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CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATION

LG2.1 ETHICS, LAW AND GOVERNANCE

DATE: WEDNESDAY 26, AUGUST 2026

INSTRUCTIONS:

1. Time allowed: **3 hours and 15 minutes**
2. The examination has **two** sections: **A&B**
3. Section **A** has **30 compulsory** multiple-choice questions equal to **2 marks** each.
4. Section **B** has **5 compulsory** multiple- task questions equal to **8 marks** each.
5. Questions marked **"select all that apply"** have multiple correct answers. Candidates must choose all correct options in order to be awarded 2 Marks.
6. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

A bill has been initiated by the responsible ministry, reviewed by the Rwanda Law Reform Commission, approved by Cabinet, and adopted by both the Chamber of Parliament. The Ministry of Justice has not yet arranged for its publication.

Which step constitutes promulgation of this law?

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.

(2 Marks)

QUESTION TWO

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.

Which of the above statements corresponds to the role of a law in a society?

A I, II and III
B I, II and IV
C I, III and IV
D II, III and IV

(2 Marks)

QUESTION THREE

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.

Which statement is correct?

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.

(2 Marks)

QUESTION FOUR

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.

Which of the above statements describe the right scope of the Constitution in a society?

A I, II and III

B I, II and IV

C I, III and IV

D II, III and IV

(2 Marks)

QUESTION FIVE

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.

Which statement is correct?

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.

(2 Marks)

QUESTION SIX

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.

Which statement is correct?

A The claim must be brought against the province, because the province supervises decentralized 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.

(2 Marks)

QUESTION SEVEN

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.

On which date was the contract of sale concluded?

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.

(2 Marks)

QUESTION EIGHT

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.

Why is the contract concluded between Mr. Eugene and Ms. Catherine void? (select all that apply)

A Lack of consent.
B Illicit object of the contract.
C Lack of capacity for the contracting parties.
D Illicit cause.

(2 Marks)

QUESTION NINE

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.

Which statement is correct?

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.

(2 Marks)

QUESTION 10

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.

How are the three agreements correctly classified, in that order?

A Unenforceable; void; voidable
B Void; voidable; unenforceable
C Voidable; unenforceable; void
D Void; unenforceable; voidable

(2 Marks)

QUESTION 11

Which of the following is a gratuitous contract?

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.

(2 Marks)

QUESTION 12

What are the conditions determining tort liability?

A Fault, damage and causal consent.
B Fault, consent and causal link.
C Consent, damage and causal link.
D Fault, damage and causal link.

(2 Marks)

QUESTION 13

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 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.

Which statement is correct?

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.

(2 Marks)

QUESTION 14

Which of the following risks are included in the risks covered by social security in Rwanda? (select all that apply)

A Maternity and paternity leave benefits scheme.
B Survivorship benefits.
C Non-occupational invalidity benefits.
D Old age pension.

(2 Marks)

QUESTION 15

River View Hotel Ltd engages Mr. Nsengiyumva orally as a waiter for the four-month high season. No written contract is prepared.

Which statement is correct under the 2018 Labour Law?

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.

(2 Marks)

QUESTION 16

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.

Which of the following statements are correct? (select all that apply)

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.

(2 Marks)

QUESTION 17

Ngoma Hardware Ltd was registered three months ago and has acquired legal personality.

Which of the following consequences follow? (select all that apply)

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.

(2 Marks)

QUESTION 18

Which of the following instruments is a cheque?

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.

(2 Marks)

QUESTION 19

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.

What must Rwenzori Foods Ltd still provide before its application is complete?

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.

(2 Marks)

QUESTION 20

A cheque is issued on 4 May 2026. The payee presents it for payment on 15 July 2026.

What is the position of the cheque?

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.

(2 Marks)

QUESTION 21

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.

Which statement is correct under Rwandan law?

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.

(2 Marks)

QUESTION 22

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.

Which element of the offence is not established?

A The legal element.

B The material element (actus reus).

C The mental element (mens rea).

D The capacity of the accused.

(2 Marks)

QUESTION 23

The liquidator of an insolvent company reports the following conduct on the part of its former directors.

Which of them constitute fraudulent behaviour criminalised under company law? (select all that apply)

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.

(2 Marks)

QUESTION 24

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".

Which aspect of corporate governance do these practices principally undermine?

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.

(2 Marks)

QUESTION 25

Muhabura Bank PLC is conducting customer due diligence on four prospective account holders.

Which of them must the bank treat as politically exposed persons? (select all that apply)

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.

(2 Marks)

QUESTION 26

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.

What does the principle of integrity require of her?

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.

(2 Marks)

QUESTION 27

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.

What does the principle of objectivity require of him?

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.

(2 Marks)

QUESTION 28

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.

Which statement is correct?

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.

(2 Marks)

QUESTION 29

What are the relevant factors to be taken into account in initiating either a formal or an informal ethical conflict resolution process?

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.

(2 Marks)

QUESTION 30

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.

Which of the following correctly describe her position? (select all that apply)

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.

(2 Marks)

SECTION B

QUESTION 31

Umurava Beverages Ltd is a company incorporated in Rwanda which produces and distributes bottled water. Its activities fall under the supervision of a public regulatory institution established to oversee the sector.

The regulator has issued a directive imposing new labelling requirements on all bottled water sold in Rwanda. Umurava Beverages Ltd has not complied. Its directors take the view that a document issued by a regulator is merely advisory, and that the company is bound only by what Parliament enacts.

The regulator has now imposed a pecuniary penalty on the company and has warned that continued non-compliance may lead to further measures. The directors wish to contest the matter and have approached you for advice.

Required:

a) Explain the role of public regulatory institutions in Rwanda and name THREE such institutions. (3 Marks)

b) Explain the legal force of regulations, directives and guidelines issued by a regulator, and identify TWO administrative sanctions it may impose. (3 Marks)

c) Name the two kinds of courts recognised in the Rwandan legal system, and state which courts fall within the specialised category. (2 Marks)

(Total: 8 Marks)

QUESTION 32

Ms. Mukandayisenga owns a coffee washing station in the Western Province. Before travelling abroad for three (3) months, she signed a written power of attorney authorising Mr. Habyarimana to buy coffee cherries from farmers on her behalf, expressly limited to FRW 5,000,000 for the season.

During the season, Mr. Habyarimana concluded a purchase of cherries worth FRW 8,000,000 from a farmers' co-operative. The co-operative was never shown the power of attorney and dealt with him on the understanding that he was acting for Ms. Mukandayisenga.

While Ms. Mukandayisenga was abroad and could not be reached, a storm damaged the roof of the washing station. Her neighbour, Mr. Sibomana, engaged a builder and paid FRW 400,000 to repair the roof in order to prevent the stored coffee from being spoiled. He now claims that sum from her. Ms. Mukandayisenga has returned and seeks your advice.

Required:

a) Explain what is meant by an agency contract, and distinguish explicit agency from agency by necessity, applying each to the facts. (3 Marks)

b) Explain the legal effects of agency, and advise Ms. Mukandayisenga whether she is bound by the FRW 8,000,000 purchase. (3 Marks)

c) State TWO obligations owed by a principal to an agent. (2 Marks)

(Total: 8 Marks)

QUESTION 33

Four business associates intend to incorporate Rusizi Agro-Processing Ltd as a private company limited by shares. They have asked you to review their arrangements before they apply to the Registrar General.

They propose to appoint two directors. The first, Mr. Nkurunziza, is fifteen (15) years of age but is described by the associates as unusually capable. The second, Ms. Uwimana, was sentenced two (2) years ago for an economic crime. Neither of the proposed directors, and none of the four associates, is ordinarily resident in Rwanda.

The associates intend to submit only the incorporation documents and the memorandum of association. They have decided not to adopt articles of association, on the basis that these are unnecessary for a small business.

Required:

a) State the essential requirements that a company must fulfil in order to be incorporated. (3 Marks)

b) Advise whether Mr. Nkurunziza and Ms. Uwimana may be appointed as directors, giving reasons in each case. (2 Marks)

c) Distinguish the memorandum of association from the articles of association, and advise whether the company may proceed without articles. (3 Marks)

(Total: 8 Marks)

QUESTION 34

Nyabarongo Textiles Ltd is a public company operating a textile factory in Kigali. It has two directors, both of whom are also members of its senior management team.

At its last meeting, the Board of Directors resolved to change the shift patterns of the factory workers and to withdraw the transport allowance that those workers have received for several years. The staff representatives, and the trade union to which most of the workers belong, were not consulted. They have objected on the ground that the conditions in question are contained in an agreement negotiated between the company and the trade union.

The Board has also resolved to delegate all of its powers relating to procurement to the Managing Director, and proposes to appoint a third director at the next annual general meeting.

Required:

a) Explain how directors are appointed and state THREE requirements that a natural person must satisfy in order to be appointed a director. (3 Marks)

b) Explain the duty owed by a director in the discharge of his or her office, and state whether the Board may delegate its powers as proposed. (2 Marks)

c) Explain what a collective agreement is and advise the Board whether it may change the conditions of the workers in the manner resolved. (3 Marks)

(Total: 8 Marks)

QUESTION 35

Ms. Ineza is a professional accountant in public practice and is the engagement partner responsible for the audit of Kigali Freight Ltd.

The finance director of Kigali Freight Ltd is a former colleague with whom Ms. Ineza has maintained a close personal friendship for many years. In addition to the audit, the firm of Ms. Ineza provides consultancy services to the same client, and the fees received from that client represent a substantial part of the total income of the firm for the year.

During the audit, Ms. Ineza identified a provision which, in her judgement, has been materially understated. When she raised the matter, the finance director told her that if the provision were adjusted, Kigali Freight Ltd would transfer all of its work to another firm.

Required:

a) Identify THREE categories of threat arising on these facts, explaining briefly how each arises. (3 Marks)

b) Explain the test a professional accountant must apply in determining whether safeguards have reduced a threat to an acceptable level. (3 Marks)

c) State TWO courses of action open to Ms. Ineza where the threats cannot be eliminated or reduced to an acceptable level. (2 Marks)

(Total: 8 Marks)

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