

Professional Ethics in Accounting and Finance

LEVEL 3

Time allowed: 75 minutes

You need

- This test paper
- An answer sheet
- An HB pencil
- An eraser

You may NOT use a dictionary

Do NOT open this paper until you are told to do so by the supervisor.

There are 20 questions in this paper

Total marks available: 30

Try to answer ALL the questions

INSTRUCTIONS

- Make sure your personal details are entered correctly on the candidate answer sheet
- This paper is in **two** sections, Part A and Part B. Questions in Part A carry one mark for each correct answer while the questions Part B carry two marks for each correct answer
- Read each question carefully and choose the correct answer – A, B, C or D
- Enter your answers on the candidate answer sheet using an HB pencil
- Make sure you only mark **one** answer for each question and that you completely fill the circle
- If you make a mistake, make sure you erase it completely
- Only complete as many answers as there are questions
- At the end of the test hand the question paper, your answer sheet and all notes to the supervisor

NB. This sample paper contains only 10 questions.

PART A

- 1 Being straightforward and honest in all professional relationships means that you are abiding by which fundamental ethical principle?
 - (a) Professional competence
 - (b) Objectivity
 - (c) Integrity
 - (d) Openness

- 2 You are working for a client who has offered you the opportunity to purchase shares in their company. Which category of threat does this fall into?
 - (a) A self- review threat
 - (b) A self – interest threat
 - (c) An advocacy threat
 - (d) An intimidation threat

- 3 Which of the following is **NOT** one of the main objectives of the accountancy profession?
 - (a) Taking decisions solely in terms of the public interest
 - (b) Acknowledgement of duties to society as a whole, in addition to the employer or the client
 - (c) An outlook which is essentially objective, obtained by being fair minded and free from conflicts of interest
 - (d) Rendering personal services to the highest standards of conduct and performance

- 4 Which of the following is the most important reason for an accountant to attend training courses for continued professional development?
 - (a) To demonstrate to the firm's clients that their staff are being treated in a professional manner
 - (b) To comply with the requirements of the professional body with respect to training
 - (c) To show leadership towards the junior staff and encourage them to attend training sessions
 - (d) To ensure the maintenance of the necessary knowledge and technical skills to produce work to the required standards

- 5 When accountants advertise and promote their services, which one of the following statements are they legitimately able to make?
- (a) Offering to work for a guaranteed fixed fee
 - (b) Offering to do the work faster and cheaper than any other accountant in the area
 - (c) Claiming to offer the best service of any accountant in the area
 - (d) Offering to guarantee to reduce the tax bill for any new client

PART B

Please read the case study carefully, and then answer the five questions that follow.

Case Study

You are a trainee accountant, working for a small firm of accountants, and have been employed there for five years. You are responsible for, and supervise two trainees, both of whom have recently left college and this is their first full time, employment. You report to the Accounts' Manager. Your daily work routine involves a variety of urgent and important tasks, and today you encounter the following situations.

- 6 You receive an email from one of your existing clients asking for technical advice relating to a specific tax issue. This is an area of work where you have no technical experience or knowledge.
- Which of following is the **most appropriate** course of action?
- (a) Inform the client that this is an area outside of your expertise and that you will need to seek advice from a more experienced colleague before dealing with their request.
 - (b) Advise the client that this is outside the remit of your agreed contract and that they would need to seek suitable advice from another firm of accountants.
 - (c) Advise the client that this is outside the remit of your work and that your firm would need to consider whether this would result in additional fees being charged.
 - (d) Agree to provide the advice in order to maintain your level of credibility with the client.

- 7 You are holding money on behalf of a client in a separate bank account, which will be used to pay their quarterly tax bill. However, this client has not paid their invoice for the fees incurred for your firm's services, and this payment is now overdue. The firm's credit control manager asks you to withdraw money from the client's account to settle the outstanding fees.

What is the **most appropriate** course of action that you should take with regard to your supervisor's request?

- (a) Refuse to undertake the request as you should never withdraw money from a client's account
 - (b) Agree to this request as it is an issue of disciplinary action to ignore any instruction from a manager
 - (c) Agree to this request, but advise the credit control manager that the firm should not confuse the clients money with any outstanding fees
 - (d) Inform the credit control manager that you would first need to obtain permission from the client before withdrawing money from their account
- 8 One of your responsibilities is to approve the expense claims for the two trainees. One trainee appears to have seriously overstated their claim for mileage for travel to one of the firm's clients. The other trainee, has submitted a mileage claim for a visit to a client, however, you feel certain that they were given a lift by another member of staff within the firm.

What is the **most appropriate** course of action you should take?

- (a) Process the expense forms, and then report both trainees to the office manager, informing him that you have verifiable evidence that the expense forms have been incorrectly completed
- (b) Process the expense forms, but informally tell both trainees that in future you will be checking their expense forms more thoroughly, and that you will not be as lenient as in this instance.
- (c) You need to inform both trainees, that the completion of expense forms implies both honesty and integrity on their behalf, and that you can only authorise valid expense claims.
- (d) Authorise the expense claims, and then send out a memo to all staff reminding them that they have a duty to demonstrate honesty and integrity when completing expense forms

- 9 One of the trainees has approached you for advice. She recently joined your company, and the Accounts' Director has asked her to provide information on her previous company's client base. This information would then be used to attract new clients and encourage them to change their accountants and move to your firm.

What would be the **most appropriate** advice to offer the trainee?

- (a) Advise the trainee to contact her old employer and obtain permission to use the information on their client base.
 - (b) Inform the trainee that she owes a duty of confidentiality to her previous employer, and should not reveal any information about the client base.
 - (c) Advise the trainee that she now owes a duty towards her new employer and should therefore provide the information to the Accounts' Director as requested.
 - (d) Inform the trainee that revealing such information is illegal, and that she would be criminally liable under the fraud regulations.
- 10 You receive an email from an established client, who is very grateful, and congratulates you for all your hard work in producing their recent accounts. The client informs you that they would like to show their gratitude by offering you and your family the use of their villa in the Caribbean; you would have to arrange your own flights.

What is the **most appropriate** form of action to take?

- (a) Decline the offer of the holiday, as this might affect your independence in any future dealings.
- (b) Advise the client that you would first have to receive authorisation from your employer, before accepting their offer of the holiday.
- (c) Advise the client that you are happy to accept the offer of the holiday, as there is no additional cost to the client and all you will have to pay for is for your flight.
- (d) Decline the offer of the holiday as this would be too extravagant, but suggest that you could accept a less expensive gift, such as a flat screen TV.

**EDUCATION DEVELOPMENT INTERNATIONAL PLC
LCCI IQ AWARD IN PROFESSIONAL ETHICS IN ACCOUNTING AND FINANCE
SAMPLE PAPER
LEVEL 3
MARKING SCHEME**

Question	Key
1	C
2	B
3	A
4	D
5	A
6	A
7	D
8	C
9	B
10	A