CERTIFIED PUBLIC ACCOUNTANT

OPERATION LEVEL EXAMINATIONS

LG2.1: ETHICS, LAW AND GOVERNANCE

DATE: WEDNESDAY 26, AUGUST 2026

MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

Qn	Ans	Qn	Ans	Qn	Ans	Qn	Ans	Qn	Ans
Q1	C	Q7	A	Q13	B	Q19	B	Q25	A,C,D
Q2	B	Q8	B,D	Q14	B,C,D	Q20	C	Q26	C
Q3	B	Q9	C	Q15	C	Q21	A	Q27	C
Q4	A	Q10	A	Q16	A,B,D	Q22	C	Q28	B
Q5	B	Q11	B	Q17	A,B,D	Q23	A,B,C	Q29	C
Q6	C	Q12	D	Q18	C	Q24	B	Q30	A,C,D

Section A-Marks allocation	**Marks**
2 marks for each collect answer	2
Total marks for this section	**60**

Detailed model Answer

Question #	1	
Question type	MC	
Syllabus ref	A	
Preamble to the question	A bill has been initiated by the responsible ministry, reviewed by the Rwanda Law Reform Commission, approved by Cabinet, and adopted by both Chambers of Parliament. The Ministry of Justice has not yet arranged for its publication.	
Question	Which step constitutes promulgation of this law?	
Options	A	Its approval by Cabinet following review by the Rwanda Law Reform Commission.
	B	Its adoption by both chambers of Parliament.
	C	Its signature by the President of the Republic.
	D	Its publication in the Official Gazette by the Ministry of Justice.
Key (answer)	**C**	
Rationale	A	Cabinet approval precedes adoption by Parliament and is not promulgation.

	B	Adoption by both chambers is the parliamentary stage; the law is then transmitted to the President.
	C	Correct. Promulgation is the signature of the President on a law already adopted by Parliament.
	D	Publication in the Official Gazette follows promulgation and is a separate step.

Question #	2	
Question type	CMC	
Syllabus ref	A	
Preamble to the question	A society cannot exist or survive without law. Hence, the functions of the law in a given society are the following: I. To promote justice and enforce morality. II. To maintain peace and security. III. To only protect the private individual rights and private interests. IV. To promote public interest and protect what is best for the general public.	
Question	Which of the above statements corresponds to the role of a law in a society?	
Options	A	I, II and III only.
	B	I, II and IV only.
	C	I, III and IV only.
	D	II, III and IV only.
Key (answer)	**B**	
Rationale	A	Rejected. The combination includes statement III, which confines the law to the protection of private individual rights and private interests. That is wrong: promoting the public interest is a core function of the law, and it is expressly stated in IV.
	B	Correct. Statements I, II and IV are the three genuine functions of law in society — promoting justice and enforcing morality, maintaining peace and security, and promoting the public interest. The combination correctly excludes III.
	C	Rejected on two grounds. It includes the false statement III, and it omits statement II, although the maintenance of peace and security is one of the

		primary functions of the law.
	D	Rejected on two grounds. It includes the false statement III, and it omits statement I, although the promotion of justice and the enforcement of morality is a function of the law.

Question #	3	
Question type	MC	
Syllabus ref	A	
Preamble to the question	Mr. Mugenzi died in April 2026 leaving a house, a bank balance and an outstanding bank loan. He left no will. His son claims that he is entitled to take the house and the bank balance but is not answerable for the loan.	
Question	Which statement is correct?	
Options	A	The son is correct, because succession transfers only the assets of the deceased.
	B	Succession opened on the day of death and transfers both the rights and the obligations on the patrimony of the deceased.
	C	Succession has not opened, because the deceased left no will; an estate passes only under a testament.
	D	Succession opened when the son entered into possession of the house, and takes effect only from that date.
Key (answer)	**B**	
Rationale	A	Succession transfers both assets and liabilities; an heir does not take the benefit free of the burden.
	B	Correct. Succession opens on the day of death and transfers the rights and obligations on the patrimony of the de cujus, whether intestate or testamentary.
	C	Intestate succession applies precisely where the deceased has left no will.
	D	Succession opens on death, not on the heir's entry into possession.

Question #	4
Question type	CMC
Syllabus ref	A

Preamble to the question	The Constitution is the supreme law of the state. The scope of the Constitution: I. Includes the ethical guidelines for politicians and citizens and sets out the fundamental principles by which the state is governed. II. Includes a description of the main institutions of the state, and defines the relationship between these institutions (for example, between the executive, legislature and the judiciary). III. Includes limits on the exercise of power, and sets out the rights and duties of citizens. IV. Is not concerned with the role and powers of the institutions within the state and with the relationship between the citizen and the state.	
Question	Which of the above statements describe the right scope of the Constitution in a society?	
Options	A	I, II and III only.
	B	I, II and IV only.
	C	I, III and IV only.
	D	II, III and IV only.
Key (answer)	**A**	
Rationale	A	Correct. Statements I, II and III each fall within the scope of a constitution: it sets out the fundamental principles by which the state is governed, describes the main institutions and the relationships between them, and limits the exercise of power while setting out the rights and duties of citizens. The combination properly excludes IV.
	B	Rejected. It includes statement IV, which denies that the constitution is concerned with the role and powers of state institutions. That directly contradicts statement II, which the same combination accepts; both cannot be true.
	C	Rejected on two grounds. It includes the false statement IV, and it omits statement II, although the description of state institutions and their mutual relationships is central to a constitution.
	D	Rejected on two grounds. It includes the false statement IV, and it omits statement I, although the fundamental principles by which the state is governed fall squarely within the constitution.

Question #	5

Question type	MC	
Syllabus ref	B	
Preamble to the question	A district authority requires part of Ms. Kayitesi's land for the construction of a public road. She refuses to surrender it. The authority proposes to take possession immediately and to settle compensation once the road has been completed.	
Question	Which statement is correct?	
Options	A	The authority may proceed as proposed, since the public interest in the road prevails over the private interest.
	B	The authority may take the land for the road, but only subject to prior and fair compensation.
	C	The authority may not take the land at all, because Ms. Kayitesi has refused to surrender it.
	D	The authority may take the land without compensation, since the road serves the general public.
Key (answer)	**B**	
Rationale	A	Public interest justifies expropriation but does not dispense with the requirement of prior compensation.
	B	Correct. Expropriation is available for reasons of public interest, but only subject to prior and fair compensation.
	C	The refusal of the owner does not bar expropriation; the power exists precisely to compel surrender.
	D	Expropriation without compensation is not permitted; private property is constitutionally protected.

Question #	6
Question type	MC
Syllabus ref	B
Preamble to the question	Ubwiza Supplies Ltd wishes to bring a claim over an unpaid supply contract concluded with a district that forms part of the City of Kigali.
Question	Which statement is correct?

Options	A	The claim must be brought against the Province, because the Province supervises decentralised entities.
	B	The district may be sued in its own name, because every district in Rwanda has legal personality.
	C	The districts that comprise the City of Kigali do not have legal personality, so the claim cannot be brought against the district in its own name.
	D	The claim must be brought against the Village, which is the administrative entity closest to the citizens.
Key (answer)	**C**	
Rationale	A	The Province coordinates and supervises decentralised entities and advises local authorities; it does not assume their contractual liabilities.
	B	The proposition is true of most districts but not of all. It is precisely the exception that governs these facts.
	C	Correct. The three districts comprising the City of Kigali are headed by a District Executive Administrator and are not autonomous, so they do not have legal personality.
	D	The village is the smallest administrative entity, responsible for mobilising citizens; it does not contract in its own name in this way.

Question #	7	
Question type	MC	
Syllabus ref	C	
Preamble to the question	Mr. Rwema agrees to sell his motorcycle to Ms. Keza for FRW 1,800,000. They agree on the motorcycle and the price on 2 June. Ms. Keza pays the price on 5 June and collects the motorcycle on 8 June.	
Question	On which date was the contract of sale concluded?	
Options	A	2 June, when the parties agreed on the thing and the price.
	B	5 June, when the price was paid.
	C	8 June, when the motorcycle was delivered.
	D	No sale is concluded until the agreement is recorded in an authentic deed before a notary.

Key (answer)	**A**	
Rationale	A	Correct. A sale of movable property is concluded once the parties agree on the thing and the price; no formality is required.
	B	Payment performs the buyer's obligation; it does not determine when the contract is formed.
	C	Delivery performs the seller's obligation; it does not determine when the contract is formed.
	D	An authentic deed is required for immovable property, not for the sale of a movable.

Question #	8	
Question type	MR	
Syllabus ref	C	
Preamble to the question	Mr. Eugene and Ms. Catherine concluded a contract by which Catherine has an obligation to import cannabis (marijuana) and second-hand clothes from Goma to Rwanda. Eugene agrees that once the goods arrive at Kigali, Catherine will get a payment of FRW 5 million.	
Question	Why is the contract concluded between Mr. Eugene and Ms. Catherine void? (SELECT ALL THAT APPLY)	
Options	A	Lack of consent.
	B	Illicit object of the contract.
	C	Lack of capacity for the contracting parties.
	D	Illicit cause.
Key (answer)	**B, D**	
Rationale	A	Rejected. Both parties agreed freely and no coercion, error or fraud appears on the facts. Consent is present; the defect in this contract lies elsewhere.
	B	Correct. The object of the contract is the importation of cannabis, which is prohibited by law. An object that is contrary to law renders the contract void.
	C	Rejected. Nothing on the facts suggests that either party is a minor or otherwise lacks capacity. Both are treated as having attained majority.
	D	Correct. The cause — the purpose for which the parties contracted — is the derivation of income from a criminal activity. An illicit cause vitiates the contract independently of the illicit object.

Question #	9
Question type	MC

Syllabus ref	C	
Preamble to the question	Mr. Bizimana verbally agrees with a supplier for the delivery of 200 bags of cement at an agreed price by 30 June. The supplier fails to deliver and argues that, because nothing was put in writing, no contract exists.	
Question	Which statement is correct?	
Options	A	No contract exists, because a contract must be in writing in order to be binding.
	B	No contract exists, because only agreements concluded before a notary create obligations.
	C	A contract exists; the agreement creates an obligation for the breach of which the law provides a remedy.
	D	A contract exists, but it creates only a moral obligation for which the law provides no remedy.
Key (answer)	**C**	
Rationale	A	Writing is not a condition of validity; verbal agreements are recognised by law.
	B	A notarised deed is required only where the law so provides, such as for sales of immovable property.
	C	Correct. A contract is a promise or set of promises which the law recognises as an obligation and for whose breach it provides a remedy.
	D	A contract creates legal, not merely moral, obligations, and a remedy is available.

Question #	10	
Question type	MC	
Syllabus ref	C	
Preamble to the question	Three agreements are brought to your attention. In the first, a supplier's claim for payment is now barred by the passage of the statutory limitation period. In the second, an agreement was concluded by a person who is mentally incompetent. In the third, a contract was concluded by a minor, and his guardian wishes to avoid it.	
Question	How are the three agreements correctly classified, in that order?	
Options	A	Unenforceable; void; voidable.

	B	Void; voidable; unenforceable.
	C	Voidable; unenforceable; void.
	D	Void; unenforceable; voidable.
Key (answer)	**A**	
Rationale	A	Correct. Once the limitation period has passed the law provides no remedy for breach, so the contract is unenforceable; an agreement by an incompetent person is not a contract at all and is void; a minor's contract is voidable at the guardian's option.
	B	The order is wrong. A time-barred contract is unenforceable rather than void, and an agreement by an incompetent person is void rather than voidable.
	C	The order is wrong throughout. A time-barred agreement is unenforceable, not voidable, and a minor's contract is voidable, not void.
	D	The first two are reversed: the time-barred claim is the unenforceable contract and the agreement by the incompetent person is the void one.

Question #	11	
Question type	MC	
Syllabus ref	C	
Preamble to the question		
Question	Which of the following is a gratuitous contract?	
Options	A	A loan granted at an agreed rate of interest.
	B	A donation of land made by an uncle to his nephew.
	C	A contract for the sale of coffee at an agreed price.
	D	A lease of business premises at a monthly rent.
Key (answer)	**B**	
Rationale	A	A loan bearing interest is not gratuitous. Not every unilateral contract is gratuitous, and a loan with interest is the standard illustration of that point.
	B	Correct. A gratuitous contract bestows an advantage on one party at no cost or charge; a gift or donation is the example given by the law.

	C	A sale is onerous: each party gives something in consideration of the advantage expected from the other.
	D	A lease at a rent is onerous for the same reason; the tenant pays in consideration of the enjoyment of the premises.

Question #	12	
Question type	MC	
Syllabus ref	C	
Preamble to the question		
Question	What are the conditions determining tort liability?	
Options	A	Fault, damage and causal consent.
	B	Fault, consent and causal link.
	C	Consent, damage and causal link.
	D	Fault, damage and causal link.
Key (answer)	**D**	
Rationale	A	Rejected. “Causal consent” is not a condition of tort liability. What is required is a causal link between the fault and the damage.
	B	Rejected on two grounds. Consent is a condition for the formation of a contract, not for tort liability, and the option omits damage, without which there is nothing to repair.
	C	Rejected. It omits fault. Absent a wrongful act attributable to the defendant, tort liability is not established.
	D	Correct. Tort liability requires three conditions: a fault, damage, and a causal link connecting the fault to the damage.

Question #	13
Question type	MC
Syllabus ref	D
Preamble to	Ms. Umutoni was engaged on 1 March 2026 under an employment contract that included a probation period of three (3) months. On 20 May 2026, following a

the question	written performance evaluation that was notified to her, the employer concluded that she was not competent for the position and wishes to bring the contract to an end.	
Question	Which statement is correct?	
Options	A	The employer must give notice, and Ms. Umutoni is entitled to terminal benefits.
	B	The employer may terminate the contract without notice, and Ms. Umutoni is not entitled to terminal benefits.
	C	The probation period is invalid, because a probation period may not exceed one (1) month.
	D	The employer must first extend the probation period by a further three (3) months before it may terminate the contract.
Key (answer)	**B**	
Rationale	A	Where the probation shows the employee not to be competent, on a written evaluation notified to her, the contract is terminated without notice.
	B	Correct. Termination follows without notice, and termination without notice does not entail terminal benefits.
	C	A probation period may not exceed three (3) months, so a three-month period is valid.
	D	Extension for a further three months is optional and depends on the nature of the work and the employee's performance and conduct; it is not a precondition to termination.

Question #	14	
Question type	MR	
Syllabus ref	D	
Preamble to the question		
Question	Which of the following risks are included in the risks covered by social security in Rwanda? (SELECT ALL THAT APPLY)	
Options	A	Maternity and paternity leave benefits scheme.

	B	Survivorship benefits.
	C	Non-occupational invalidity benefits.
	D	Old age pension.
Key (answer)	**B, C, D**	
Rationale	A	Rejected. Maternity leave benefits are provided for, but the scheme as described here extends to paternity leave benefits, which the social security branches do not cover.
	B	Correct. Where a beneficiary dies, the surviving spouse or children receive survivorship benefits.
	C	Correct. Social security extends beyond occupational risks and covers invalidity arising from non-occupational causes.
	D	Correct. The old age pension, payable on retirement, is one of the branches of the social security scheme.

Question #	15	
Question type	MC	
Syllabus ref	D	
Preamble to the question	River View Hotel Ltd engages Mr. Nsengiyumva orally as a waiter for the four-month high season. No written contract is prepared.	
Question	Which statement is correct under the 2018 Labour Law?	
Options	A	The arrangement is valid, because the parties are free to agree that their relationship be governed orally.
	B	The arrangement is valid, because the engagement is for a fixed term.
	C	The contract should have been in writing, because the duration exceeds ninety (90) consecutive days.
	D	The contract should have been in writing, because the probation period exceeds ninety (90) consecutive days.
Key (answer)	**C**	
Rationale	A	The preference of the parties does not displace the statutory requirement.
	B	A fixed term does not exempt a contract from being in writing where it

		exceeds ninety consecutive days.
	C	Correct. Four months exceeds ninety (90) consecutive days, so a written contract is required.
	D	The rule attaches to the duration of the employment, not to the probation period.

Question #	16	
Question type	MR	
Syllabus ref	E	
Preamble to the question	Kivu Trading Ltd is a private company with 60 shareholders. Its board wishes to raise capital by offering shares to the general public and listing on the Rwanda Stock Exchange.	
Question	Which of the following statements are correct? (SELECT ALL THAT APPLY)	
Options	A	As a private company, it is restricted from inviting the public to subscribe for its shares.
	B	It must convert to a public company, and its name must then end with "Public Limited Company" or "PLC".
	C	It may list on the stock exchange while remaining a private company, provided its shareholders approve.
	D	On conversion, the restriction on the transferability of its shares would fall away.
Key (answer)	**A, B, D**	
Rationale	A	Correct. A private company is restricted from inviting the public to subscribe for shares or debentures.
	B	Correct. A public offer and listing require conversion to a public company, whose name ends with "PLC".
	C	A private company cannot be listed, whatever its shareholders resolve.
	D	Correct. The shares of a public company are fully transferable.

Question #	17
Question type	MR

Syllabus ref	E	
Preamble to the question	Ngoma Hardware Ltd was registered three months ago and has acquired legal personality.	
Question	Which of the following consequences follow? (SELECT ALL THAT APPLY)	
Options	A	The company may hold title to the warehouse it occupies in its own name.
	B	The company may sue and be sued in its own name.
	C	A judgment debt owed by the company is automatically enforceable against the personal assets of its shareholders.
	D	The company's assets and liabilities are distinct from those of its shareholders.
Key (answer)	**A, B, D**	
Rationale	A	Correct. A registered company may acquire and own property in its own name.
	B	Correct. A company with legal personality is a juristic person and may litigate in its own name.
	C	Separate legal personality means the company's debts are its own; shareholders are not automatically liable.
	D	Correct. The company's patrimony is distinct from that of its owners.

Question #	18	
Question type	MC	
Syllabus ref	E	
Preamble to the question		
Question	Which of the following instruments is a cheque?	
Options	A	A written order by Company A requiring Company B to pay FRW 2,000,000 to a named person in ninety days' time.
	B	A written promise signed by Mr. Karake undertaking to pay FRW 500,000 to the bearer on 1 October 2026.
	C	A written order signed by Ms. Ingabire instructing her bank to pay FRW 400,000 on demand to Mr. Habimana.
	D	A written contract between a drawer and a drawee under which the drawer

		undertakes to settle a debt within a stipulated period.
Key (answer)	**C**	
Rationale	A	An order addressed to a person other than a financial institution, payable at a future date, is a bill of exchange.
	B	A written undertaking by the maker to pay is a promissory note.
	C	Correct. A cheque is an unconditional order in writing addressed to a financial institution requiring payment on demand.
	D	A negotiable instrument is not a contract of this kind between drawer and drawee.

Question #	19	
Question type	MC	
Syllabus ref	E	
Preamble to the question	Rwenzori Foods Ltd, incorporated in Rwanda in March 2026, has applied to the Rwanda Development Board to register its investment. Through the business registration portal it has submitted a completed registration application form, its certificate of incorporation, a five-year business plan showing its implementation strategy and projected cash flow, and its projection on employment creation.	
Question	What must Rwenzori Foods Ltd still provide before its application is complete?	
Options	A	Evidence that its investment capital is equivalent to at least USD 10 million.
	B	An environmental impact assessment certificate for the project, together with the operating licence from the regulator of its sector.
	C	Audited financial statements for the three preceding financial years.
	D	A tax clearance certificate issued by the Rwanda Revenue Authority.
Key (answer)	**B**	
Rationale	A	The USD 10 million threshold relates to investment incentives, not to the requirements for registration.
	B	Correct. Registration is subject to presentation of the environmental impact assessment certificate and the licence issued by the sector regulator.
	C	Audited historical financial statements are not among the required documents.
	D	A tax clearance certificate is not among the required documents.

Question #	20	
Question type	MC	
Syllabus ref	E	
Preamble to the question	A cheque is issued on 4 May 2026. The payee presents it for payment on 15 July 2026.	
Question	What is the position of the cheque?	
Options	A	It remains valid, as it is presented within one hundred and twenty (120) days of issuance.
	B	It remains valid, as it is presented within ninety (90) days of issuance.
	C	It has expired, as more than sixty (60) days have elapsed since issuance.
	D	It has expired, as more than thirty (30) days have elapsed since issuance.
Key (answer)	**C**	
Rationale	A	One hundred and twenty days is not the statutory period.
	B	Ninety days is not the statutory period.
	C	Correct. A cheque remains valid for sixty (60) days from the date of issuance; seventy-two days have elapsed.
	D	The conclusion is right but the rule is wrong: the period is sixty days, not thirty.

Question #	21	
Question type	MC	
Syllabus ref	E	
Preamble to the question	Bugarama Cement Ltd has for the past six months been unable to settle supplier invoices as they fall due, although a recent valuation shows that its assets still marginally exceed its liabilities plus its stated capital. A supplier wishes to commence insolvency proceedings against the company.	
Question	Which statement is correct under Rwandan law?	
Options	A	Insolvency proceedings may be commenced, because the company is unable to pay its debts as they fall due.

	B	Insolvency proceedings may not be commenced, because the assets of the company exceed its liabilities plus its stated capital.
	C	Insolvency proceedings may be commenced only if the assets of the company are shown to have been misused by its directors.
	D	Insolvency proceedings may be commenced only where assets have been transferred to a related company without payment of the price.
Key (answer)	**A**	
Rationale	A	Correct. Inability to pay debts as they fall due in the normal course of business is itself a ground for commencement.
	B	The two grounds are alternatives, not cumulative; a favourable balance sheet does not bar commencement where debts cannot be met as they fall due.
	C	Misuse of company assets may found other liability but is not a trigger for insolvency proceedings.
	D	Transfers to a related company are not a statutory trigger for insolvency proceedings.

Question #	22	
Question type	MC	
Syllabus ref	F	
Preamble to the question	A finance officer transfers company funds to a personal account. The conduct is expressly criminalised by law and the transfer is proved. The court finds, however, that the officer acted on a genuine and reasonable belief that the transfer had been authorised by the board.	
Question	Which element of the offence is not established?	
Options	A	The legal element.
	B	The material element (actus reus).
	C	The mental element (mens rea).
	D	The capacity of the accused.
Key (answer)	**C**	
Rationale	A	The legal element is established: the conduct is expressly criminalised.
	B	The material element is established: the transfer is proved.

	C	Correct. A genuine and reasonable belief in authorisation negates the mental element.
	D	Capacity is a condition for the formation of a contract, not an element of a criminal offence.

Question #	23	
Question type	MR	
Syllabus ref	F	
Preamble to the question	The liquidator of an insolvent company reports the following conduct on the part of its former directors.	
Question	Which of them constitute fraudulent behaviour criminalised under company law? (SELECT ALL THAT APPLY)	
Options	A	Transferring company vehicles into a director's own name after the company became insolvent.
	B	Failing to maintain proper books of account for the company's final two trading years.
	C	Refusing to provide the liquidator with information about the company's affairs.
	D	Disclosing accurate information to the Registrar General about the company's shareholdings.
Key (answer)	**A, B, C**	
Rationale	A	Correct. Embezzlement or misuse of the assets of a company under insolvency is criminalised.
	B	Correct. Poor book keeping in relation to an insolvent company is criminalised.
	C	Correct. Refusal to provide information about an insolvent company is criminalised.
	D	Disclosing accurate information to the Registrar General is compliance, not an offence.

Question #	24

Question type	MC	
Syllabus ref	F	
Preamble to the question	At Inyange Manufacturing Ltd the managing director approves related-party contracts without informing the board, the external auditor reports to management rather than to the board, and minority shareholders are told that the allocation of decision-making powers is "an internal management matter".	
Question	Which aspect of corporate governance do these practices principally undermine?	
Options	A	The obligation of the company to maximise short-term returns for its shareholders.
	B	The allocation of decision-making rights and accountability between the board, executive management, shareholders and the external auditor.
	C	The fundamental rights attached to each class of shares issued by the company.
	D	The requirement that a private company with a single director exercises the powers of a board.
Key (answer)	**B**	
Rationale	A	Corporate governance is not directed at the maximisation of short-term returns.
	B	Correct. Corporate governance concerns the distribution of rights and responsibilities among the participants in the corporation.
	C	The rights attached to shares are not the principal issue raised by these facts.
	D	The single-director provision is narrow and does not address the failures described.

Question #	25
Question type	MR
Syllabus ref	F
Preamble to the question	Muhabura Bank PLC is conducting customer due diligence on four prospective account holders.
Question	Which of them must the bank treat as politically exposed persons? (SELECT ALL THAT APPLY)

Options	A	The spouse of a serving Minister of State.
	B	A cashier employed at a district health centre.
	C	A former ambassador of Rwanda to a neighbouring country.
	D	A long-standing business partner of a sitting senator.
Key (answer)	**A, C, D**	
Rationale	A	Correct. Family members of a person entrusted with prominent public functions fall within the definition.
	B	A cashier at a district health centre does not hold prominent public functions.
	C	Correct. The definition covers a person who is or has been entrusted with prominent public functions.
	D	Correct. Close associates, and persons in a business or financial relationship with such a person, are included.

Question #	26	
Question type	MC	
Syllabus ref	G	
Preamble to the question	An audit senior discovers that a schedule she prepared has been amended by a colleague and now overstates inventory. The engagement partner asks her to allow the amended schedule to stand, as the difference is immaterial to the group.	
Question	What does the principle of integrity require of her?	
Options	A	To allow the schedule to stand, because the engagement partner has accepted responsibility for the judgement.
	B	To allow the schedule to stand, because the difference is not material to the group financial statements.
	C	To decline to be associated with the amended schedule, because it contains information she believes to be misleading.
	D	To raise the matter only if she is later asked about the schedule by the client.
Key (answer)	**C**	
Rationale	A	Responsibility accepted by another does not relieve the accountant of her own obligation.
	B	Materiality does not license association with information believed to be

		misleading.
	C	Correct. Integrity requires an accountant not to be knowingly associated with information that is false or misleading.
	D	Integrity requires her to act, not to wait until she is asked.

Question #	27	
Question type	MC	
Syllabus ref	G	
Preamble to the question	A CPA is asked to value a subsidiary that is to be sold to a company in which his brother holds a substantial shareholding. His supervisor instructs him to adopt the higher of two defensible valuations.	
Question	What does the principle of objectivity require of him?	
Options	A	To proceed as instructed, since his supervisor bears responsibility for the valuation adopted.
	B	To proceed, provided that the valuation adopted is one that is defensible.
	C	To disclose the family interest and to allow neither it nor his supervisor's instruction to influence his professional judgement.
	D	To proceed, provided that he keeps a written record of his supervisor's instruction.
Key (answer)	**C**	
Rationale	A	The accountant remains personally responsible; an instruction from a superior is not a defence.
	B	The defensibility of the figure does not cure the conflict of interest.
	C	Correct. Objectivity requires the accountant to avoid bias and conflict of interest and to resist internal and external influence.
	D	A record of the instruction does not remove the threat to objectivity.

Question #	28
Question type	MC

Syllabus ref	G	
Preamble to the question	A CPA declines to comment when asked at a social gathering about a client's likely results. Her assistant, who works under her supervision on the same engagement, later mentions the client's figures to a relative.	
Question	Which statement is correct?	
Options	A	The duty of confidentiality binds the CPA alone; the assistant is under no such duty.
	B	The duty of confidentiality extends to staff working under the CPA's supervision, and the assistant's disclosure breaches it.
	C	No breach arises, because the information was disclosed socially and not for gain.
	D	Information acquired in the course of an engagement may be treated as public unless the client states otherwise.
Key (answer)	**B**	
Rationale	A	The duty is expressly extended to staff working with or under the supervision of the professional accountant.
	B	Correct. The duty extends to supervised staff, and the assistant's disclosure is a breach.
	C	Neither the social setting nor the absence of gain prevents a breach.
	D	Information is treated as confidential unless it has been made public.

Question #	29	
Question type	MC	
Syllabus ref	G	
Preamble to the question		
Question	What are the relevant factors to be taken into account in initiating either a formal or an informal ethical conflict resolution process?	
Options	A	Relevant facts; non-disclosure; self-reporting process; ethical issues involved; and fundamental principles related to the matter in question.
	B	Relevant facts; non-disclosure; non-self-reporting process; ethical issues involved; and fundamental principles related to the matter in question.

	C	Relevant facts; ethical issues involved; fundamental principles related to the matter in question; established internal procedures; and alternative courses of action.
	D	Non-disclosure; non-self-reporting process; ethical issues involved; fundamental principles related to the matter in question; and setting aside the matter.
Key (answer)	**C**	
Rationale	A	Rejected. Non-disclosure is not among the relevant factors: the professional accountant is required to address a conflict, not to withhold it. The option also omits established internal procedures and alternative courses of action.
	B	Rejected. It includes both non-disclosure and a non-self-reporting process, neither of which is a relevant factor, and it likewise omits established internal procedures and alternative courses of action.
	C	Correct. The relevant factors are the relevant facts, the ethical issues involved, the fundamental principles related to the matter in question, established internal procedures, and alternative courses of action.
	D	Rejected. It omits the relevant facts, includes non-disclosure and a non-self-reporting process, and proposes setting the matter aside — the opposite of the course of action required.

Question #	30	
Question type	MR	
Syllabus ref	G	
Preamble to the question	Ms. Uwase, a CPA, is finance manager of a company whose internal procedures manual instructs staff to delay recognising supplier invoices until the following financial year in order to smooth reported results. She is told that following the manual is a compliance matter and that the manual has been approved by the board.	
Question	Which of the following correctly describe her position? (SELECT ALL THAT APPLY)	
Options	A	Internal policies cannot override the law; where they conflict with it they are of no effect.
	B	Board approval entitles her to follow the manual and relieves her of personal responsibility.

	C	Compliance with internal rules is not a substitute for compliance with the law and applicable reporting standards.
	D	Her obligation to act in the public interest requires her to raise the conflict rather than apply the manual.
Key (answer)	**A, C, D**	
Rationale	A	Correct. Internal rules cannot be contrary to a law; where they conflict they are null and of no effect.
	B	Board approval neither validates a policy that conflicts with the law nor relieves the accountant of responsibility.
	C	Correct. Compliance with internal procedure does not substitute for compliance with the law and relevant standards.
	D	Correct. The accountant is a servant of the law and must act in the general interest.

SECTION B

QUESTION 31

Marking Guide

(a) Role of public regulatory institutions and THREE examples	
Explanation of the regulatory role (availability, quality, accessibility, affordability, consumer protection, fair competition): 1 mark per well-explained element (max 2).	2
Naming THREE regulatory institutions: 1 mark in total.	1
Maximum marks (a)	**3**
(b) Legal force of the instruments issued, and TWO administrative sanctions	
Statement that regulators may enact regulations, directives and guidelines, and that these carry the same legal force as laws and orders: 2 marks.	2
Identifying TWO administrative sanctions: 0.5 mark each (max 1).	1
Maximum marks (b)	**3**
(c) The two kinds of courts and the specialised category	
Naming the two kinds of courts: 1 mark.	1
Identifying the courts within the specialised category: 1 mark.	1
Maximum marks (c)	**2**
Total	**8**

MODEL ANSWER

a) Role of public regulatory institutions and THREE examples

Public regulatory institutions are public entities established to regulate particular sectors of national life, such as financial services, utilities, food and medicines.

Their responsibility is to ensure the availability, good quality, accessibility and affordability of the services in the sector, to protect the consumer, and to promote fair competition among service providers.

Examples in Rwanda include (any three):

- the National Bank of Rwanda;
- the Capital Market Authority;
- the Rwanda Utilities Regulatory Authority;
- the Rwanda Food and Drugs Authority.

b) Legal force of the instruments issued, and TWO administrative sanctions

Public regulatory institutions hold legislative powers. They may enact regulations, directives and guidelines which carry the same legal force as laws and orders. The directive issued to Umurava Beverages Ltd is therefore binding on the company, and the view of its directors that only an instrument of Parliament can bind them is wrong.

Such institutions may also impose administrative sanctions, which include (any two):

- pecuniary penalties;

- suspension or withdrawal of the operating licence;
- shutting down the business.

c) The two kinds of courts and the specialised category

The Rwandan legal system recognises two kinds of courts: ordinary courts and specialised courts.

Ordinary courts comprise the Supreme Court, the Court of Appeal, the High Court, the Intermediate Courts and the Primary Courts. Specialised courts comprise the commercial courts, that is the Commercial High Court and the Commercial Court, and the military courts, that is the Military High Court and the Military Tribunal.

A commercial dispute of the kind described falls to the commercial courts.

QUESTION 32

Marking Guide

(a) Meaning of an agency contract; explicit agency distinguished from agency by necessity, applied	
Definition of an agency contract: 1 mark.	1
Explicit agency explained and applied to the power of attorney: 1 mark.	1
Agency by necessity explained and applied to Mr. Sibomana: 1 mark.	1
Maximum marks (a)	**3**
(b) Legal effects of agency and advice on the FRW 8,000,000 purchase	
Statement that acts of the agent bind the principal as if performed personally, Principal liability as per agency agreement unless the principal proves the acts fell outside the limits of the agency	1 0.5
Application: bound up to FRW 5,000,000 as per agreement Application bound up to FRW 8,000,000 if cooperative proof never shown the power of attorney with principal (apparent authority) with recovery from agent or ratification by principal Principal bound by ratification/adoption	0.5 0.5 0.5
Maximum marks (b)	**3**
(c) TWO obligations owed by a principal to an agent	
1 mark for each well-explained obligation (max 2).	2
Maximum marks (c)	**2**
Total	**8**

MODEL ANSWER

a) Meaning of an agency contract; explicit agency distinguished from agency by necessity

An agency is a contract by which one person, the agent, is given power to act in the name and on behalf of another, the principal. The acts of the agent have the same legal value and binding effect as if they had been performed by the principal personally.

Explicit agency is created by a contract between the principal and the agent. It may be oral or in writing, and may be general or specific. The written power of attorney given to Mr. Habyarimana, expressly limited to the purchase of coffee cherries up to FRW 5,000,000, is an explicit and specific agency.

Agency by necessity is a volunteering act performed by one person on behalf of another without the consent or appointment of that other. Mr. Sibomana engaged a builder and paid for the repair of the roof while Ms. Mukandayisenga was abroad and unreachable, in order to prevent the stored coffee from being spoiled. That is an agency by necessity.

b) Legal effects of agency and advice on the FRW 8,000,000 purchase

- Because the agent acts in the name and on behalf of the principal, all contracts concluded by the agent bind the principal, and the principal is answerable for acts performed within the scope of the agency.

  The principal is not bound, however, where he or she proves that the acts performed by the agent fell outside the limits of the agency.

  Here the power of attorney expressly limited the authority to FRW 5,000,000 for the season. The purchase of FRW 8,000,000 exceeds that limit. Ms. Mukandayisenga is bound to the extent of the authority she conferred, and may repudiate the excess on proof that it lay outside the limits of the agency. She should be advised that the limitation is the reason for stating the scope of authority clearly in the first place, and that she remains exposed as regards the co-operative to the extent of the authority actually granted.
- The Principal may become liable for FRW8,000,000 due authority resulting from non-disclosures of the powers of the attorney
- The principal may become bound by the transaction after becoming aware and with ratification.

c) TWO obligations owed by a principal to an agent

Accept any two of the following:

- to determine and clearly describe the scope of the authority conferred, with clear tasks and responsibilities, so as to avoid misinterpretation, abuse and litigation;
- to provide the agent with all necessary support and information useful for the execution of the tasks;
- to remunerate the agent in accordance with the terms of the agency agreement;
- to refund and compensate the agent for expenses and loss incurred while executing his or her obligations.

QUESTION 33

Marking Guide

(a) Essential requirements for incorporation	
1 mark for each requirement correctly stated (max 3).	3
Maximum marks (a)	**3**
(b) Advice on the two proposed directors	
Mr. Nkurunziza: below the minimum age of sixteen (16) years: 1 mark.	1
Ms. Uwimana: sentenced within the preceding five (5) years for an economic crime: 1 mark.	1
Maximum marks (b)	**2**

(c) Memorandum distinguished from articles, and whether the company may proceed without articles	
Purpose and contents of the memorandum of association: 1 mark.	1
Purpose of the articles of association: 1 mark.	1
Advice that articles are optional for a private company: 1 mark.	1
Maximum marks (c)	**3**
Total	**8**

MODEL ANSWER

a) Essential requirements for incorporation

A company must satisfy the following requirements in order to be incorporated:

- it must have a name;
- it must have one or more shareholders;
- where it is limited by shares, it must have one or more shares;
- it must have one or more directors, at least one of whom is ordinarily resident in Rwanda.

b) Advice on the two proposed directors

Mr. Nkurunziza may not be appointed. A natural person must be at least sixteen (16) years of age to be a director. He is fifteen, and his capability is immaterial to the statutory requirement.

Ms. Uwimana may not be appointed. A person who has been sentenced within the preceding five (5) years for an economic crime is disqualified from appointment. Her sentence was two years ago and therefore falls within that period.

The associates should further note that at least one director must be ordinarily resident in Rwanda, and on the facts none of the proposed directors satisfies that requirement.

c) Memorandum distinguished from articles, and whether the company may proceed without articles

- The memorandum of association is an incorporation document which defines relationship between company and outsiders, it must state the name of the company, the address of its registered office in Rwanda, the proposed business activity, whether the company is public or private, whether liability is limited or unlimited, the type of company being incorporated, and such other information as the law or the Registrar General's regulations prescribe.
- The articles of association are the charter or constitution of the company. They govern the internal affairs and running of the company and concern mainly the management of its internal affairs and the conduct of its business. They are subordinate and subsidiary to the memorandum. The memorandum and the articles may be contained in one document.
- Articles of association are optional for a private company and mandatory for a public company. Rusizi Agro-Processing Ltd is a private company limited by shares, and may therefore be incorporated without adopting articles of association.

QUESTION 34

Marking Guide

(a) Appointment of directors and THREE requirements for a natural person	
How directors are appointed: 1.marks.	1
0.5 mark for each requirement correctly stated (max 2).	2
Maximum marks (a)	**3**
(b) Duty of a board member and whether the Board may delegate	
Duty to act in good faith and in the best interests of the company, with reasonable diligence, care and skill: 1 mark.	1
Delegation permitted, but the Board remains responsible: 1 mark.	1
Maximum marks (b)	**2**
(c) Collective agreement and advice on the change of conditions	
Definition of a collective agreement: 1. marks.	1
Advice that conditions contained in a collective agreement cannot be changed unilaterally:1marks. Withdrawal or changes should only be done through collective bargaining with staff and union	1 1
Maximum marks (c)	**3**
Total	**8**

MODEL ANSWER

a) Appointment of directors and THREE requirements for a natural person

Directors are appointed by the shareholders of the company in the ordinary annual general meeting, by ordinary resolution.

A natural person must satisfy the following requirements (any three):

- be at least sixteen (16) years of age;
- not be disqualified by a court from acting as a director;
- not be an undischarged bankrupt;
- not have been sentenced, within the preceding five (5) years, for an offence under the law governing companies, the capital market law, or an economic crime;
- not suffer from a mental disability;
- comply with the requirements of the incorporation documents of the company.

b) Duty of a board member and whether the Board may delegate

A member of the Board of Directors must act in good faith and in what he or she believes to be the best interests of the company, and must exercise reasonable diligence, care and skill in the discharge of the office.

The Board may delegate its powers, whether to a committee of directors or to a managing or executive director. Delegation does not, however, discharge the Board of its responsibility: it remains answerable for the exercise of the powers delegated and must retain proper oversight. A wholesale delegation of all procurement powers, without any retained supervision, would not relieve the directors of their duty.

c) Collective agreement and advice on the change of conditions

A collective agreement is a contract stipulating the individual and collective relations between an employer or an organisation of employers on the one hand, and workers or a trade union on the other. It results from collective bargaining and governs the conditions of employment of the workers concerned.

- Where conditions of employment are contained in a collective agreement, the employer may not alter them unilaterally.
- Any change must be pursued through collective bargaining with the trade union, and the staff representatives must be consulted.

  The Board should therefore be advised that its resolution to change the shift patterns and to withdraw the transport allowance, taken without consulting the staff representatives or the trade union, cannot lawfully vary conditions that are contained in the negotiated agreement.

QUESTION 35

Marking Guide

(a) THREE categories of threat arising on the facts	
Correct identification of THREE threat categories 0.5 mark each: Correct explanation of the THREE threats categories 0.5 mark each	1.5 1.5
	1
Maximum marks (a)	**3**
(b) The test for determining whether safeguards are sufficient	
Reference to a reasonable and informed third party: 1 mark.	1
Weighing all the specific facts and circumstances available at the time: 1 mark.	1
Conclusion that the threats are eliminated or reduced to an acceptable level so that compliance is not compromised: 1 mark.	1
Maximum marks (b)	**3**
(c) TWO courses of action where the threats cannot be reduced	
1 mark for each course of action correctly stated (max 2).	2
Maximum marks (c)	**2**
Total	**8**

MODEL ANSWER

a) THREE categories of threat arising on the facts

Threats to compliance with the fundamental principles fall into one or more of the following categories: self-interest, self-review, advocacy, familiarity and intimidation. Accept any three of the following, each explained by reference to the facts:

- Self-interest threat: the fees received from Kigali Freight Ltd represent a substantial part of the total income of the firm, so the firm has a financial interest in retaining the client which may inappropriately influence the judgement of Ms. Ineza on the provision.

- Familiarity threat: the finance director is a former colleague and a close personal friend of many years, so Ms. Ineza may become too sympathetic to his position and insufficiently sceptical of his explanations.
- Intimidation threat: the finance director has stated that the client will move all of its work to another firm if the provision is adjusted, which is a deterrent from acting objectively.
- Self-review threat: the firm also provides consultancy services to the same client, so the audit may involve reviewing the output of its own work.

b) The test for determining whether safeguards are sufficient

A professional accountant in public practice must consider whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the accountant at that time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of safeguards, such that compliance with the fundamental principles is not compromised.

The test is therefore an objective one. It is not enough that Ms. Ineza herself feels able to act properly; the question is how her position would appear to an informed outsider in possession of the same facts.

c) TWO courses of action where the threats cannot be reduced

Accept any two of the following:

- apply safeguards as such separate teams to eliminate the threat or to reduce it to an acceptable level;
- terminate the relevant engagement;
- decline to continue to act for the client;
- where the matter cannot be resolved, resign from the engagement or from the firm.