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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

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

DATE: MONDAY, 28 NOVEMBER 2022

INSTRUCTIONS:

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

SECTION A

QUESTION ONE

As per “IESBA (International Ethics Standards Board for Accountants), 2016”, code of ethics is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics document may outline the mission and values of the business or organization, how professionals are supposed to approach problems, the ethical principles based on the organization's core values, and the standards to which the professional is held.

Which one of the following principles requires professional accountants to be straightforward and honest in all professional and business relationships?

- A Professional Behavior.
- B Integrity.
- C Objectivity.
- D Professional Competence and Due Care.

(2 Marks)

QUESTION TWO

Regarding the scenario in question 1 above, **which principle requires a professional accountant to act diligently and in accordance with applicable technical and professional standards when providing professional services?**

- A Professional Behavior.
- B Integrity.
- C Objectivity.
- D Professional Competence and Due Care.

(2 Marks)

QUESTION THREE

Referring to the scenario under question 1 and the explanation provided by the International Ethics Standards Board for Accountants (IESBA) 2016”, **which principle requires a professional accountant to comply with the relevant laws and regulations and should avoid any action that discredits the profession?**

- A Professional Behavior.
- B Integrity.
- C Objectivity.
- D Professional Competence and Due Care.

(2 Marks)

QUESTION FOUR

Referring to “IESBA (International Ethics Standards Board for Accountants), 2016” which principle requires a professional accountant not to allow bias, conflict of interest or undue influence of others.

- A Professional Behavior.
- B Integrity.
- C Objectivity.
- D Professional Competence and Due Care.

(2 Marks)

QUESTION FIVE

Which of the five fundamental principles that accountant should adhere in real life?

- A Self-interest, self-review, advocacy, familiarity, and intimidation
- B Integrity, objectivity, professional competency & due care, confidentiality and professional behavior.
- C All of the above (a and b)
- D None of the above

(2 Marks)

QUESTION SIX

The accountant’s public interest duty to society also means they should adhere to seven principles of public life. Which of the following is NOT one of the seven principles of public life?

- A Selflessness
- B Honesty
- C Accountability
- D Competency

(2 Marks)

QUESTION SEVEN

A Continuing Processional Development (CPD) helps keep a track of learning progression from year to year. CPD portfolio would be the register of activities, such as training courses, workshops and educational events attended, the number of CPD points the individual has completed for any given year, as well as a copy of the delegate CPD certificates for each activity. Among the following who is responsible for the CPD?

- A It is the responsibility of the employer’s member
- B It is the responsibility of the member of a professional body
- C It is the responsibility of the institute which provides training
- D All of the above

(2 Marks)

QUESTION EIGHT

Which of the following 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 Office place ethics
- B Factory place ethics
- C Behavioral ethics
- D Workplace ethics

(2 Marks)

QUESTION NINE

An ethical culture within a company is most effective when adopted by:

- A Senior managers.
- B A specific Ethics department.
- C All employees within the organisation.
- D Human Resource department.

(2 Marks)

QUESTION 10

Which of the following is the best reason on why continuing professional development is necessary in the accounting profession?

- A Complex body of knowledge
- B Need for public confidence
- C Responsibility to serve the public
- D Standards of admission to the profession

(2 Marks)

QUESTION 11

The code of conduct is a document that refers to:

- A Accounting standards.
- B Managerial instructions.
- C Marketing activities.
- D Values and principles

(2 Marks)

QUESTION 12

The code of conduct can be a very helpful tool to the management, which of the following could be the result of the code of conduct as helpful tool to the management:

- A. Improve work environments.
- B. Raise their payments.
- C. Increase business opportunities.
- D. Market their products.

(2 Marks)

QUESTION 13

Which one of the following are principles of both public life and ethics?

- A. Honesty and accountability
- B. Integrity and accountability
- C. Objectivity and integrity
- D. None of the above

(2 Marks)

QUESTION 14

Which of the following actions can be taken as breach of Professional Ethics?

- A. An Auditor who issued wrong/inappropriate opinion
- B. An accountant issued misstated financial statements intentionally
- C. All of the above
- D. None of the above

(2 Marks)

QUESTION 15

Kaneza is a member in practice. She is currently engaged on assurance assignment with GOP Ltd, a listed company. Three months ago, KANEZA celebrated the successful completion of her ICPAR training. As a gift, his uncle has transferred her 10% shareholding in GOP Ltd to her. Which of the following threats could affect Kaneza's ability to comply with fundamental ethical principles:

- A. Self-review
- B. Self-interest
- C. Familiarity
- D. Intimidation

(2 Marks)

QUESTION 16

The accountant at PMP Group has been taken ill. JED’s audit firm has been asked to prepare the financial statements and audit these financial statements.

Which of the following threats could affect the firm’s ability to comply with fundamental ethical principles:

- A. Self-interest
- B. Self-review
- C. Familiarity
- D. Intimidation

(2 Marks)

QUESTION 17

Gerard has been the engagement partner on the audit of Kirundo Supplies Ltd for many years.

Which of the following threats could affect Gerard’s ability to comply with fundamental principles:

- A. Self-interest
- B. Self-review
- C. Advocacy
- D. Familiarity

(2 Marks)

QUESTION 18

Which of the following parties can be considered as stakeholder in a business organization?

- A. Suppliers
- B. Communities
- C. Shareholders
- D. All the above

(2 Marks)

QUESTION 19

Why are stakeholders important to a company?

- A. Because a company could not exist or achieve profits without them
- B. Because stakeholders are not interested on the company’s profit
- C. Because the company is separate entity with its legal personality
- D. None of the above

(2 Marks)

QUESTION 20

When making an ethical decision, it is important to consider:

- (i) the consequences of an action or behavior
- (ii) alternative courses of action
- (iii) your own obligations in the situation at hand

Which one of the following statements is correct?

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

(2 Marks)

QUESTION 21

Which one of the following is not a familiarity threat to a member in practice?

- A Accepting significant gifts or preferential treatment from a client
- B Pressure to reduce the quality of your work in order to keep fees down
- C 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
- D All of the above

(2 Marks)

QUESTION 22

Which of the following statements best describes the reason why an auditor may be held liable to the members of an audited company if they have committed the tort of negligence?

- A The audit is conducted for the purpose of providing assurance to the members by way of the auditor's report.
- B The auditor is contractually obliged to report to the members on whether the financial statements are true and fair.
- C The auditor is bound by the ICPAR's Code of Ethics such that breaches of this Code give rise to a liability to the members.
- D The auditor may be subject to proceedings at the instigation of the Rwanda Revenue Authority if they fail to discharge their duty of care to the member.

(2 Marks)

QUESTION 23

Which of the following factors encourage good ethics in the workplace?

- A. Transparency
- B. fair treatment to the employees of all levels
- C. both (A) and (B)
- D. None of the Above

(2 Marks)

QUESTION 24

One of your responsibilities is to approve the expense claims for the colleague/staff. One staff appears to have seriously overstated their claim for mileage for travel to one of the firm's clients. The other staff, has submitted a mileage claim for a visit to a client, however, you are certain that another member of staff within the firm gave them a ride. What is the best action to take?

- A. Process the expense forms, and then report both staff to the office manager, informing him that you have verifiable evidence that the expense forms have been incorrectly completed.
- B. Process the expense forms, but informally tell both staff that in future you will be checking their expense forms more thoroughly, and that you will not be as lenient as in this instance.
- C. 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.
- D. Authorize the expense claims, and then send out a memo to all staff reminding them that they have a duty to demonstrate honesty and integrity when completing expense forms.

(2 Marks)

QUESTION 25

Which of the following is NOT one of the main objectives of the accountancy profession?

- A. Taking decisions solely in terms of the public interest
- B. Acknowledgement of duties to society as a whole, in addition to the employer or the client
- C. An outlook which is essentially objective, obtained by being fair minded and free from conflicts of interest
- D. Rendering personal services to the highest standards of conduct and performance

(2 Marks)

QUESTION 26

You receive an email from one of the key clients, who is very grateful, and congratulates you for all your hard work and effort in producing their recent financial statements. The client informs you that they would like to show their gratitude by offering you free air ticket and related cost for 5 days of your holiday on Miami Beach. What is the most appropriate action to take?

- A. Advise the client that you would first have to receive authorization from Accountants regulatory Boardy in your country before accepting their offer of the holiday.

- B. Decline the offer of the holiday, but suggest that you could accept a less expensive gift, such as a Mobile phone.
- C. Decline the offer of the holiday, as this might affect your independence in any future dealings.
- D. Advise the client that you are happy to accept the offer of the holiday, as there is no additional cost to the client as it is free.

(2 Marks)

QUESTION 27

Which of the following is the most important reason for an accountant to attend training courses for continuing professional development?

- A. To demonstrate to the firm's clients that staff are being treated in a professional manner
- B. To comply with the requirements of the professional body with respect to training
- C. To show leadership towards the junior staff and encourage them to attend training sessions
- D. To ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards.

(2 Marks)

QUESTION 28

Which of the following is/are legitimate reasons for advertisement by professional firms?

- A. Offering to work for a guaranteed fixed fee
- B. Offering to do the work faster and cheaper than any other accountant in the area
- C. Claiming to offer the best service of any accountant in the area
- D. Offering guarantee to reduce the tax bill for any new client

(2 Marks)

QUESTION 29

You are an accountant, working for a small firm of accountants, and have been employed there for seven years. You report to the Accounts' Manager. Your daily work routine involves a variety of urgent and important tasks, and today you encounter the following situations.

You receive an email from one of your existing clients asking for technical advice relating to a specific tax issue. This is an area of work where you have no technical experience or knowledge. **Which of following is the most appropriate course of action?**

- A. Advise the client that this is outside the remit of your agreed contract and that they would need to seek suitable advice from another firm of accountants.
- B. Advise the client that this is outside the remit of your work and that your firm would need to consider whether this would result in additional fees being charged.
- 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.
- D. Agree to provide the advice in order to maintain your level of credibility with the client.

(2 Marks)

QUESTION 30

You are holding money on behalf of a client in a separate bank account, which will be used to pay their quarterly tax bill. However, this client has not paid their invoice for the fees incurred for your firm's services, and this payment is now overdue. The firm's credit control manager asks you to withdraw money from the client's account to settle the outstanding fees. **What is the most appropriate course of action that you should take with regard to your supervisor's request?**

- A. Refuse to undertake the request as you should never withdraw money from a client's account
- B. Agree to this request as it is an issue of disciplinary action to ignore any instruction from a manager
- C. Agree to this request, but advise the credit control manager that the firm should not confuse the clients' money with any outstanding fees
- D. Inform the credit control manager that you would first need to obtain permission from the client before withdrawing money from their account

(2 Marks)

QUESTION 31

Who is responsible for the preparation of the company's financial statements?

- A. A company's accountant
- B. A company's Director of Finance
- C. A company's management
- D. A company's Auditor

(2 Marks)

QUESTION 32

The code of ethics (IESBA, 2016) highlights two aspects of independence. One of them is independence of mind. **Which one of the following reflects the real meaning of independence in appearance?**

- A. Avoiding circumstances which would lead a reasonable and informed third party to conclude that a firms (or a member of the audit teams) integrity, objectivity or professional skepticism has been compromised.
- B. 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.
- C. A and B
- D. None of the above

(2 Marks)

QUESTION 33

Which of the following would be most effectively act as the primary objective of a business' managers?

- A. To communicate with stakeholders
- B. To procure resources
- C. To make profit
- D. To mediate between the organization and the environment

(2 Marks)

QUESTION 34

Which one of the following is not part of safeguards that can be used to protect members in business against threats to the fundamental ethical principles?

- A. Rotation of personnel
- B. Appropriate disciplinary processes
- C. Monitoring employee performance
- D. Recruitment procedures

(2 Marks)

QUESTION 35

Which of the following cannot be outlined in an organization's ethical code of conduct?

- A. Behaviours that are required of staff as a condition of ongoing employment
- B. The organisation's responsibilities to stakeholders
- C. Behaviours that are prohibited of staff
- D. The organization's vision and strategic objectives

(2 Marks)

QUESTION 36

When an audit firm charges a very low fee, this might imply that:

- (i) It may be difficult for the firm to perform the engagement in accordance with the relevant technical and professional standards
- (ii) It presents a threat to the fundamental ethical principle of professional competence and due care

Which one is correct among the three statements above?

- A. (i) only
- B. (ii) only
- C. (i) and (ii)
- D. None of the above

(2 Marks)

QUESTION 37

Odette, an accountant in trading business, is helping to produce the annual budget for her organization. She has been given the sales figure by the sales manager but is concerned with the budgeted sales, which is much lower than expected results. She is decided to talk to the sales manager about this, to check whether the figure is correct.

Which of the professional qualities expected to be demonstrated by accountant in this situation?

- A Accountability
- B Skepticism
- C Responsibility
- D Reliability

(2 Marks)

QUESTION 38

According to the article 234 of the company's act of 2009, for how long does a Rwandan company need to keep its accounting record at its head office?

- A 3 years
- B 5 years
- C 10 years
- D Permanently

(2 Marks)

QUESTION 39

According to the article 234 of the company's act of 2009, for how long does a Rwandan company need to retain its article of association at its head office?

- A 5 years
- B 7 years
- C 10 years
- D Permanently

(2 Marks)

QUESTION 40

According to the article 237 of the company's act of 2009, for how long does a Rwandan company need to keep a record of its assets and liabilities?

- A 3 years
- B 5 years
- C 7 years
- D 10 years

(2 Marks)

QUESTION 41

The longer an organisation has to keep books and records, the more expensive it is for them.

The period an organisation retains records may depend on a number of factors. **Which one of the following is part of those factors?**

- A Legal or regulatory requirements and costs of keeping the records
- B The organisation's own need to access the documents and historical value of the documents
- C A only
- D A and B

(2 Marks)

QUESTION 42

You are part of the team engaged to conduct audit in small production company in Rwanda “AGRICO”. During the audit process, you identified a fraud case where the Director of finance used five million to finance his own construction works. During the reporting process, the director of finance approached your team leader and agreed not to report the case identified.

Which one of the following is considered as the best option in line with professional conduct?

- A To let your team leader, handle the case in his/her own ways, once you did what you were supposed to do
- B To report the case to the company’s shareholders
- C To escalate the issue to the supervisor (audit manager & director)
- D To discuss the issue with your colleagues at the office and ask them advice

(2 Marks)

QUESTION 43

Referring to the scenario above (question 42). **Which one of the following actions to be taken in case you escalate the issue to the next level (audit manager & director) and failed to support you (still the issue not reported) while there is sufficient and appropriate audit evidence on the fraud occurred.**

- A To report the issue directly to the Board of Directors
- B To report the issue directly to the audit committee
- C To approach the director of finance and refund the amount taken and then remove the issue in the report
- D To escalate the issue to the partner with all evidences to handle the case.

(2 Marks)

QUESTION 44

If you are an employed member of a professional body, you owe a duty of loyalty to

- A Your employer
- B The public in general
- C Your profession
- D All the above

(2 Marks)

QUESTION 45

Offences under Rwanda law may be divided into criminal and civil offences.

Which of the following offences would be prosecuted as a civil offence?

- A Misappropriation of assets
- B Fraud
- C Negligence
- D Money laundering

(2 Marks)

QUESTION 46

Why are Accountants not allowed to accept engagement for the services of which they are not competent to perform like external audit, insolvency practice and corporate finance services?

- A This can cause delivery of poor service to the client
- B This can lead to professional liability of the practitioner
- C This breaches of one of the fundamental ethical principles of professional competence and due care
- D All of the above

(2 Marks)

QUESTION 47

You are an ICPAR accountant and you suspected that an employee at your client is involved in child trafficking. To whom should you report your suspicion?

- A To Ministry of Economic and Finance (MINECOFIN)
- B To ICPAR
- C To the client (your supplier)
- D Financial Investigation Unit

(2 Marks)

QUESTION 48

Which of the following statements is/are true about whistleblowing?

- (i) Whistleblowing disclosures in Rwanda must be made to the financial investigation unit
- (ii) An accountant working in business in Rwanda must disclose any information they have about unethical behavior in their workplace.

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

(2 Marks)

QUESTION 49

If an accountant discovers unethical act, which of the following is the best appropriate for the accountant to report his/her concern to?

- A. Board of Directors
- B. Audit committee
- C. Local newspapers
- D. Supervisor

(2 Marks)

QUESTION 50

You are an ICPAR member in practice, one of your clients is being investigated by Rwanda Revenue Authority (RRA). RRA asked you, to provide them with certain information, to assist with their inquiry. You refuse to co-operate saying that this would be a breach of duty of confidentiality to your client.

Is it under your obligation to disclosure information about your client?

- A. Yes, disclosure is in the public interest
- B. Yes, law requires the disclosure
- C. No, the client has not authorized disclosure
- D. No, it is not under the obligation of member in practice

(2 Marks)

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