

Professional ethics

Short question answer

1. Q: What is integrity in accounting?
A: Being straightforward and honest in all professional and business relationships.
2. Q: Give one example of a breach of integrity.
A: Omitting depreciation to inflate profit.
3. Q: What is objectivity for an accountant?
A: Remaining free from bias and conflicts of interest when making judgments.
4. Q: Why should personal expenses not be recorded as business expenses?
A: They mislead stakeholders and should be recorded as drawings.
5. Q: What is the effect of overstating closing inventory by £4,000?
A: Profit and net assets increase by £4,000.
6. Q: How does understating depreciation by £2,000 affect profit?
A: It inflates profit and net assets by £2,000.
7. Q: Why must conflicts of interest be disclosed or avoided?
A: To preserve impartiality and maintain stakeholder trust.
8. Q: Does accepting a bribe to change figures violate ethics?
A: Yes. It breaches integrity and undermines trust.
9. Q: When should an accountant refuse an engagement?
A: When a conflict of interest prevents objective, impartial work.
10. Q: What two core principles are covered here?
A: Integrity and objectivity.

Professional ethics MCQs

1. Which of the following best defines **integrity** for an accountant?
 - A. Following only the employer's instructions
 - B. Being straightforward and honest in all professional relationships
 - C. Maximizing reported profit by any legal means
 - D. Delegating difficult judgments to others**Answer: B** — Integrity means honesty and straightforwardness in professional and business relationships.
2. Deliberately omitting a depreciation figure from the accounts to inflate profit is a breach of which principle?
 - A. Confidentiality
 - B. Objectivity
 - C. Integrity
 - D. Professional competence**Answer: C** — Omitting depreciation to mislead stakeholders violates integrity.
3. If closing inventory is recorded as £20,000 when the correct value is £16,000, what is the immediate effect on profit and net assets?
 - A. Profit decreases by £4,000 and net assets decrease by £4,000
 - B. Profit increases by £4,000 and net assets increase by £4,000
 - C. No effect on profit; net assets increase by £4,000
 - D. Profit increases by £16,000 and net assets increase by £16,000**Answer: B** — Overstating inventory by £4,000 inflates profit and net assets by £4,000.

4. Which action is an example of failing **objectivity**?
- A. Applying consistent accounting policies across years
 - B. Preparing accounts for a company in which the accountant owns shares without disclosure
 - C. Seeking professional development in accounting standards
 - D. Recording depreciation using a justified method
- Answer: B** — Having a financial interest (shares) in a client and preparing their accounts creates bias and undermines objectivity.
5. Personal expenses of a business owner should be recorded as:
- A. Business expenses to reduce tax
 - B. Capital expenditure
 - C. Drawings
 - D. Prepaid expenses
- Answer: C** — Personal expenses should be recorded as drawings, not business expenses.
6. Accepting a bribe to alter financial data would violate which ethical principle(s)?
- A. Integrity only
 - B. Objectivity only
 - C. Both integrity and objectivity
 - D. None of the above
- Answer: A** — Accepting bribes to change data is a clear breach of integrity.
7. Why must accountants avoid inserting biased judgments into financial statements?
- A. To follow tax regulations only
 - B. Because biased statements can mislead stakeholders and harm users' decisions
 - C. Because biased judgments always increase profit
 - D. To avoid using accounting software
- Answer: B** — Bias can mislead stakeholders and lead to poor decisions.
8. Under objectivity, which of these is appropriate when the accountant faces a conflict of interest?
- A. Ignore the conflict and continue preparing accounts
 - B. Record related-party transactions as normal business transactions without disclosure
 - C. Disclose the conflict or avoid the engagement if it impairs impartiality
 - D. Alter figures to favour the related party
- Answer: C** — Conflicts should be disclosed or the accountant should step away if impartiality is impaired.
9. An accountant understates depreciation: depreciation recorded £4,000 instead of £6,000. Which of the following statements is correct?
- A. Profit and net assets are unaffected
 - B. Profit and net assets are inflated by £2,000
 - C. Profit decreases by £2,000 and net assets decrease by £2,000
 - D. Profit and net assets are inflated by £5,000
- Answer: B** — Understating depreciation by £2,000 inflates profit and net assets by £2,000.
10. Which principle requires accountants to remain free from personal bias when making professional judgments?
- A. Integrity
 - B. Competence
 - C. Objectivity
 - D. Confidentiality
- Answer: C** — Objectivity requires freedom from bias and conflicts of interest.

1. Which best describes professional competence in accounting?
 - A. Relying on past knowledge only
 - B. Keeping up to date with accounting policies and regulations
 - C. Delegating all technical decisions to juniors
 - D. Prioritizing speed over accuracy**Answer: B**
2. Which action demonstrates due care by an accounting firm manager?
 - A. Assigning complex tasks to unqualified staff to save cost
 - B. Performing a skills analysis and assigning competent staff to tasks
 - C. Ignoring deadlines to focus on minor issues
 - D. Allowing staff to use outdated standards if convenient**Answer: B**
3. Why must accountants keep their knowledge current?
 - A. To avoid professional development courses
 - B. To ensure compliance with regulations and provide competent service
 - C. So they can work longer hours
 - D. To reduce the need for supervision**Answer: B**
4. Which of the following is a breach of confidentiality?
 - A. Discussing client figures internally with the audit team
 - B. Sharing client financial details with a competitor without consent
 - C. Storing client data securely within the firm
 - D. Reporting required information to an authorized regulator**Answer: B**
5. When is it acceptable to disclose confidential client information?
 - A. Whenever it benefits the firm financially
 - B. Never, under any circumstances
 - C. When required by law or with proper client consent
 - D. To colleagues outside the engagement without permission**Answer: C**
6. Which practice shows a lack of due care?
 - A. Ensuring work is completed timely and accurately
 - B. Using qualified staff for technical tasks
 - C. Producing financial documents without adequate review
 - D. Regularly updating staff training programs**Answer: C**
7. Confidentiality obligations protect information from being shared with:
 - A. Regulators when legally required
 - B. Competitors and unauthorized third parties
 - C. Internal team members working on the engagement
 - D. The client who provided the information**Answer: B**
8. What should a firm do if staff lack required skills for a task?
 - A. Assign the task anyway and hope for the best
 - B. Carry out training, reassign the task, or hire qualified personnel
 - C. Outsource to an unrelated business without checks
 - D. Ignore skills gaps and continue as usual**Answer: B**

9. Which statement about confidentiality agreements is true?
- A. They can never be overridden
 - B. They must always be shared with competitors
 - C. They may be set aside if disclosure is required by law
 - D. They only apply to paper documents

Answer: C

10. A timely, professional piece of work produced by competent staff exemplifies:
- A. Lack of integrity
 - B. Professional competence and due care
 - C. Breach of confidentiality
 - D. Conflict of interest

Answer: B

Professional behaviour and public interest MCQs

1. Which action best demonstrates professional behaviour by an accountant?
- A. Exaggerating expertise to win clients
 - B. Complying with laws and regulations to protect the profession's reputation
 - C. Publicly criticising a colleague on social media
 - D. Offering services outside one's competence without disclosure
- Answer: B**
2. Claiming false expertise in tax accounting to attract clients violates which principle?
- A. Public interest
 - B. Professional competence only
 - C. Adopt professional behaviour
 - D. Confidentiality
- Answer: C**
3. Why must accountants avoid making unprofessional comments about colleagues?
- A. To avoid extra paperwork
 - B. To protect the profession's reputation and maintain trust
 - C. To increase billable hours
 - D. To avoid training requirements
- Answer: B**
4. Acting in the public interest mainly requires accountants to:
- A. Maximise client profits at any cost
 - B. Ensure financial statements are true, fair, and reliable
 - C. Disclose all client secrets to the public
 - D. Prioritise personal gain over stakeholder trust
- Answer: B**
5. What is a likely consequence if firms produce biased financial accounts?
- A. Increased investor confidence
 - B. Reduced trust, lower investment, and hindered growth
 - C. Automatic regulatory reward
 - D. Higher employee satisfaction
- Answer: B**
6. An accountant who follows laws, refuses to mislead users, and acts transparently is upholding:
- A. Only technical competence
 - B. Both professional behaviour and public interest
 - C. Confidentiality only
 - D. Personal financial gain
- Answer: B**

7. Which of the following is NOT consistent with adopting professional behaviour?
- A. Keeping knowledge and claims accurate
 - B. Respecting colleagues and avoiding unprofessional remarks
 - C. Deliberately overstating qualifications to secure work
 - D. Complying with relevant regulations

Answer: C

8. How does acting in the public interest benefit the wider economy?
- A. By encouraging biased reporting to attract investors
 - B. By maintaining confidence in financial reporting, which supports investment and growth
 - C. By reducing the need for external audits
 - D. By prioritising short-term profit over transparency

Answer: B

9. When can an accountant legitimately advertise a specialised skill set?
- A. When the claim is truthful, can be evidenced, and the accountant is competent in that area
 - B. When it attracts any client regardless of truth
 - C. When competitors do the same without proof
 - D. When regulators are unaware

Answer: A

10. Which pair of principles are most directly reinforced by complying with laws and producing true and fair accounts?
- A. Confidentiality and objectivity
 - B. Professional behaviour and public interest
 - C. Competence and accepting bribes
 - D. Objectivity and exaggeration

Answer: B

* What are professional ethics?

Professional ethics are the personal and corporate rules that govern behaviour within a particular organisation or profession. They are professionally accepted standards of personal and business behaviour. Sometimes they are called codes of practice.

Pearson Edexcel International GCSE: Accounting(9-1)

Which one of the following is not a principle of professional ethics?

- A Confidentiality
- B Duality v
- C Integrity
- D Objectivity

Source: Wednesday 15 May 2024

Identify which is not a principle of professional ethics.

- A Confidentiality
- B Integrity
- C Materiality ✓
- D Objectivity

Source: **January 2023**

Identify the professional ethic being described. 'An accountant's knowledge must be at an appropriate level.'

- A Confidentiality
- B Integrity
- C Objectivity
- D Professional competence ✓

Source: Thursday 2 November 2023

Identify the principle of professional ethics being described. "Accountants must make their own judgements on the accounts"

- A Confidentiality
- B Integrity
- C Objectivity ✓
- D Professional behaviour

Source: June 2022

Identify which of the following is not a principle of professional ethics.

- A Confidentiality
- B Duality ✓
- C Integrity
- D Objectivity

Source: June 2021

Which one of the following is not a principle of professional ethics?

- A Confidentiality
- B Integrity
- C Materiality ✓
- D Objectivity

Source: January 2020

Which one of the following is an accounting concept?

- A Comparability
- B Materiality ✓
- C Objectivity
- D Understandability

Source: Tuesday 14 January 2020

Workout: Professional Ethics — Pearson Edexcel IGCSE Accounting

Question 1 — Short answer (6 marks)

Write short answers (one or two sentences each).

1. Define **integrity** in the context of accounting. (1 mark)
2. Define **objectivity**. (1 mark)
3. Give one example of a breach of **confidentiality**. (1 mark)
4. Explain briefly why **professional competence and due care** matter for an accounting firm. (1 mark)
5. State one way an accountant can act in the **public interest**. (1 mark)
6. Give one action that demonstrates **professional behaviour** when advertising services. (1 mark)

Answers and marking guidance (total 6 marks)

- 1: Integrity — being honest and straightforward; not knowingly misleading users (1).
- 2: Objectivity — making judgments free from bias or conflicts of interest (1).
- 3: Example — sharing client financial details with a competitor without consent (1).
- 4: Competence/due care — ensures work is accurate and compliant with current rules; prevents errors and loss of reputation (1).
- 5: Public interest — prepare true and fair financial statements to maintain investor/public confidence (1).
- 6: Professional behaviour — make only truthful, evidenced claims about skills; do not exaggerate qualifications (1).



Best of LUCK