaggerates to get a job.

38. The correct answer is D,

The correct option is D; it has all combination of all correct answers. Services that an accountant cannot legally offer unless they are authorized to do so by the relevant regulatory body also known as reserved areas include:

- Insolvency practice (company liquidation and administration)
- External audit or where the services of a registered auditor are required
- Investment business and the provision of corporate financial advice

39. The correct answer is B

The correct option is B, to avoid the need for internal disciplinary procedures is not among the reason why it is important to adhere to an organisation code of conduct.

A code of conduct may reduce the need to discipline the staff for poor behaviour, it will not eradicate or avoid the need to have the discipline procedures in the event that staff breach the code of conduct or are guilty of some other form of misconduct.

The option A, C and D are not the right option as not among the reason why it is important to adhere to an organisation code of conduct.

40. The correct answer is B

The correct option is B, because escalating the issue to the board audit committee would help to sort the issue in due course. The option A, C and D are not the right option because reporting the issue to the Chief Executive Officer and external auditor are not the right way as CEO is a part of management and external auditor is an external party which does not need have this information currently and also reporting to ICPAR disciplinary committee is not the right option as this external party and the report is still confidential.

41. The correct answer is A

The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, the correct statement is that Placide should refuse to comply to the request of Isaie as it is a breach fundamental ethical principle of integrity, and no employer can force the employee to breach their code of professional ethics.

The option B is not correct which states that Placide should refuse to comply as it is a breach of principle of objectivity, the objectivity principle states that decision should be taken impartially, fairly on merit, without discrimination or bias.

The option C is not correct also as it would mean breach of objectivity, but Placide has to comply and respond to the request of Isaie as he has an obligation to perform all duties as required by their employer, here he needs to act professional and understand that it is not all duties required by employer that will be done even if knowingly that it is not professional ethical.

The option D is not correct as it would be breach of integrity, but Placide has to comply and respond to the request of Isaie as he has an obligation to perform all duties as required by his employer.

Generally, when a professional accountant is required to perform action for whom he/she believes to be illegal or unethical, then he/she is entitled and required to refuse.

42. The correct answer is A

The correct option is A, Claudine most at risk of breaching confidentiality principle. Supplying information to the one of bidder will breach confidentiality thus the principle of confidentiality states that members must 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.

The option B and C are not correct as objectivity is all about ensuring that decision should be taken impartially, fairly on merit, without discrimination or bias and familiarity is all about 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 and the option D which is none of the above is not the right option as right answer is available.

43. The correct answer is A

The correct option is A, the principle of professional behaviour is not included under the factors defined by the conceptual framework that professional accountant should consider when faced with ethical dilemma. Conceptual framework is an approach that can assist in solving ethical dilemma in many different situations.

The option B, C and D which are not correct they are among the factors outlined by conceptual framework that professional accountant should consider when faced with ethical dilemma.

These factors are:

- Establish the relevant facts, and the potential ethical issues involved
- Identify where they may be a threat to a fundamental principle
- Evaluate the threat

44. The correct answer is A

The correct option is A, the principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.

Therefore, the correct statement is that Janet has misled a potential employer and has therefore breached the ethical principles of integrity

The rest of option are not correct as Janet had not breached principle of confidentiality, self-interest and has not compromised his professional ethics, everyone exaggerates to get a job.

45. The correct answer is C

The correct option is C which is Professional competence and due care: members must maintain professional knowledge and skills at the level required to ensure that a client or employer receives the competent professional services based on current developments in practise, legislation, and techniques.

The option A is not right as integrity states a member shall be straightforward and honest in all professional and business relationship.

The option B, the principle of professional behaviour states that members must comply with relevant laws and regulations and avoid any action that discredits the profession and option D which is none of the above is not the right option as right answer is available.

46. The correct answer is D

The correct option is D the important reason for an accountant to attend seminar courses for continued professional development is to ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards.

The rest of option are not the important reasons for Odeth to attend public sector accountability training forum courses for continued professional development.

47. The correct answer is C

The correct option is C, the principle of confidentiality states that members must 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. Therefore, the correct statement is that the duty of confidentiality is a legal obligation.

The option A, B and D are not correct as the duty of confidentiality is not an absolute ethical obligation and cannot be overridden in the public interest unless there is professional duty to disclose in public interest for example disclosure to protect the member's professional interest in legal proceedings.

48. The correct answer is B

The correct statement is B, Integrity and Leadership are the pairs of principles of behaviour included in the seven principles of public life.

- ✓ The principle of integrity requires all members to be straight forward and honest in business and professional relationships. This implies fair dealing and truthfulness.
- ✓ Leadership principle means that holders of public offices should challenge poor behaviour when it occurs and should promote and support the principle by setting a good example.

Option A and C are not the correct answers as reliability and confidentiality are not included in the seven principles of public Life and the option D which is none of the above is not correct as right option is available.

49. The correct answer is C

The correct option is C, 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, an accountant should refrain from taking on work where they know they do not have the level or skills to provide the service required. Therefore, James Blair is at risk of breaching professional competence and due care fundamental ethical principles

The option A and B are not correct as they are not at risk in this situation and the option D which is none of the above is not correct as right option is available.

50. The correct answer is C

The correct option is C, honesty is one of the seven principles of public life which states that holders of public office should be truthfully and should declare any private interest which could create conflict of interests in their public duties.

The option A is not right as accountability states that holders of public office are accountable for decisions, actions and to whatever scrutiny is appropriate to their office.

The option B is not the right option as openness is one of the seven principles of public life which states that decision should be taken in an open and transparent manner unless there are clear reasons for not doing so and option D which is none of the above is not the right option as right answer is available.

End of Model Answer and Making Guide
