

Sample 2 Professional Responsibilities and Ethics CBE – Answers

For Exams from 1 March 2024

- 1) Professional behaviour
- 2) A. All of them
- 3) D. forever
- 4) Consideration
- 5) True = HMRC
True = A member of the CIOT
True = A student of the CIOT
- 6) Professional behaviour
- 7) A. The member is primarily responsible for the work
- 8) A. Covering letter
C. Standard terms and conditions of business
D. Cancellation notices for consumers
- 9) A. The need to seek other professional advice



- B. The tax sophistication of the client
 - D. The technical complications presented
- 10) A. Both 1 and 2
- 11) A. Personal circumstances of the client
- B. Financial standing of the client
 - D. Attitude to disclosure in regard to compliance with tax law
- 12) D. In the event of a serious incident, such as fire, flood or major IT systems failure
- 13) True = The Law Society is a Designated Professional Body under FSMA 2000
- False = Membership of the CIOT automatically give authority to provide any of the services regulated under FSMA 2000
- 14) True = A written agreement should provide details of the duration of Salim's responsibilities
- False = Miranda must have granted Salim power of attorney
- 15) forward the letter to Ann
- 16) duty of client confidentiality
- 17) True = Where the member charges on the basis of time spent, an enhanced rate can be charged for urgent deadlines
- True = Indicative fees should be given before work is started

- 18) A. The member can cease if the client requires them to do so
B. The member can cease provided they give reasonable notice of their intention to do so
D. The member can cease because of legal or professional obligations
- 19) Correct = Any circumstances in which fees may become repayable should be set out in the letter of engagement
Incorrect = The arrangement carries the risk that a third party could question the independence of Tomasz
- 20) B. The client's permission is not required if the request is legally enforceable and overrides client confidentiality
D. If the client refuses permission to disclose, the member should consider obtaining specialist advice
- 21) C. Sima may not use the coat of arms, but may use the logo provided she has the CIOT's permission
- 22) B. Disassociate themselves from the matter
D. Consider seeking alternative employment
- 23) A. Alison's first action should be to immediately cease her employment
- 24) £20,000 per principal
- 25) B. Planning; Undertaking; Outcome

- 26) B. Where the gross fee income is less than £400,000, there may be lower levels of cover
- 27) D. All of them
- 28) True = Jonah must meet the CPD requirements of both the CIOT and the other professional body
False = Compliance with the other professional body's CPD requirements will not count towards the CIOT requirements
- 29) True = PCRT in particular refers to the tripartite relationship between a member, client and HMRC
True = PCRT consists of the Fundamental Principles and the Standards for Tax Planning
- 30) A. A member is free to choose whether or not to act for a client, both generally and as regards specific activities
C. A member must carry out their work with a proper regard for the technical and professional standards expected
D. On occasions, there may be more than one tenable interpretation of the law. Each case should be considered on its own individual facts and circumstances
- 31) True = An assessment of the relevant disclosures that should be made to HMRC to enable it to make any reasonable enquiries
True = An assessment of uncertainties and risks involved in the planning
- 32) B. It is rigorously safeguarded by the courts
C. It may be overridden in limited circumstances
- 33) C. Shana must draw her client's attention to the fact that HMRC could take a different view
- 34) C. After written advice on the consequences is given by the member

- 35) True = Whether an amount is to be regarded as material depends upon the facts and circumstances of each case
False = The application of GAAP extends beyond the accounting profits, meaning materiality can be applied for tax filings
- 36) A. The filing relies on a valuation
B. There is doubt about the correct treatment of an item
C. The amount of tax at stake is significant
- 37) True = A member can act for a client who is rectifying their affairs after they have evaded tax in the past
True = Tax planning is legal
- 38) as soon as is practicable
- 39) B. Charlotte can only accept the commission from Pottax Ltd
- 40) True = Sven must obtain Jo's authority before passing details relating to Jo's tax to a prospective new adviser
False = Sven should write to HMRC to let them know why he is ceasing to act
- 41) True = The member should consider whether specialist advice is needed regarding whether the request is valid
False = If the notice is legally effective, the client has no right of appeal
- 42) C. 2 only
- 43) C. The Proceeds of Crime Act 2002
- 44) the National Crime Agency

- 45) Is a valid defence = The person obtained prior consent to engage in the conduct from the National Crime Agency
- Is a valid defence = The person did not know or suspect that they were dealing with criminal property
- 46) A. The procedures should be easy to understand and follow for all staff
- B. Firms should regularly review and update the policies
- C. Records should be maintained in writing of the steps taken to communicate the policies and procedures within the business
- 47) High risk factor = The customer is a business that is cash intensive
- Low risk factor = The customer is a company whose securities are listed on a regulated market
- Low risk factor = The customer is a public administration, or a publicly owned enterprise
- 48) A. The most recent UK National Risk Assessment
- B. The CIOT/ATT Supervisory Risk Assessment
- 49) A. The privileged circumstances exemption applies
- B. The individual does not know, or suspect, money laundering has occurred and has not been provided with training by their employer in this area
- D. There is a reasonable excuse for not making the disclosure
- 50) Only CloudTax are likely to face prosecution.