CERTIFIED PUBLIC ACCOUNTANT

OPERATION LEVEL EXAMINATIONS

LG2.1: ETHICS, LAW AND GOVERNANCE

DATE: WEDNESDAY 27, MAY 2026

MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

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

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		
Question	What is the link between law and morality?	
Options	A	Both moral and legal rules are enacted by the public administration to its mission and goals in the governance of a society.
	B	Most legal rules are derived from morality. Law-makers seeking to enact new laws to regulate human conduct usually convert into law their deeply held moral convictions.
	C	Law and morality have the same purpose and scope as all intend to impose sanctions such as compensation, reparation, fire and term imprisonment.
	D	The legal and moral rules are binding and tend to impose strict requirements where breach is followed by relevant sanctions.
Key (answer)	B	
Rationale	A	Only legal rules are enacted by the public authority while moral rules emanate from conscience.

	B	Right answer. See the statement above on point B
	C	Law and morality do not have the same scope and particularly morality does not impose legal sanctions mentioned above.
	D	The moral rules are not binding and no immediate or legal sanction is imposed against their breach.

Question #	2	
Question type	MC	
Syllabus ref	A	
Preamble to the question	The constitution is above other laws and determines how those laws are ranked.	
Question	What is the hierarchy of the domestic laws under Rwandan Law?	
Options	A	Constitution; Organic law; Ordinary law; International treaties and agreements ratified by Rwanda; Orders and regulations provided for by the law.
	B	Constitution; International treaties and agreements ratified by Rwanda; Organic law; Ordinary law; Orders and regulations provided for by the law.
	C	Constitution; Organic law; International treaties and agreements ratified by Rwanda; Ordinary law; Orders and regulations provided for by the law.
	D	Constitution; Ordinary law; Organic law; International treaties and agreements ratified by Rwanda; Orders and regulations provided for by the law.
Key (answer)	C	
Rationale	A	Ordinary law comes after international treaties and agreements ratified by Rwanda;
	B	Organic law comes before international treaties and agreements ratified by Rwanda;
	C	The right raking of the Rwandan Laws
	D	Ordinary law comes after international treaties and agreements ratified by Rwanda at the 4th place.

Question #	3	
Question type	MC	
Syllabus ref	A	
Preamble to the question	What is a Decree-Law?	
Question	B	
Options	A	A Decree-law is an ordinary law passed by a Parliament at its first session following the election of its members.
	B	A Decree law is Presidential Order enacted by the President and approved by the cabinet sitting in its first session.
	C	A Decree-law is a law enacted by the President of the Republic having legal binding force as ordinary law when the parliament is in absolute impossibility to hold a session which has to be approved by or adopted by the Parliament at its next session.
	D	A Decree-law is an ordinary law promulgated by the President of the Republic and published in the official gazette.
Key (answer)	C	
Rationale	A	A Decree Law is not passed by the Parliament but by the President of the Republic upon approval by the cabinet.
	B	A Decree law is not a Presidential Order
	C	A Decree-law is a law enacted by the President of the Republic having legal binding force as ordinary law when the parliament is in absolute impossibility to hold a session which has to be approved by or adopted by the Parliament at its next sessionThis is the right answer.
	D	A Decree law has a value as an ordinary law but it is not an ordinary law.

Question #	4
Question type	MR
Syllabus ref	B

Preamble to the question		
Question	What is the scope of the administrative law? (select all that apply)	
Options	A	Administrative law does not include rules of law that determine the powers and prerogatives of the executive as well as its relationship with citizens.
	B	Administrative Law also known as public administration law is a set of legal rules and principles which regulate the organisation, the functioning and the control of the executive administration.
	C	Administrative law applies to public officials and public agencies and also provides for procedures to challenge administrative decisions.
	D	Public administration is the government tool which is used to maintain peace and order in the community, to protect peoples' lives and their properties as well as implement the government policy.
Key (answer)	B, C, D	
Rationale	A	This is statement is wrong because administrative law covers rules of law that determine the powers and prerogatives of the executive as well as its relationship with citizens.
	B	See above
	C	See above
	D	See above

Question #	5	
Question type	MC	
Syllabus ref	B	
Preamble to the question		
Question	What is requisition by public administration?	
Options	A	Requisition refers to the competence of the administration to formally demand property (movable or immovables) or services owned by private individuals

		for official use without compensation which may not necessarily cover the actual prejudice incurred.
	B	Requisition may be resorted to in cases of extreme necessity or emergency to save a public situation from deteriorating and the requisitioned property shall be returned after the situation has normalised with fair compensation.
	C	The property requisitioned by the administration shall remain the property of the administration for good even after the situation has normalised so that the public authority can continue to use it.
	D	The property requisitioned by the administration cannot be used if the government has not paid prior and fair compensation the aggrieved person even if the emergency or extreme is not justified.
Key (answer)	B	
Rationale	A	The owner of the property requisitioned is entitled to get fair compensation.
	B	This is the right answer (see the statement above)
	C	The requisitioned property has to be returned to the owner if the situation is back to normal.
	D	Due to emergency and extreme necessity, the payment of prior compensation is not possible.

Question #	6	
Question type	MR	
Syllabus ref	C	
Preamble to the question		
Question	What does “offer” mean under Rwanda contract Law? (Select all that apply)	
Options	A	An offer is a manifestation of a willingness to enter into a contract made in a manner so as to justify another person in understanding that his or her assent is invited and will conclude the contract.
	B	It is an indication of a willingness to agree to the terms of the offer which generally operates as a rejection of the initial offer and suggests a new offer.
	C	The offer terms should not provide a sufficient basis for determining the existence of a breach and for providing an appropriate remedy.

	D	An offer may propose the formation of a single contract by a single acceptance or formation of a number of contracts by separate acceptance.
Key (answer)	A, D	
Rationale	A	This is the right answer. An offer is a manifestation of a willingness to enter into a contract.
	B	That is a definition of counter-offer not an offer
	C	An offer may propose the formation of a single contract by a single acceptance or formation of a number of contracts by separate acceptance
	D	This also a correct statement – See above.

Question #	7	
Question type	MC	
Syllabus ref	C	
Preamble to the question	A sale is one of the contracts governed by the laws in Rwanda.	
Question	What is the difference between the contract of sale and other agreements?	
Options	A	A sale is the only contract which aims to ensure the transfer of ownership.
	B	A sale is an agreement by which one person binds himself to deliver a thing without necessarily payment of the price.
	C	A sale requires that one of the parties pays a symbolic price which is always far below from the actual value of the asset
	D	The validity of sale agreement requires its conclusion before the notary of where the property is becomes effective after transfer of ownership.
Key (answer)	A	
Rationale	A	This is the correct answer: The transfer of ownership is the only purpose of the sale agreement.
	B	See above
	C	See above
	D	See above

Question #	8	
Question type	MC	
Syllabus ref	C	
Preamble to the question	Explicit agency means: I. It is a volunteering act performed by one person on behalf of another but without consent or appointment by the other party. II. It is an agency created by the manifest conduct or behaviour showing that indirectly the person is acting as agent of another person without express existence of agency contract. III. It is an agency created by contract between the Principal and the agent which can be oral or in written form. IV. It is a contract by which an agent is acting in the name and on behalf of the principal and his acts will have the legal value and binding effect as if they were performed by the principal him/herself through a well detailed and written contract.	
Question	Which of the statements above describe the definition of explicit agency?	
Options	A	I and II only.
	B	II, and III only.
	C	II and IV only.
	D	III and IV only.
Key (answer)	D	
Rationale	A	The combination includes the statement I which is a definition of agency by necessity not explicit agency.
	B	It contains the statement III which is a definition of implicit agency.
	C	It contains the statement II which is a definition of implicit agency.
	D	Explicit agency also known as express agency is one created by contract between the Principal and the agent whether oral or in written form.

Question #	9
Question type	MR
Syllabus ref	D

Preamble to the question		
Question	Can a fixed term employment contract be terminated by either party before the expiry date in Rwanda? (select all that apply).	
Options	A	No, A fixed term employment contract cannot be terminated in any circumstances before the expiry of the contract period.
	B	Yes, by mutual consent of the parties or justifiable reasons by giving a written notice to other party.
	C	Yes, in the event that the probation period proves that an employee is not competent based on written performance evaluation and notified to the employee, the employer terminates the employment contract without notice or in case of gross misconduct committed by the employee.
	D	Yes, if employment contract comes to an end at the expiry of the duration set in the agreement.
Key (answer)	B, C,	
Rationale	A	The statement A is wrong because it ignores other circumstances that can lead to the termination such as gross misconduct or mutual consent or justifiable reason.
	B	This is correct- a contract can be terminated before it expires by mutual consent of the parties or for justifiable reason
	C	This is correct- a contract can be terminated where a written evaluation after probation shows the employee is not competent or where there has been gross misconduct by the employee
	D	statement D is incorrect because we are looking at ways to terminate contract before expiry

Question #	10
Question type	MC
Syllabus ref	E
Preamble to the question	
Question	What does “piercing the corporate veil” mean? (select all that apply)

Options	A	The court can lift the corporate veil and hold shareholders or directors of the company accountable in the event of misuse of the company’s assets for shareholders’ or directors’ private gain.
	B	Piercing the corporate veil refers to a special instance where the court holds the shareholder or a director of a corporation personally liable for the corporation’s liabilities or debts.
	C	Piercing the corporate veil refers to a situation where the company’s assets are misused or mismanaged by the management of that company for private gain.
	D	Piercing the corporate veil means reallocation of the company’s asset from one account to another in the books of the company.
Key (answer)	A, B	
Rationale	A	See above statement This is correct- Piercing the corporate veil refers to a situation in which courts put aside limited liability and hold a company’s shareholders or directors personally liable for the company’s actions or debts.
	B	This is correct- See above. The principle is that a company has a legal personality different from its shareholders and the liability of the later is limited to the shares held in the company. An exception is the special instance where the court holds the shareholder or a director of a corporation personally liable for the corporation’s liabilities or debts.
	C	This is incorrect- Mere mismanagement of the assets does not amount to piercing the corporate veil.
	D	This is incorrect- Reallocation of the company’s asset from one account to another in the books of the company is not an issue provided that it is approved in accordance with the incorporation document.

Question #	11	
Question type	MR	
Syllabus ref	E	
Preamble to the question	The law classifies the companies into two categories: Private company and Public Company.	
Question	What are the characteristics of a public company? (Select all that apply)	
Options	A	A public company can be unlimited and listed on stock exchange under capital market.

	B	Shares of a public company are fully transferable.
	C	The number of shareholders is unlimited.
	D	The name a public company is ended by “Public Limited Company or PLC”.
Key (answer)	B, C, D.	
Rationale	A	This is a wrong statement. A public company cannot be of unlimited liability. Liability of shareholders is limited to the amount off unpaid up shares
	B	Shares in a public company are transferrable
	C	Unlike private companies, shareholders of a public company are unlimited.
	D	This is an identifier of the company

Question #	12	
Question type	MC	
Syllabus ref	E	
Preamble to the question		
Question	By which procedure can shareholders terminate their company?	
Options	A	Shareholders can terminate their company by ordinary resolution voted by 100% of the shareholders in their ordinary general meeting notwithstanding the Companies Act or by the company’s incorporation documents.
	B	A company can be terminated by special resolution of shareholders entitled to vote passed by at least a seventy-five percent (75%) majority vote as per the Companies Act or the company’s incorporation documents.
	C	Shareholders can terminate their company by ordinary resolution of shareholders entitled to vote passed by a simple majority of votes.
	D	Shareholders cannot terminate a company because a company is a legal person with personality different that of its owners.
Key (answer)	B	

Rationale	A	The termination can be voted on through a special resolution with a at least 75% majority vote not ordinary resolution.
	B	This is the right answer. See above statement.
	C	See above.
	D	Shareholders have power to terminate a company because a company does decide itself but through shareholders or Directors' decision.

Question #	13	
Question type	MR	
Syllabus ref	F	
Preamble to the question	The National Bank of Rwanda (BNR) is the regulator of the financial sector in Rwanda.	
Question	What are the main roles and functions of the National Bank of Rwanda? (select all that apply)	
Options	A	Credit operations controller
	B	Lender of the last resort
	C	Implementor and guardian of monetary policy
	D	Borrower of the last resort
Key (answer)	A, B, C	
Rationale	A	See below
	B	See below
	C	See below
	D	National Bank of Rwanda is not a borrower of the last resort.

Question #	14
Question type	MR
Syllabus ref	F
Preamble to the question	

Question	What is the required composition of the Board of Directors for non-financial company? (Select all that apply)	
Options	A	A private company can have one or more directors of whom at least one must be ordinarily a resident in Rwanda.
	B	Any company shall have at least two (2) directors where at least one director must be a resident of Rwanda.
	C	A company is allowed to have any number of Board members provided that the majority are non-executive Directors with different skills and academic level.
	D	In a public company, a majority of directors must be non-executive directors and at least one-third (1/3) of the directors must be independent directors.
Key (answer)	A, D	
Rationale	A	Under the meaning of article 6 of the 2018 Companies Act, a private company can have one or more directors of whom at least one must be ordinarily a resident in Rwanda
	B	This is a requirement for public company not any company.
	C	Skills and academic level are not the requirements for board members.
	D	In accordance with article 158 of 2018 Companies Act, for a public company, a majority of directors must be non-executive directors and at least one-third (1/3) of the directors must be independent directors.

Question #	15	
Question type	MC	
Syllabus ref	F	
Preamble to the question	A public company is required to have a company secretary appointed by the Board of Directors.	
Question	What are the main duties of the Company Secretary? (Select all that apply)	
Options	A	Advise directors on their responsibilities and powers;
	B	Inform directors about all the necessary regulations or those which may affect the meetings of shareholders and of the Board of Directors, reports thereof and submission of all company documents required by the law to relevant organs as well as consequences due to the failure to comply with such regulations

	C	Ensure that minutes of the meetings of shareholders or the Board of Directors are well prepared and that registers provided for by the incorporation documents are accurately kept;
	D	Take an interim decision to replace a director in case of death, resignation or permanent total incapacity that prevent a director to attend meetings.
Key (answer)	A, B, C	
Rationale	A	See statement A as per article 173 of the 2018 Companies Act.
	B	See statement B. as per article 173 of the 2018 Companies Act
	C	See statement C as per article 173 of the 2018 Companies Act
	D	This is false. Board members are appointed by Shareholders not company Secretary.

Question #	16	
Question type	MC	
Syllabus ref	G	
Preamble to the question		
Question	A professional accountant shall comply with the following fundamental principles. What are those principles?	
Options	A	Integrity, objectivity, skills and diligence, confidentiality and professional behaviour.
	B	Integrity, objectivity, professional competence and accuracy, personal judgment and professional behaviour.
	C	Integrity, objectivity, ethical judgement, confidentiality, professional behaviour and error free.
	D	Integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
Key (answer)	D	
Rationale	A	See below
	B	See below

	C	See below
	D	The fundamental principles that a professional accountant has to comply with include: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour

Question #	17	
Question type	MR	
Syllabus ref	G	
Preamble to the question		
Question	What are the attributes of the integrity principle for professional accounts? (Select all that apply)	
Options	A	It imposes an obligation of fair dealing and truthfulness to all professional accountants.
	B	It requires a professional accountant not to be disassociated with false or misleading reports, communications or other information.
	C	It requires all professional accountants to be straightforward and honest in all professional and business relationships.
	D	It imposes on a professional accountant an obligation of refraining from reporting material omissions or misleading statements or any kind of misrepresentation.
Key (answer)	A, C	
Rationale	A	This is a correct answer. See statement A.
	B	False. A professional accountant must be disassociated with false or misleading reports, communications or other information.
	C	The statement is correct. See statement C.
	D	A professional accountant has an obligation of reporting any material omissions or misleading statements or any kind of misrepresentation to the line manager.

Question #	18

Question type	MR	
Syllabus ref	G	
Preamble to the question		
Question	What does the principle of professional competence and due care mean for a professional accountant? (select all that apply)	
Options	A	The principle implies that the professional accountant shall possess knowledge and skills not necessarily professional certificate provided that the accountant has a certain academic level in accounting.
	B	It imposes an obligation ona professional accountant to maintain professional competencies and required skills to discharge of his/her duties
	C	The principle means that a professional accountant has to know his/her boss (Know Your Boss rule) and adopt useful strategies to deal with situations that may impair his/her objectivity.
	D	It requires a professional accountant to act with high due diligence in the compliance with relevant technical and professional standards.
Key (answer)	B, D	
Rationale	A	False. Because a profession accountant has the obligation to maintain professional competencies.
	B	This is a correct. The principle of professional competence imposes an obligation on a professional accountant to maintain professional competencies and required skills to discharge of his/her duties
	C	False. This statement relates to the objectivity principle not the due care principle.
	D	Correct, because a professional accountant has to act with high due diligence.

Question #	19
Question type	MR
Syllabus ref	G
Preamble to the question	

Question	Which kind of professional behaviour should a professional accountant adopt? (select all that apply)	
Options	A	Professional accountants must avoid any behaviour that can tarnish or impair their profession and protect their image inside and outside the organisation except for the case they are involved in family issues or private life related matters.
	B	Professional accountants must avoid any behaviour that can tarnish or impair their profession and protect their image inside and outside the organisation without any exception.
	C	The professional accountants' acts must be in compliance with the applicable laws, regulations, guidelines, internal policies and procedures and relevant standards.
	D	Professional accountants must not knowingly engage in any business, occupation or activity which impairs or might impair the integrity, objectivity or good reputation of the profession.
Key (answer)	B, C, D	
Rationale	A	False. No exceptions allowing the professional accountants to be engaged in any behaviour that can tarnish or impair their professional image.
	B	Correct. See statement B
	C	Correct. See statement C
	D	Correct. See statement D

Question #	20	
Question type	MR	
Syllabus ref	G	
Preamble to the question		
Question	What is the importance of establishing an internal code of conduct within an organisation? (select all that apply)	
Options	A	The internal code of conduct ensures the implementation of relevant policies such as anti-fraud measures, and fostering a strong whistleblowing culture within the organization.

	B	A code of conduct puts in place an internal organisation structure that clearly defines the relationship and communication between Board of Directors and executive management.
	C	The code of conduct defines what is allowed, prohibited, restricted, protected and consequences in the event of breach.
	D	The internal code of conduct outlines the reporting flow and how business governance matters are handled within the organisation.
Key (answer)	A and C	
Rationale	A	This is the correct answer (see statement A above).
	B	False. This is a corporate governance matter.
	C	This is the correct answer (see statement C above).
	D	False. This is a corporate governance matter.

Question #	21	
Question type	MC	
Syllabus ref	A	
Preamble to the question	Last week, Ms. Viola being 17 years old has obtained a telephone iPhone 16 as gift from her boyfriend. She sold the telephone to a Businessman called Augustin. The father of Viola has started the process to challenge this sale agreement alleging that it is not valid.	
Question	What is the likely violated condition that can render this contract void? (select one)	
Options	A	Object of the contract
	B	Licit cause
	C	Consent
	D	Capacity
Key (answer)	D	
Rationale	A	See below.
	B	See below.

	C	See below.
	D	Viola was lacking the capacity to conclude a contract because of her age. Hence the contract is void.

Question #	22	
Question type	MC	
Syllabus ref	B	
Preamble to the question		
Question	What are the reasons justifying the prerogative of public administration not being compelled to fulfil its obligations?	
Options	A	Public domain property can be violable and transferred to private investors.
	B	The state can never be insolvent and the public property is meant to ensure respect of the principles of continuity and regularity underlying all public services.
	C	Public property can be subject to seizure if its auction may not affect the continuity of public services and public interest.
	D	Creditors of the public administration concerned with their personal interests can be allowed to divert public property from their use solely if the seizure does not ultimately affect the general interest.
Key (answer)	B	
Rationale	A	Public domain property cannot be subject to any transaction. If the state needs to transfer the property to private investors, the property has to be reallocated from public domain to private domain.
	B	This is correct because the state is always solvent and its properties are meant to serve the public services and public interest.
	C	Under no circumstances can public property be seized.
	D	Under no circumstances can public property be seized.

Question #	23	
Question type	CMC	
Syllabus ref	C	
Preamble to the question	An offer is a manifestation of a willingness to enter into a contract made in a manner to justify another person in understanding that his or her assent is invited and will conclude the contract. On the other hand, a counter-offer: I. Is an indication of a willingness to agree to the terms of the offer which generally operates as a rejection of the initial offer and suggests a new offer. II. Is an offer made by an offeree to his offeror relating to the same matter as the original offer but on terms or conditions different from those contained in the original offer. III. Is both a rejection of the terms of the original an offer and propose new offer that materially changes the terms of the original offer. IV. Does not necessarily mean the rejection or amendment of the terms of the initial offer but an acceptance by the offeree which can even be done through silence or inaction.	
Question	Which of the statements above describe the meaning a counter-offer?	
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	A counter-offer is a rejection of the initial offer and suggests a new offer, proposal of new terms and conditions, and propose a new offer to the offeror materially changes the terms of the original offer.
	B	It includes the statement IV which wrong because a counter offer is not an acceptance of the offer through silence or inaction.
	C	See above rationale B.
	D	See above rationale B.

Question #	24	
Question type	CMC	
Syllabus ref	D	
Preamble to the question		
Question	What is the scope of application of employment laws in Rwanda?	
Options	A	All employees in public sector are governed by the general status of public servants without any distinction while employment in private sector is governed by the labour law of 2018.
	B	The employment in public sector is regulated by the general statute governing public servants while non-permanent public servants and employment in private sector are governed by the labour law of 2018.
	C	Security organs and other entities determined by the Presidential Order or the Prime Minister's Order are governed by the special statutes and labour law of 2018.
	D	Labour law regulates solely employment in private sector.
Key (answer)	B	
Rationale	A	The statement is not correct because non-permanent public servants are governed by the labour law of 2018.
	B	This is the correct statement because permanent public servants are governed by the general statutes while contractual public servants are governed by 2018 Labour Law which also regulates employment in private sector.
	C	Security organs and other entities determined by the Presidential Order or the Prime Minister's Order are governed by the special statutes and general statues <u>NOT</u> by the labour law of 2018.
	D	Labour law regulates not only employment in private sector but also contractual public servants.

Question #	25
Question type	MC
Syllabus ref	E

Preamble to the question		
Question	What is the meaning of "in duplum rule" in terms of consumer protection perspective?	
Options	A	A financial service provider can recover interests not exceeding the triple of outstanding balance of principal debt, in case a financial service consumer fails to repay as per his or her contract with a financial service provider.
	B	A financial service provider must not exceed outstanding principal debt, in case of repayment default by a financial service consumer.
	C	A financial service provider must recover interests not exceeding the outstanding balance of principal debt, in case a financial service consumer fails to repay as per his or her contract with a financial service provider.
	D	A financial service provider can recover more than the cost incurred while recovering the total amount from the debtor of the financial service provider.
Key (answer)	C	
Rationale	A	The use of the wording "triple" is wrong because a final service provider cannot recover interests exceeding the outstanding balance of principal debt amount.
	B	A financial service provider is also allowed to recover interests provided that they are not exceeding the principal debt outstanding amount.
	C	"In duplum rule" means that the interests shall not exceeding the outstanding balance of principal debt, in case a financial service consumer fails to repay as per his or her contract with a financial service provider.
	D	Under the regulation related to consumer protection, a financial service provider is prohibited to recover more than the cost incurred while recovering the total amount from the debtor.

Question #	26
Question type	MC

Syllabus ref	F	
Preamble to the question		
Question	Which type of company is required to have a company Secretary?	
Options	A	Under Rwanda Companies Act, a public company is required to have a company secretary who must be a Rwandan resident while it is optional for a private company.
	B	Under Rwanda Companies Act, a private company is required to have a company secretary who must be a Rwandan resident while it is optional for a public company.
	C	Under Rwanda Companies Act, both a public company and private company are required to have a company secretary who must be a Rwandan resident.
	D	Under Rwanda Companies Act, both a public company and private company may have a company secretary who may be a Rwandan resident.
Key (answer)	A	
Rationale	A	Only a public company is required to have a company secretary who must be a Rwandan resident while it is optional for a private company. See article 9 and 172 of the 2018 Companies Act.
	B	See above
	C	See above
	D	See above

Question #	27
Question type	MC
Syllabus ref	A
Preamble to the question	The constructional rights are classified into three categories namely: (i) civil and political rights; (ii) economic, social, and cultural rights; and (iii) solidarity rights.
Question	What is the main purpose of rights included in first category also known as fundamental human rights?

Options	A	To guarantee individual's rights to get involved in public affairs and the affairs of the state.
	B	To uphold the sanctity of the individual before the law and guarantee his/her ability to participate freely in a civil, and political society.
	C	To maintain and promote sub-national cultural affiliations and collective identities, and protect minority communities against the incursions of national assimilationist and nation building-projects.
	D	To guarantee that all individuals and groups have the right to share in the benefits of the earth's natural resources, and that are made through processes and economic growth, expansion, and innovation.
Key (answer)	B	
Rationale	A	The purpose or scope of political rights which is part of the fundamental rights.
	B	The purpose of Civil and political rights also known as rights of the first generation or fundamental human rights is "to uphold the sanctity of the individual before the law and guarantee his/her ability to participate freely in a civil, and political society."
	C	This is the scope/ purpose of the cultural rights.
	D	The purpose of solidarity rights.

Question #	28	
Question type	MC	
Syllabus ref	C	
Preamble to the question		
Question	What is the difference between the obligation of result and obligation of means?	
Options	A	The obligation of result is attached itself to the assets of the debtor in general and its breach or in-execution entitles the creditor to sue and recover against this general property while the obligation of means is associated with a specific piece of property, which entitles the creditor of that obligation to sue and recover against that specific property no matter who the actual owner is.
	B	The obligation of means is that by which the debtor commits himself using of the adapted means, to be careful and diligent in the performance of a service,

		without guaranteeing a given result while the obligation of result is that by which the debtor commits himself/herself to provide the promised service which consists of a given result.
	C	The non- compliance or non-performance of obligation of result can be enforced by courts and entail damages/remedies whereas an obligation of means) is not enforceable under the law and non-compliance has only moral sanction.
	D	The obligation of result is that by which the debtor commits himself using the adapted means, to be careful and diligent in the performance of a service, without guaranteeing a given result while the obligation of means is that by which the debtor commits himself/herself to provide the promised service which consists of a given result regardless of the means used.
Key (answer)	B	
Rationale	A	That is the difference between common pledge and specific collateral not the obligation of result and obligation of means.
	B	This is the correct statement because in regard to obligation of result the debtor is liable if the set result/goal was not attained while for the obligation of means the debtor is liable if the debtor has failed to use all necessary means to perform his/her obligations.
	C	This is a difference between legal obligation and moral obligation.
	D	The statement is wrong because the debtor has to guarantee a given result or certain goal.

Question #	29	
Question type	MC	
Syllabus ref	E	
Preamble to the question		
Question	In which circumstances may a court pierce the corporate veil?	
Options	A	Directors' act in the best interest of the company with due diligence and avoid any transaction that can harm the company's business.
	B	Company's inability to pay debts.

	C	Misuse of the company's assets for shareholders' or directors' private gain.
	D	Adequate management of the company's assets.
Key (answer)	C	
Rationale	A	This is not an issue because Shareholders and Directors have the duty to act in the best interest of the company.
	B	This is a case of insolvency, and it is not a trigger for piercing corporate veil.
	C	This is the correct answer because shareholders or Directors can be held liable for misuse of the company's assets.
	D	This is not a problem if the company is appropriately managed.

Question #	30	
Question type	MC	
Syllabus ref	G	
Preamble to the question	A professional accountant in public practice shall exercise judgment to determine how best to deal with threats that are not at an acceptable level, whether by applying safeguards to eliminate the threat or reduce it to an acceptable level or by terminating or declining the relevant engagement.	
Question	What are the categories of threats?	
Options	A	Self-interest, self-review, advocacy, familiarity and intimidation.
	B	Corruption, self-review, advocacy, familiarity and intimidation.
	C	Self-interest, superior commend, advocacy, familiarity and intimidation.
	D	Self-interest, self-review, friendship, familiarity and intimidation.
Key (answer)	A	
Rationale	A	This is the correct answer. A professional accountant in public practice can face different categories of threats which include: Self-interest, self-review, advocacy, familiarity and intimidation
	B	Corruption is voluntary and can be avoidable
	C	Superior commend can be disregarded is it is manifestly unlawful
	D	Friendship is not a threat against professional principles.

SECTION B

QUESTION 31

Marking Guide

(a) Distinguish contract of service from contract for service and apply	
Definition of each contract: 1 mark each (max 2).	2
Correct application to Habineza and Karangwa: 1 mark	1
Maximum marks (a)	**3**
(b) Two obligations owed by the employer to the employee	
1 mark for each well-explained obligation (max 2).	2
Maximum marks (b)	**2**
(c) Vicarious liability and advice on the pedestrian's claim	
Definition / two-limb test of employer's vicarious liability: 1 mark.	1
Application to the facts: 2 marks	2
Maximum marks (c)	**3**
Total	**8**

MODEL AMSWER

a) Distinguish between a contract of service and a contract for service, applying the distinction to Mr. Habineza and Mr. Karangwa

A contract of service (an employment contract) is formed by the mutual consent of a worker and an employer, under which the worker undertakes for a period of time to provide professional services to the employer under the employer's direction and supervision, in exchange for an agreed remuneration (Article 11 of the Labour Law). Three main elements are identified: (i) the parties (employer and employee); (ii) salary, which is essential, since employment without remuneration is prohibited; and (iii) subordination, meaning that the employee receives instructions and orders from the employer for the execution of a given work and is obliged to follow them.

A contract for service, by contrast, is a contract for the provision of services by a person who is not in a relationship of subordination to the person engaging them. The service-provider runs their own activity, decides how the work is done, sets their own hours and is paid for the result of the work rather than being at the disposal of the other party.

Therefore, Mr. Habineza works under a written employment contract; he must follow daily routing instructions from the Operations Manager and must use only company-owned vehicles. The element of subordination is therefore present, and he is engaged under a contract of service (employee). Mr. Karangwa runs his own garage, decides his own working hours, uses his own tools and invoices the company at month-end. There is no subordination, and he is engaged under a contract for service (independent contractor).

b) Two obligations owed by Isango Logistics Ltd to Mr. Habineza

Accept any two of the following:

- Obligation to pay the agreed remuneration: salary is an essential element of the employment contract, and employment without remuneration is prohibited under the Labour Law.
- Obligation to guarantee occupational safety and health at the workplace: the employer must guarantee the health, safety and welfare of employees, establish an Occupational Safety and Health Committee, procure protective equipment, take necessary measures for first aid and fire-fighting, and declare any occupational accident or disease to RSSB and the Labour Inspector.
- Obligation to affiliate the employee to the mandatory social-security pension scheme administered by Rwanda Social Security Board (RSSB) under Law No. 009/2021 of 16/02/2021, covering risks such as old age, occupational hazards, invalidity and survivorship benefits including remittance of possible employment taxes
- Obligation to respect the contract terms (duration, working hours, probation, place of work, etc.) as required for a written employment contract under Ministerial Order nº 007/19.20 of 17/03/2020.

c) Vicarious liability and advice on the claim by the pedestrian

Vicarious liability arises where a person is held legally responsible for the wrongful acts or omissions of another. Under Rwandan law, an employer is responsible for damage caused by their employees in the course of the functions for which they are employed. Two requirements must be satisfied:

- the existence of a subordinate relationship between the employee and the employer; and
- a wrongful act of the employee committed in the course of the functions for which they are employed.
- The employees act must sufficiently connected with the duties assigned by employer

Therefore, Mr. Habineza is an employee of Isango Logistics Ltd (the subordinate relationship was established in part (a)). The accident occurred while he was driving a company vehicle on a scheduled delivery to a client, which is squarely within the functions for which he was engaged. Both requirements are satisfied, and Isango Logistics Ltd may be held vicariously liable to compensate the injured pedestrian, without prejudice to any internal disciplinary action it may take against Mr. Habineza.

Mr. Karangwa, being engaged under a contract for service rather than a contract of service, is not in a subordinate relationship with the company and would not give rise to vicarious liability of the company on the same principle.

QUESTION 32

Marking Guide

(a) Distinguish between share capital and loan capital and explain the relationship each creates with the company	
Diffrence between share capital and loan capital	1
Relationship between loan capital and company	1.
Relationship between share capital and company	1
Maximum marks (a)	**3**
(b) Pre-emption rights and advice to Mr. Nshuti	
Definition of pre-emption rights: 1 mark.: 1 mark.	1
Statement of the legal rule (advance notice; three-month period; same price; uniform conditions ,any one valid)	1
Application advising Mr. Nshuti with correct affirmation: 1 mark.	1
Maximum marks (b)	**3**
c) Rules relating to the distribution of dividends and state whether the directors acted lawfully in declaring a dividend in the circumstances	
Statement of principle (right to dividends; capital maintenance / prudence): 1 mark	1
Application to Ms. Mukamana's concern with correct affirmation: 1 mark	1
Maximum marks (c)	**2**
Total	**8**

Model Answer

a) Distinguish between share capital and loan capital and explain the relationship each creates with the company

A company may raise its capital from its shareholders (equity capital), from borrowings (debt capital), and from retained earnings.

Share capital: A share is a proportionate ownership interest in the company. A shareholder is a member and joint owner of the company, with rights including the right to share in the distribution of the dividends of the company, the right to share in the surplus assets on liquidation, the right to vote at shareholders' meetings, and the power to appoint or remove auditors and directors. The shareholder's relationship with the company is therefore one of membership/ownership; the return on share capital (dividend) depends on the company's performance and is not guaranteed.

Loan capital: A debenture represents money borrowed by the company. A debenture-holder is a creditor of the company — not a member or owner — and has no right to vote at the company's meetings. They are entitled to interest at the agreed rate (paid in accordance with the loan agreement and not affected by the company's profits or losses) and to repayment of the principal in accordance with the loan agreement. Where the debenture is secured against the company's assets (as proposed by Karisimbi Beverages Ltd), the lender obtains rights over the charged assets in the event of default.

b) Pre-emption rights and advice to Mr. Nshuti

Pre-emption rights are the rights of existing shareholders to be offered any new shares of the company in priority to outsiders, in proportion to their existing shareholdings. The purpose is to protect existing shareholders from having their shareholding (and their voting power) diluted without their consent. Article 59 of the Companies Act sets out the procedure as follows:

- the company must give each existing shareholder advance notice of any proposed issuance, stating, at a minimum, the number of shares to be issued, the proposed price (or method of determining the price), and the time period and procedure for exercising the pre-emption rights;
- the time period for exercising the right is open for a duration of three (3) months;
- all rules and conditions for exercise must be uniform for all shareholders who hold this right;
- shares not acquired by existing shareholders during the three-month period may then be issued to any other person, but only at the same price as the price set for the exercise of the pre-emption rights, and any allotment to outsiders at a lower price during or after that period is subject to existing shareholders' rights.

Therefore, The Board of Karisimbi Beverages Ltd has resolved to offer the 100,000 new ordinary shares directly to a group of outside investors at a favourable price, without first giving existing shareholders such as Mr. Nshuti the advance notice and the three-month period required by Article 59. This is contrary to the rules on pre-emption rights. Mr. Nshuti has a valid complaint. The company should withdraw the offer to outsiders, give existing shareholders the prescribed advance notice, and observe the three-month pre-emption period before any unsubscribed shares are offered to outsiders at the same price.

c) Distribution of dividends and the directors' conduct in relation to Ms. Mukamana's concern

The right of shareholders to share in the distribution of the dividends of the company is one of the fundamental rights attached to shares. The doctrine of capital maintenance underpins decisions on dividend distributions: a company's share capital should be preserved as a fund available to creditors and should not be returned to shareholders other than in accordance with law. Consistent with this doctrine, directors must be satisfied that the company will satisfy the solvency test before authorising distributions — a principle of prudence designed to protect creditors as well as shareholders.

Therefore, Where Karisimbi Beverages Ltd had reported an accumulated loss in its financial statements, the directors should have been particularly cautious before declaring a dividend. Ms. Mukamana's concern is well-founded: the directors should have satisfied themselves, on the basis of the company's accounts, that there were sufficient profits available to cover the dividend and that the dividend would not impair the company's ability to meet its liabilities. If the dividend was paid otherwise than out of distributable profits, the directors may be exposed to questions about their compliance with the doctrine of capital maintenance and their duty to act in the best interests of the company.

QUESTION 33

Marking Guide

(a) Define insolvency and distinguish compulsory from voluntary winding up	
Definition of insolvency (both tests), inability to pay debts 0.5 and liabilities more than assets 0.5 totaling to 1mark)	*1*
Distinguishing compulsory and voluntary winding up: 2 marks	2
Maximum marks (a)	**3**
(b) Two key duties of the liquidator	
1 mark for each duty correctly explained (max 2).	*2*
Maximum marks (b)	**2**
(c) Alternative to winding up and consequences for unsecured creditors	
One alternative to winding up correctly outlined: 1 mark.	*1*
Two consequences for unsecured creditors: 1 mark each (max 2).	2
Maximum marks (c)	**3**
Total	**8**

Model Answer

a) Define insolvency and distinguish compulsory from voluntary winding up

Insolvency: Under the Insolvency Law (Law N° 075/2021 of 06/12/2021), insolvency proceedings commence when (i) the debtor is unable to pay its debts when they fall due in the normal course of business, or (ii) the assets of the debtor are less than its liabilities plus its stated capital. The law uses two main terms — "insolvency" for companies and "bankruptcy" for natural persons. Bigoga Construction Ltd appears to satisfy both tests: it has been unable to pay suppliers and bank loans for several months, and outstanding debts exceed the realisable value of its assets.

An application to commence insolvency proceedings may be filed by various parties, including a creditor, the debtor, the Directors, the Registrar General, the shareholders, or, where the company runs regulated services, by the relevant regulatory authority (e.g. the National Bank of Rwanda, RURA, or the Capital Market Authority).

Compulsory winding up is initiated by the court, on the application of one of the qualifying applicants identified above. The court appoints the liquidator, and the company is wound up under the supervision of the court.

Voluntary winding up is initiated by the company itself, by a special resolution of the shareholders that the company should be wound up. On the facts, Bigoga Construction Ltd is being wound up voluntarily because the shareholders passed a special resolution at an extraordinary general meeting.

b) Two key duties of the liquidator

Accept any two of the following:

- Collecting, realising and distributing the assets, or the proceeds of the assets, of the company.
- Taking custody and control of all the company's assets.
- Keeping the company's money separate from any other money the liquidator holds or controls.
- Keeping, in accordance with generally accepted accounting procedures and standards, full accounts and other records of all receipts.
- On completion of the liquidation, the liquidator must deliver to the Registrar General a final report and final accounts stating that all known assets have been disclaimed, realised or distributed, that all proceeds of realisation have been distributed, and that the company is ready to be removed from the register.

c) Alternative to winding up and consequences for unsecured creditors

The Insolvency Law provides a number of measures that allow a financially distressed company to continue operating rather than being wound up. Candidates may identify any one of the following:

- Debt arrangement and compromise between the company and its creditors.
- Administration / reorganisation: an administrator is appointed to investigate the company's business and to take possible measures to rescue it in the interests of creditors and shareholders. Within forty-five (45) days of the reorganisation order, the administrator prepares a reorganisation plan to be considered and approved by the creditors (approved if voted by not less than 75% of creditors, or class of creditors, taking part in the vote).
- Business rescue financing: under Article 97 of the Insolvency Law, upon commencement of debt arrangement, compromise, administration or reorganisation, the debtor may apply for financing from existing creditors or other persons in order to maintain business activities, enabling the business either to continue operating or to be sold as a going concern at a higher value to creditors.

Consequences of winding up for unsecured creditors:

- Unsecured creditors rank below secured creditors in the order of distribution. Where the assets are insufficient (as is likely here, since liabilities exceed assets), unsecured creditors may receive only a fraction of the amount owed to them, or nothing at all.
- Upon the date of commencement of insolvency proceedings, all claims and legal actions pending or future against the company are stayed: this includes the commencement or continuation of individual actions or proceedings concerning the debtor's assets, rights, obligations or liabilities. Unsecured creditors therefore lose the ability to enforce their claims individually and must instead participate through the insolvency process.

QUESTION 34

Marking Guide

a) Purpose of a corporate code of ethics and three matters typically addressed	
Purpose of a code: 1.5 mark.	*1.5*
Three matters addressed: 0.5 mark each (max 1.5)	1.5
Maximum marks (a)	**3**
(b) Key features of an effective whistleblowing policy	
Up to 1 mark per well-explained feature (max 3 marks). Award marks for clear application to the concerns raised at Rugali Microfinance PLC.	*3*
Maximum marks (b)	**3**
(c) Two benefits of adopting the code and the whistleblowing policy	
1 mark for each well-explained benefit (max 2	*2*
Maximum marks (c)	**2**
Total	**8**

Model Answer

a) Purpose of a corporate code of ethics and three matters typically addressed

A corporate code of ethics (also referred to as an internal code of conduct) is a formal written document that sets out the policies, values and rules that employees and employers are expected to follow in the workplace. It is built on the organisation's core values and mission, and serves to guide how people interact at work, to set out expected ethical behaviour, and to promote a culture of integrity. It supports compliance with the fundamental ethical principles required of professional accountants and helps the organisation prevent fraud and other misconduct.

Matters typically addressed in the content of a code (any three):

- What is allowed and what is prohibited — the code should clearly define what is allowed, the prohibitions, restrictions and protections.
- Consequences in the event of a breach — the code should indicate the disciplinary procedure and sanctions, which must be objectively proportionate to the severity of the breach.
- Standards reflecting the fundamental ethical principles for professional accountants (integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour).
- Anti-fraud measures, identifying conduct such as theft, false accounting, embezzlement, bribery, deception, false representation, failure to disclose information and abuse of position; the code should refer to fraud risk assessment, detection mechanisms, investigation and reporting.

- Whistleblowing arrangements (covered in part (b)) and how breaches may be reported safely.

b) Key features of an effective whistleblowing policy

Whistleblowing arrangements form part of the organisational measures that promote ethical conduct, alongside the code of conduct and the anti-fraud policy. In view of the situation at Rugali Microfinance PLC — where employees who witnessed irregularities have been unwilling to come forward for fear of being identified or victimised — the policy should include the following key features (any well-reasoned combination earns marks):

- A clear scope: a definition of the type of wrongdoing that may be reported (e.g. fraud, falsification of records, bribery and corruption, breaches of laws and regulations, misuse of customer information, breaches of the code of ethics).
- Confidential and accessible reporting channels: at least one channel that is independent of line management (for example, a dedicated email address, hotline, or designated independent officer such as the Audit Committee chair) so that employees can report without going through a possibly implicated supervisor.
- Protection against retaliation: an explicit guarantee that employees who report in good faith will not suffer dismissal, disciplinary action, demotion or other detriment.
- Confidentiality of the whistleblower's identity: a commitment to protect the identity of the reporter, with anonymous reporting permitted where reasonable.
- A defined investigation procedure with feedback to the whistleblower on the outcome within stated timeframes.
- Communication and training so that employees, contractors and managers are aware of how to use the policy.

c) Two benefits of adopting the code and the whistleblowing policy

- Strengthens the ethical culture and reduces misconduct: taken together, the code of conduct, the anti-fraud policy and the whistleblowing arrangements support an environment in which staff act ethically and are willing to surface problems early, reducing financial losses, regulatory penalties and reputational damage — a particularly important consideration for a microfinance institution handling customer funds and personal data.
- Builds stakeholder trust and supports the public interest: professional accountants are expected to act in the public interest — not only to satisfy the needs of an individual client or employer but also to preserve and serve the common good. Adopting the code and the whistleblowing policy signals to customers, regulators and employees that the company is committed to integrity and accountability.
- improving compliance with applicable laws and regulations (such as the Anti-Corruption Law and the Anti-Money Laundering Law);
- providing a basis for proportionate disciplinary action where breaches occur; and improving employee morale and retention.

QUESTION 35

Marking Guide

a) Insider dealing and Mr. Mugisha's conduct	
I identifying the nature of insider dealing as a concept (with reference to insiders, non-public price-sensitive information, and dealing):	*1*
Clearly stating what amounts to insider dealing 1mark for 2 correct points	2
Maximum marks (a)	**3**
(b) Two legal safeguards against money laundering	
1 mark for each safeguard correctly explained (max 2).	*2*
Maximum marks (b)	**2**
(c) Bribery and corruption: the FRW 15,000,000 payment, and one preventive measure	
Definition of corruption with statutory reference: 1 mark.	*1*
Application to the FRW 15,000,000 payment: 1 mark.	*1*
One preventive measure clearly explained: 1 mark	*1*
Maximum marks (c)	**3**
Total	**8**

Model Answer

a) Insider dealing and Mr. Mugisha's conduct

Insider dealing is the act by which a person who holds material, price-sensitive information about a company that is not yet publicly available uses that information to deal in the company's securities for their own account or that of another, or improperly discloses it. The conduct is regarded as fraudulent because it gives the insider an unfair advantage over other investors who are dealing on the basis of public information. In Rwanda, such conduct also engages the offences criminalised under the Companies Act (Chapter XVII, Article 339 and following), including disclosing false information on shares and abuse or misuse of power by a director, and is subject to the regulatory oversight of the Capital Market Authority over listed companies.

Three elements typically need to be satisfied:

- the person is an insider (e.g. a director or officer with access to confidential information by virtue of their position);
- they hold information that is non-public and material/price-sensitive; and
- they deal in the relevant securities (or procure another to do so) while in possession of that information.

Therefore, Mr. Mugisha is the Chief Finance Officer of Sangwa Holdings PLC and is therefore an insider. The information about the proposed acquisition of a competitor is highly confidential, has not been disclosed to the market, and is plainly price-sensitive (he himself expects the share price to rise on announcement). He has used that information to purchase a substantial number of the company's shares for his personal account in advance of the announcement. His conduct constitutes insider dealing in principle and represents an abuse of his position as a director/officer for which he may face criminal liability under the Companies Act, regulatory action by the Capital Market Authority, and personal liability to the company.

b) Two legal safeguards against money laundering

Under the Anti-Money Laundering Law (Law No. 75/2019 of 29/01/2020), reporting persons — which include financial institutions such as Sangwa Holdings PLC where it deals in regulated financial transactions — are required to:

- Identify, assess, monitor, manage and take appropriate measures to mitigate the risks of money laundering, terrorist financing and proliferation financing, applying a risk-based approach.
- Develop and maintain programmes for combating money laundering, terrorist financing and proliferation financing.
- Conduct enhanced due diligence on high-risk customers, on politically exposed persons (PEPs), occasional customers and suspected clients.
- Report to the Financial Intelligence Centre (FIC): all cash transactions equal to or above the threshold set by the Centre; any transaction below the threshold which is part of a series of linked transactions; and any suspicious transactions (Articles 16 and 17 of the Anti-Money Laundering Law).
- Keep records of transactions for a period of 10 years.

Therefore, Sangwa Holdings PLC should, at a minimum, conduct enhanced due diligence on the clients concerned (including establishing the source of funds), and report the deposits as suspicious transactions to the Financial Intelligence Centre.

c) Bribery and corruption: the FRW 15,000,000 payment, and one preventive measure

Under Article 2(1) of the Anti-Corruption Law (Law n° 54/2018 of 13/08/2018), corruption is "any act performed or caused to be performed in public organs, private institutions, civil society and international organisations operating or wishing to operate in Rwanda, which is aimed at soliciting, receiving or offering an illicit benefit in order to unlawfully obtain illicit enrichment or a given favour... to unlawfully render a service or carry out an activity…". Article 15 of the same law provides that any public servant or other person holding public office who abuses their position to perform or omit an act in violation of the law for the purpose of obtaining an illegal benefit commits an offence punishable by imprisonment of seven (7) to ten (10) years and a fine of FRW 5–10 million. Companies and other legal entities convicted of corruption are liable to a fine of seven (7) to ten (10) times the value of the illicit benefit.

Therefore, The payment of FRW 15,000,000 by the department head of Sangwa Holdings PLC to a public official, in order to accelerate the issuance of a regulatory licence required for the acquisition, falls squarely within the definition of corruption: it is an offering of an illicit benefit to a public official with a view to obtaining a service that should be rendered on its merits in accordance with the law. Both the department head (giver) and the public official (receiver) are exposed to criminal liability under the Anti-Corruption Law. Sangwa Holdings PLC, as a legal entity, may itself be liable through the conduct of its representative, with a fine of seven (7) to ten (10) times the value of the illicit benefit, in addition to reputational damage and the risk that the licence may be tainted.

Preventive measures the Board may put in place (any one is sufficient):

- Adopt a clear anti-corruption / anti-fraud policy as part of the corporate code of ethics, supported by training for all staff and third parties.
- Strengthen internal controls over payments, including segregation of duties and senior-management approval thresholds, particularly in respect of payments to public officials or politically exposed persons.
- Implement an effective whistleblowing policy (see Question 34) so that staff can report suspected bribery without fear of retaliation, and ensure swift and independent investigation of reports.
- Conduct due diligence on counterparties and intermediaries used in dealings with public bodies.

End of Model Answer and Marking Guide