



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

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

**DATE: MONDAY, 28 NOVEMBER 2022
MARKING GUIDE AND MODEL ANSWERS**

MARKING GUIDE

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

2 Marks for each correct answer

Total marks **100**

Model Answer

1) The correct answer is B

Integrity is the quality of being straightforward and honest in all professional and business relationships.

Other proposed options (A) Professional Behavior, (C) Objectivity and (D) Professional Competence and Due Care are not correct because they do not relate to the explanation given in the question.

2) The correct answer is D

Professional competence and due care is a quality required for a professional accountant to act diligently and in accordance with applicable technical and professional standards when providing professional services.

(A) Professional Behavior, (B) Integrity and (C) Objectivity are not correct because they have different explanation from the one given in the question.

3) The correct answer is A

Professional Behavior is the quality requires a professional accountant to comply with the relevant laws and regulations and should avoid any action that discredits the profession.

The remaining options (B) Integrity (C) Objectivity and (D) Professional Competence and Due Care are not correct because they do not correspond to the explanation provided in the question

4) The correct answer is C

Objectivity is a quality requires a professional accountant not to allow bias, conflict of interest or undue influence of others.

(A) Professional Behavior, (B) Integrity and (D) Professional Competence and Due Care are not correct because they do not qualify for the explanation proposed in the question

5) The correct answer is B

The five fundamental principles the accountant should adhere in real life are *integrity, objectivity, professional competency & due care, confidentiality and professional behavior.*

A is not correct because self-interest, self-review, advocacy, familiarity, and intimidation are threats to fundamental principles

(C) and (D) are not correct because only one proposed answer is correct

6) The correct answer is D

The seven principles of public life, the accountant should adhere are *Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership*. Therefore, competence is **not among the ones mentioned**.

7) The correct answer is B

CPD is not the responsibility of the member's employer or anyone else, but of members themselves. Therefore, the correct answer is B.

8) The correct answer is D

Workplace ethics are nothing but the rules and the procedures that should be followed in an office by the employer and the employees to maintain a professional company culture and build a better relationship with their customers by providing better services.

A, B and C are not correct because they are not appropriate terms to use for the statement provided in the question

9) The correct answer is C

An ethical culture within a company is most effective when adopted by all employees within the organization (including senior managers and employees working in every department of the organization)

10) The correct answer is C

Responsibility to serve the public explains why continuing professional development is necessary in the accounting profession

11) The correct answer is D

The code of conduct is a document that refers to values and principles. Therefore, A, B and C are not correct because Accounting standards, managerial instructions and marketing activities may be part of an organization procedures manual and not code of conduct.

12) The correct answer is A

The code of conduct can be a very helpful tool to the management, by which they Improve work environments.

13) The correct answer is C

The common principles between fundamental principles of ethics and principles of public life are integrity and objectivity. A and B are not correct because honesty and accountability are part of the seven principles of public life.

14) The correct answer is C

Both issuing wrong audit opinion and misstating financial statement intentionally are breach of Professional Ethics.

15) The correct answer is B

Referring to the scenario, self-interest is the threat that could affect KANEZA's ability to comply with fundamental ethical principles since he has a direct financial interest in a client (10% shareholding)

Self-interest is a threat that arises from auditors acting in their own interest. Self-interests include auditors' emotional, financial, or other personal interests. Auditors may favor, consciously or subconsciously, those self-interests over their interest in performing a quality audit.

A, C and D are not correct because Self-review, Familiarity and Intimidation are not relevant to the information given in the scenario

16) The correct answer is B

Self-review is the threat that could affect JED's audit firm's ability to comply with fundamental ethical principles.

Self-review is a threat that arises from auditors reviewing their own work or the work done by others in their firm. It may be more difficult to evaluate without bias one's own work, or that of one's firm, than the work of someone else or of some other firm.

A, C and D are not correct because Self-interest, Familiarity and Intimidation are not relevant to the information given in the scenario

17) The correct answer is D

Since Gerard has been the engagement partner on the audit of Kirundo Supplies Ltd for many years, he could be affected by the familiarity threat.

Familiarity is a threat that arises from auditors being influenced by a close relationship with an auditee. Such a threat is present when auditors are not sufficiently skeptical of an auditee's assertions and, as a result, too readily accept an auditee's viewpoint because of their familiarity or trust in the auditee.

A, B and C are not correct because self-interest, self-review and advocacy are not relevant to the scenario.

18) The correct answer is D

A stakeholder is a party that has an interest in a company and can affect or be affected by the business. The stakeholders in a typical corporation are its investors, employees, customers, suppliers, communities, governments and trade associations.

19) The correct answer is A

Stakeholders are important to a company because a company could not exist or achieve profits without them.

20) The correct answer is C

When making an ethical decision, it can help to consider: (i) the consequences of an action or behaviour, and (iii) your own obligations in the situation at hand. Therefore, the correct answer is C as a combination of the two correct answers.

21) The correct answer is B

Accepting significant gifts or preferential treatment from a client (A) and a former partner of a firm is currently employed in a senior position of the client and able to exert significant influence on the direction of the work (C) are specific threats under familiarity threat to members in practice. Therefore, B is the correct answer because pressure to reduce the quality of your work in order to keep fees down refers to intimidation threat

22) The correct answer is D

The audit is conducted for the purpose of providing assurance to the members by way of the auditor's report. By committing the tort of negligence, an auditor might not be able to provide proper assurance to members of the audited company. Therefore, an auditor is held liable for any negative effect resulting from the decision based on issued audit report.

23) The correct answer is C

Both Transparency and fair treatment to employees of all levels are key factors encouraging good ethics in the workplace.

24) The correct answer is C

The best action is to inform both staff, that the completion of expense forms implies both honesty and integrity on their behalf, and that you can only authorize valid expense claims.

25) The correct answer is A

The main objectives of the accountancy profession do not include taking decision solely in terms of public interest

26) The correct answer is C

Decline the offer of the holiday is the most appropriate action to take, as accepting the offer might affect your independence in any future dealings. The accountant should not accept hospitality and goods above the normal courtesies of social life

27) The correct answer is D

The most important reason for an accountant to attend training courses for continuing professional development is to ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards. Though, it is a requirement for a member of a professional body to undertake a continuing professional development (B) the important reason is to maintain and improve technical skills and abilities.

A and C are not valid points as well.

28) The correct answer is A

The legitimate reason for advertisement by professional firms is offering to work for a guaranteed fixed fee.

B, C and D are not correct because accountants must not bring the profession into disrepute when marketing their services. This includes being **honest** and **truthful** and not making **exaggerated claims** for the services offered, qualifications or experience, and not making **disparaging references or unsubstantiated comparisons** to the work of others.

29) The correct answer is C

Inform the client that this is an area outside of your expertise and that you will need to seek advice from a more experienced colleague before dealing with their request, is the most appropriate action among the four options

30) The correct answer is D

The most appropriate action to take is to inform the credit control manager that you would first need to obtain permission from the client before withdrawing money from their account.

Generally, holding client's money can result in self-interest threats to integrity, objectivity and professional behavior. In case it happens the following should serve as safeguards:

Separation where Clients' money must be kept separate from the money belonging to the accountant personally or to the practice.

Use where Clients' money must only be used for the purpose intended.

Accountability where Accountants must be ready at all times to account for the money, i.e. adequate record keeping and availability to return to the client when requested.

A is not correct because money can be withdrawn from a client's account upon the client's authorization and for the intended use. B and C are not correct since they do not comply with the principles of handling client's monies.

31) The correct answer is C

A company's management is responsible for the preparation of the company's financial statements.

A and B are not correct. Though company's accountant and director of finance are involved in the preparation of the financial statements but they are not responsible.

D is not correct because the auditor has a responsibility to plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

32) The correct answer is A

Avoiding circumstances which would lead a reasonable and informed third party to conclude that a firm's (or a member of the audit team's) integrity, objectivity or professional skepticism has been compromised, reflects the real meaning of independence in appearance.

B is not correct because 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 judgment, reflects the real meaning of independence of mind.

C and D are not correct because only one proposed answer A is correct.

33) The correct answer is C

The primary objective of a business's managers is to make profit.

Though communicating with stakeholders, procuring resources and acting as a mediator between the organization and its surrounding environment are important, managers typically have an objective to maximize the profit they earn, and the value the company generates for its owners (shareholders). Therefore, A, B and D are not the best answers.

34) The correct answer is A

Appropriate disciplinary processes, monitoring employee performance and Recruitment procedures by employ high caliber staff are safeguards which can be used to protect members in

business against threats to the fundamental principles. Therefore, the correct answer is A because rotation of personnel is one of the safeguards in the work environment

35) The correct answer is D

An ethical code of conduct sets out an organisation's values, the behaviours it expects from its staff, and explains how it sees its responsibilities towards stakeholders. In addition to that it outlines behaviour which is required of staff (for example, treating clients with courtesy and respect), a code may also outline behaviour which is forbidden (for example, sexual harassment).

Though having a code of conduct may help an organisation improve its strategic position or reputation, the code of conduct will not include the organisation's vision and strategic objectives. Therefore the correct answer is D.

36) The correct answer is B

As per The *Code of Ethics* (IESBA, 2016), when it is observed that a firm has charged or quoted a very low fee, it may be difficult to perform the engagement in accordance with the relevant technical and professional standards which, and in turn, could present a threat to the fundamental ethical principle of professional competence and due care.

37) The correct answer is B

By question information given to her, so that she can form her own opinion regarding sales data's quality and reliability, Odette is demonstrating the professional quality of skepticism.

Other professional qualities expected of an accountant are independence, accountability, and social responsibility.

Though accountability is one of the option given in the scenario it refers to the fact that accountants should recognize that they are accountable for their own judgements and decisions.

Therefore A, C and D are not correct.

38) The correct answer is C

According to the article 234 of the company's act of 2009, the company needs to keep its accounting records at its head office for 10 years. Only company's articles of association should be kept permanently. Therefore, A, B and D are not correct.

39) The correct answer is D

According to the article 234 of the company's act of 2009, the company need to retain its article of association at its head office permanently and keeps accounting records for 10 years

Therefore, options A,B and C are not correct.

40) The correct answer is D

According to the article 237 of the company's act of 2009, a record of assets and liabilities is one of the record to be included in accounting records contain. Therefore, the company needs to keep a record of its assets and liabilities for 10 years as stated in article 234.

41) The correct answer is D

Factors to consider when deciding on the period an organization should retain records are

- Legal or regulatory requirements,
- costs of keeping the records
- The organisation's own need to access the documents and
- historical value of the documents

Therefore, the correct answer is D which is a combination of the four factors to consider.

42) The correct answer is C

To escalate the issue to the supervisor (audit manager & director).

A is not correct because 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.

B and D are not correct as well because the 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. 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.

43) The correct answer is D

To escalate the issue to the partner with all evidences to handle the case is the best option because professional accountants must not disclose confidential information outside the firm or employing organization (board of directors and audit committee) without proper and specific authority, unless there is a legal or professional right to do so. Therefore, A and B are not correct.

C is not correct as well, because approaching the director of finance and refund the amount taken and then remove the issue in the report is not the appropriate action for an offence of fraud committed. As the auditor has to be honest and straightforward by reporting that case.

44) The correct answer is D

D as a combination of A, B and C is the correct answer because an employed member of a professional body owe a duty of loyalty to the employer, the public in general and the profession.

45) The correct answer is C

The correct answer is C because negligence falls under civil offences, while misappropriation of asset, fraud and money laundering are part of criminal offences. Therefore, A, B and D are not correct.

46) The correct answer is C

Accountants not allowed to accept engagement for the services of which they are not competent to perform because it is first of all a breach of one of the fundamental ethical principles of professional competence and due care and this can finally lead to poor delivery service to the client and professional liability.

47) The correct answer is D

As an ICPAR accountant and you suspected that an employee at your client is involved in child trafficking, this case should be reported to Financial Investigation Unit which is in charge of money laundering.

48) The correct answer is B

The correct answer is B “An accountant working in business in Rwanda must disclose any information they have about unethical behavior in their workplace”, because the law relating to whistleblowing identifies that a civil servant, or an employee of a public or private entity, must disclose any information they have about offences or illegal or unethical behaviors in their workplace but this should be made to an appropriate authority.

The disclosure would be made to the Financial Investigation Unit if the employee had concerns only about money laundering,

49) The correct answer is D

If an accountant discovers unethical act, he/she should report the case to his/her direct/immediate supervisor unless he/she suspect him or her to be involved in the unlawful or unethical act, then the accountant is encouraged to discuss the matter with a higher level of authority in the organization;

50) The correct answer is B

Though, accountants have a duty to respect the confidentiality of information, there are certain circumstances in which accountants are permitted, or required, to disclose confidential information. These are when:

- 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

Therefore, B is the correct answer.

END OF MARKING GUIDE AND MODEL ANSWERS