
CERTIFIED PUBLIC ACCOUNTANT
OPERATIONAL LEVEL EXAMINATION
LG2.1 ETHICS, LAW AND GOVERNANCE
DATE: WEDNESDAY 25, FEBRUARY 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

Where there is a society, there is law. Hence, the concept “law” in a given society means:

- i) A set of legal rules, established by the state, that are binding, and applicable to a certain politically organised society
- ii) A body of legal rules (written and unwritten rules) largely derived from custom and formal enactment, which are recognised as binding among those persons who constitute a community or state
- iii) A set of legal rules, established by the state, that are binding, and applicable to a certain politically organised society
- iv) A set of legal rules, established by a group of people within a state, such rules are meant to protect the interests of certain identified group of people in a well politically organised society

Which of the above statements correspond to true definition of law?

- A I, II and III only
- B I, II and IV only.
- C I, III and IV only
- D II, III and IV only

(2 Marks)

QUESTION TWO

Can a society exist without any law?

- i) Yes, because the security and order in the society can be controlled by the security organs
- ii) No, because the law is meant to ensure administration of justice which is one of the roles of the government and where there is no justice, the impunity culture will reign
- iii) No, because the law maintains the peace and order within the society, otherwise without law the society will become like a jungle where only strongest can survive and the small become prey of the biggest
- iv) No, because the law is there to protect the public interest. In absence of law, the state wealth will be accumulated in the pockets of group of mafias and the majority of ordinary population will survive in a miserable life

Which of the above statements describe the right argument on whether society can survive without law?

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

(2 Marks)

QUESTION THREE

What is the main purpose of the fundamental human rights also known as first category rights?

- A To uphold the sanctity of the individual before the law and guarantee his/her ability to participate freely in civil, economic and political society
- B 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
- C 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
- D To guarantee individual rights to involvement in public affairs and the affairs of the state

(2 Marks)

QUESTION FOUR

What does the principle of separation of power mean under Rwandan Law?

- A The principle of separation of powers deals with the mutual relations among the three organs of the government namely the legislature, the executive and the judiciary. The legislative organ of the state makes laws, the executive enforces them and the judiciary applies them to the specific cases arising out of the breach of law
- B The principle tries to bring non-exclusiveness in the functioning of the three organs namely the legislature, the executive and the judiciary all vested in the central executive council powers
- C The principle of separation of power means all the three powers of the government namely the legislature, the executive and the judiciary can be exercised by one person or body of persons
- D The doctrine separation of power means that a political organisation holding the majority of seats in the Chamber of Deputies cannot have more than 50% of Cabinet members

(2 Marks)

QUESTION FIVE

What are the reasons justifying why public property owned by a public administration is not subject to a seizure (confiscation)?

- A Public domain property can be violable and transferred to private investors
- B 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
- C Public property can be subject to seizure if its auction may not affect the continuity of public services and public interest
- D The state can never be insolvent and public property is meant to ensure the respect of principles of continuity and regularity underlying all public services

(2 Marks)

QUESTION SIX

What does the legality of administrative acts mean under public administration law?

- A The Administrative acts are only taken by the public authorities that exercise the regulatory powers in the interest of consumers or users of the regulated services
- B The administrative acts are presumed to have been taken in conformity with the relevant laws and hence their enforcement is subject to court order
- C Administrative decisions are taken by the executive and other administration agents and sometimes can be arbitrary and not rationally related to the purpose for which the power was given especially in their private gain
- D Administrative acts are presumed to be legal because they are meant to serve the general interest and hence, be subject to automatic enforcement without any other formalities

(2 Marks)

QUESTION SEVEN

The four conditions required for the validity of a contract include capacity among other things

What does capacity to contract mean?

- A Mental inaptitude to contract
- B It is the age of 18 years for civil legal acts, 16 years for employment contracts and 21 years for marriage
- C Physical appearances to perform the work assigned
- D The level of freedom to understand the content of contract without coercive influence or fraudulent misrepresentation

(2 Marks)

QUESTION EIGHT

Mr Andrew and Ms. Alice concluded a contract by which Alice has an obligation to import cannabis (marijuana) and second-hand clothes from Democratic Republic of Rwanda to Rwanda. Andrew agrees that once the goods arrive at Kigali, Alice will get a payment of FRW 4 million. Alice has done this three times and at the fourth one, Andrew has paid only FRW 2 million arguing that he failed to sell all goods imported before as some of them have been seized by Police

Can Catherine claim her outstanding amount of payment and bring the case before the court?

- A Yes, based on the contract she has with Andrew as it is binding on them
- B No, because the contract is null and void due to illicit object and illicit cause of the contract. Hence, Alice's claim does not have legal basis/ not grounded
- C No, because the goods have been seized and Mr Andrew does not have funds to pay her
- D Yes, because Alice has the capacity to contract and file a case in the cause or she can wait until Mr. Andrew gets funds to pay

(2 Marks)

QUESTION NINE

The most important classification of law is its division into public law and private law i.e., the legal rules are either of public law or of private law except some few rules which constitute a mixed branch of law. What is the scope of Private Law?

- i) Private Law is that branch of law which determines and regulates the organization and functioning of state (country) and its institutions
- ii) Private law regulates relationships between private people, organizations, and companies
- iii) Private law is a set of rules that regulate relationships between private persons on equal footing
- iv) Private law is a branch of law which governs the relationship between individuals, organisations and government acting in a private capacity and without public authority power hence putting all parties on equal rights

Which of the statements above describe the scope of the Private Law?

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

(2 Marks)

QUESTION 10

What is the meaning of obligation of means?

- A The obligation of means is that by which the debtor commits himself using adapted means, to be careful and diligent in the performance of a service, without guaranteeing a given result
- B The obligation of means is that by which the debtor commits himself/herself to provide the promised service which consists of a given result
- C The non-performance of obligation of means cannot be enforced by courts and entail damages/remedies, the breach attracts only moral sanction
- D 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

(2 Marks)

QUESTION 11

The Law makes a distinction between a contract and quasi-contract

What does quasi-contract mean?

- A A quasi-contract is the expression of the intention of both parties that creates obligations on both sides from the moment of contract conclusion
- B A quasi contract is a pure contract such as contracts of sale, of purchase, of rent, etc

- C A quasi contract is an informal contract which involves an intervention of one party to perform one-sided or volunteered obligations without requirement of the other party's consent
- D A quasi- contract has to fulfil the 4 conditions required by law namely consent, capacity, object and licit cause

(2 Marks)

QUESTION 12

What is the difference between legal obligation and moral obligation?

- A Legal obligation is that by which the debtor promises his/her client to do all the actions necessary in order to achieve the success while for the moral obligation the attainment of the goal is a condition.
- B Non- compliance or non-performance of a legal obligation can be enforced by courts and entail damages/remedies whereas a moral obligation is not enforceable under the law and non-compliance has only moral sanction
- C The moral obligation is associated with a specific piece of property, which entitles the creditor of that obligation to sue and recover from the debtor while the legal obligation is an action by which the debtor can claim his/her rights
- D Legal obligation is the good heart to do something without being compelled by the law whereas the moral obligation derives from both cultural and legal requirements with a possibility to get immediate sanction

(2 Marks)

QUESTION 13

What is the law governing employment in Private Sector in Rwanda?

- A Employment in private sector is governed by general statutes which regulate also the public service
- B Employment in private sector is regulated by both the general statute governing public servants and labour of 2018, while non-permanent public servants and employment in private sector are governed by the labour law of 2018
- C The employment in private sector is governed by the special statutes governing some specific institutions and labour law of 2018
- D Employment in private sector is governed by the labour law of 2018

(2 Marks)

QUESTION 14

Under Rwandan Law, an employment contract can be written or oral

In which circumstances does labour law allow parties to employment relationships to be governed by unwritten contracts?

- A If the duration of employment does not exceed ninety (90) consecutive days
- B If employment contract is concluded for fixed term
- C If the written employment contract is not needed by parties and want to govern their relationship with oral agreement
- D If the probation period stipulated in the employment contract does not exceed ninety (90) consecutive days

(2 Marks)

QUESTION 15

An open-ended employment contract is terminated on the following grounds:

- i) If 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
- ii) In case of gross misconduct committed by the employee, the employer may terminate the employment contract without prior notice, provided that the employee is informed in writing of the dismissal decision within forty-eight (48) hours
- iii) An open-ended employment contract term can be terminated by either party for any reason with written notice to other party
- iv) By mutual consent of the parties or justifiable reasons by giving a written notice to other party

Which statements explain the grounds for termination of open-ended employment contract under Rwandan Law?

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

(2 Marks)

QUESTION 16

Which of the following is not the requirements to be eligible for the benefits of old age pension?

- A To be at least sixty (60) years old or to be of the age provided for by legally recognized specific statutes
- B To have contributed to the pension scheme for at least fifteen (15) years
- C To have a permanent disability that prevents the person to perform any remunerated activity
- D To have ceased to perform any remunerated activity

(2 Marks)

QUESTION 17

Two brothers Alex and Peter formed a company called PA Company Ltd that was duly registered by the Registrar General.

What are the legal effects of the company's creation vis-à-vis its shareholders? (SELECT ALL THAT APPLY)

- A The company acquires a legal personality which is separate from that of its shareholders.
- B Upon its registration, a company can have its own assets and liabilities different from those of its owners
- C A company with legal personality becomes a juristic person and hence can sue or be sued as well as conclude a contract with any party
- D A company with legal personality is restricted from owning a property outside those owned by its shareholders but may become a debtor or a creditor

(2 Marks)

QUESTION 18

What are the requirements for the application of an investment certificate? (SELECT ALL THAT APPLY)

- A A certificate of incorporation
- B Evidence of the investment capital which is equivalent or more than FRW 20 billion
- C Project environmental impact assessment certificate, projection on employment creation, and the license issued by the Sector regulator
- D Five-year business plan that clearly shows implementation plan and strategies as well projected cash flow

(2 Marks)

QUESTION 19

Negotiable instruments as they are provided for by the Rwandan law are: bill of exchange, cheque and promissory note.

Which of the statements describe a promissory note?

- A It is a clear and unconditional order in writing that is addressed by its signatory to a financial institution and requires to pay on demand a specific amount of money to the drawer or to a specified person or to the bearer
- B It is an instrument in writing containing an unconditional undertaking, signed by the maker, to pay a specified sum of money to or to the order of a specified person, or to the bearer of the instrument
- C It is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a specified amount of money or to the order of a specified person, or to the bearer
- D It is a written contract between the drawer and the drawee, where the drawer promises to pay off a certain amount within a stipulated time

(2 Marks)

QUESTION 20

What is the validity period of a cheque from the date of issuance?

- A Sixty (60) days
- B Ninety (90) days
- C One hundred twenty (120) days
- D Thirty (30) days

(2 Marks)

QUESTION 21

With aim to protect financial consumer from endless computation of interests on bad loans, a regulation has limited the amount of interest which a Financial Institution can recover from the borrower/debtor. **What is the amount of interest allowable to be recovered?**

- A A financial service provider can recover interest 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 institution may recover interest on a defaulted loan, provided that the total interest charged does not exceed the full amount of the outstanding principal debt
- C financial institution may only recover interest that is lower than the outstanding principal debt, meaning interest must remain below the principal and cannot reach the same amount
- 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

(2 Marks)

QUESTION 22

Which circumstances can trigger the application for the commencement of insolvency proceedings? (SELECT ALL THAT APPLY)

- A When the company's assets are misused by the shareholders or directors especially in their own interests
- B When some of the assets of one company are transferred to another related company and the acquiring company does not pay the price and related tax due
- C If the liabilities of the debtor are more than its assets plus its stated capital.
- D If the debtor is unable to pay its debts when they fall due in the normal course of business

(2 Marks)

QUESTION 23

The Company Law effectively safeguards the rights and powers of shareholders. Thus, shareholders have the following fundamental rights attached to their shares:

- i) The right to share in the distribution of the surplus assets of the company upon its liquidation.
- ii) The right to share in the distribution of the dividends of the company
- iii) The right to approve any transactions to be made on daily management of the company
- iv) The right to appoint/ remove auditor and director

Which statement of the above fall under the scope of the shareholders' rights?

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

(2 Marks)

QUESTION 24

A business act is criminalised as fraudulent behaviour if three elements required for a criminal offence are fulfilled. **What are those elements?**

- A Legal element, material element (actus reus) and mental element (mens rea).
- B Material element (actus reus) and mental element (mens rea) and fault
- C Consent, Legal element and material element (actus reus)
- D Material element (actus reus) and mental element (mens rea) and fraudulent act

(2 Marks)

QUESTION 25

Under money laundering law, a reporting person has also the obligation to report to the financial Intelligence Centre (FIC): (SELECT ALL THAT APPLY)

- A All cash transactions equal or above the threshold set out by the Centre in an appropriate form and time determined by regulations set by the Centre
- B Any transaction equivalent to or less than the threshold set by the Centre, if such a transaction is part of a series of transactions which are or seem to be linked and the total is less, equal or exceeds the threshold
- C Profit and loss accounts for the reporting period
- D Annual transactions and contracts concluded with Political Exposed Persons (PEPs).

(2 Marks)

QUESTION 26

What can a professional accountant do if she/he becomes aware that a report which was already published contains material omissions or misleading statements or any kind of misrepresentation?

- A Take immediate tangible steps to be disassociated from that information such as reporting the matter to the line manager
- B Correct or amend the report in the next reporting cycle
- C Publish an erratum or amendment of the same subject to internal approval procedure
- D Leave the document as it is if the amendment of the same can take time

(2 Marks)

QUESTION 27

Is it relevant to put in place anti-fraud policy?

- A Yes, because putting in place an anti-fraud policy will serve as an accountability tool where each act of the employees in general and the professional accountant in particular will be free of any kind of fraud
- B No, because, the code of conduct is sufficient to regulate behaviour of all employees within the organisation
- C No, because reporting fraud, detecting fraud, or investigating of the suspected fraud can be done through other facilities like Whistleblowing
- D Yes, because it is an act of reporting perceived unethical conduct of employees, management of the organisation and/or other stakeholders by an employee, or any other person to relevant authority (ies).

(2 Marks)

QUESTION 28

The ethical principles also impose an obligation of confidentiality to the professional. Confidentiality means

- i) Non-disclosure or non- exchange of sensitive information without authorisation or protection of sensitive data and privacy.
- ii) Use of the information for the intended purpose and prohibits the accountant from exploiting the information for private gain
- iii) Treat all information that comes to the knowledge of a professional accountant as confidential information unless expressed otherwise or the same information was made public
- iv) Share the information internally to all staff and refrain disclosing the information outside the organisation

Which of the above statements provides the right definition of confidentiality?

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

(2 Marks)

QUESTION 29

What are the features of the objectivity principle for a professional accountant? (SELECT ALL THAT APPLY)

- A It requires all professional accountants to act with objective judgement, avoid bias, conflict of interest or external and internal influence
- B It means that a professional accountant can use his/her own judgement when it comes to accounting or auditing in some instances subjective judgment can be used when deemed necessary
- C It obliges a professional accountant to review the financial records with due care and professional analysis to detect the accuracy of any document at hand
- D It imposes an obligation to a professional accountant produces financial report or financial statements with minimum tolerable errors provided that they are not material

(2 Marks)

QUESTION 30

Under Company Law some acts are prohibited and criminalised as fraudulent behaviour. These include: (SELECT ALL THAT APPLY)

- A Disclosing any information on shares, abuse or misuse of power by a director
- B Misuse and destruction of company's property
- C Accepting debts that someone does not owe, or concealment of the books of accounts
- D Provide information about an insolvent company

(2 Marks)

SECTION B

QUESTION 31

Ingagi Tours Ltd is a small enterprise operating in the Northern Province, providing transport services for goods across Rwanda's borders. Recently, the Ministry responsible for trade and commercial regulation issued a Ministerial Order requiring all small enterprises to pay an additional "compliance contribution" before continuing operations. However, an existing law enacted by Parliament provides that small enterprises should not be subjected to extra regulatory charges beyond those already established by law. The Ministerial Order was enforced immediately, yet it was not published in the Official Gazette as required. Ingagi Tours Ltd refused to pay, and enforcement measures were taken against the company. The company has decided to challenge the legality of the Ministerial Order before a competent court.

Required:

- a) **Identify TWO sources of law applicable in Rwanda that may guide the court in resolving this dispute** (2 Marks)
 - b) **State which instrument should prevail in case of conflict between a law enacted by Parliament, and a Ministerial Order issued by a ministry** (1 Marks)
 - c) **Advise whether the Ministerial Order can be legally enforced if it was not published in the Official Gazette, and explain the implication for Ingagi Tours Ltd** (4 Marks)
 - d) **Explain ONE factor that determines the competent court to hear this dispute, given that Ingagi Tours Ltd operates outside Kigali** (1 Marks)
- (Total: 8 Marks)**

QUESTION 32

Kwamamara Trading Ltd is a private company operating in Kigali, engaged in the wholesale distribution of electronic goods.

The company entered into a written agreement with Musanze Supplies Ltd for the purchase of 500 laptops, payable within 30 days after delivery.

After delivery, Musanze Supplies Ltd discovered that the laptops were defective and not fit for the intended commercial purpose. Musanze Supplies Ltd immediately notified the seller and refused to make payment.

Meanwhile, the seller argues that delivery was completed and that payment must be made as agreed. The dispute has escalated, and Musanze Supplies Ltd is considering legal action to recover losses suffered due to the defective goods.

Required:

- a) **Explain TWO essential conditions for the validity of a contract under Rwandan law** (2 Marks)
- b) **Explain the obligation of the seller in a contract for sale of goods regarding the quality and fitness of goods supplied** (2 Marks)

- c) **Advise Musanze Supplies Ltd on the legal remedies available if goods delivered are defective, and apply them to the scenario** (3 Marks)
 - d) **State ONE competent court that may hear this dispute and justify briefly** (1 Marks)
- (Total: 8 Marks)**

QUESTION 33

Imanzi Agro Ltd is a private limited company established in Rwanda to process and export agricultural products. The company has been operating successfully for three years under the management of its Board of Directors. Recently, the Chairperson of the Board entered into a large loan agreement with a financial institution on behalf of the company, without informing other directors or obtaining approval from the shareholders. After receiving the loan, it was discovered that the Chairperson used part of the borrowed funds for personal business activities unrelated to Imanzi Agro Ltd. As a result, the company has failed to repay the loan instalments, and creditors are now threatening legal action. Some shareholders argue that the Chairperson should be personally liable for the company's debts

Required:

- a) **State TWO key features of a company that distinguish it from other business organisations** (2 Marks)
 - b) **Explain the duty of directors in managing company funds and acting in the interest of the company** (2 Marks)
 - c) **Advise whether the Chairperson may be held personally liable for misuse of company funds** (3 Marks)
 - d) **State ONE possible legal action that shareholders may take to protect the company against misconduct by directors** (1 Marks)
- (Total: 8 Marks)**

QUESTION 34

Ubumwe Manufacturing Ltd is a medium-sized company operating in Rwanda, producing construction materials supplied to both private contractors and government projects. The company recently expanded its operations after obtaining a large contract to supply materials for a national infrastructure project.

At a recent shareholders' meeting, concerns were raised after it was revealed that major procurement contracts were approved quickly during Board meetings without supporting documentation being circulated in advance.

In one instance, a supply contract was awarded to a company owned by a close relative of one of the directors, and the matter was not disclosed during the decision-making process. In addition, shareholders noted that financial reports are presented late, internal audit matters are rarely discussed, and no specialised Board committee exists to oversee risk and internal controls.

Following these practices, the company has suffered unexpected financial losses and delays in fulfilling its contract obligations, raising fears about accountability and long-term sustainability

Required:

- a) **Explain THREE key principles of good corporate governance that should be promoted in Ubumwe Manufacturing Ltd** (3 Marks)
 - b) **Advise the shareholders on how effective corporate governance practices can address the governance weaknesses demonstrated in Ubumwe Manufacturing Ltd** (5 Marks)
- (Total: 8 Marks)**

QUESTION 35

A CPA trainee working in the finance department of a district-level public entity in Rwanda has been assigned to assist in preparing financial information for an upcoming external audit.

During the assignment, the trainee discovers that certain expenditure documents supporting payments for fuel and allowances are missing, yet the amounts have already been recorded as fully authorised expenses. When the trainee raises the concern with a senior colleague, the colleague responds that the payments were made “to support urgent activities” and advises the trainee not to question the matter because the audit team is expected to arrive soon.

Later, the same colleague privately offers the trainee an opportunity to receive a small “facilitation token” if the trainee cooperates and ensures that the issue is not mentioned during audit discussions.

The trainee is uncertain about the appropriate professional response.

Required:

- a) **Explain THREE fundamental ethical principles that are relevant to the trainee’s situation** (3 Marks)
 - b) **Advise the trainee on the appropriate ethical actions to take in response to the situation described.** (5 Marks)
- (Total: 8 Marks)**

End of question paper