

LEARNING UNIT 1 – THE CODE OF PROFESSIONAL CONDUCT, BY-LAWS AND RULES REGARDING IMPROPER CONDUCT



Duration: 5 hours 21 minutes

Your time should be divided between two aspects:

- **Obtaining the required knowledge**
This entails working through this learning unit. It is important to note that a significant part of this learning unit has been covered in your undergraduate studies. Since the SAICA Code of Professional Conduct was covered in your undergraduate studies (it is assumed knowledge), we allow some time in this LU to refresh your memory and work through some notes and questions to assist in honing your critical thinking and decision-making skills. If the time allowed is not enough, you will have to refresh your memory regarding the sections you already covered in your prior studies **in your own time**.
- **Application of knowledge**
This entails the completion of the self-assessment questions included in this learning unit. After completion of the learning unit, you will have the opportunity to test your knowledge by completing some questions which will comprise of integrated activities covering other learning units, these integrated questions will be included in your additional resources folder.

The following time allocation is recommended:

APA		Minutes
1.1	Introduction	1
1.2	Learning Outcome and Assessment Criteria	1
1.3	Learning Assumed to be in Place	2
1.4	Background	60
1.5	Exam Technique	2
1.6	Self-assessment question 1.1	30
1.7	Announcements	3
1.8	Lectures	240
Total		339



1.1 INTRODUCTION

In your future career as a chartered accountant and/or auditor, you will encounter complex ethical dilemmas in your professional environments, where competing interests, pressure from management, and regulatory demands often intersect. The study of ethical principles is therefore critical in equipping students to recognise, analyse, and respond appropriately to situations such as conflicts of interest, manipulation or misrepresentation of financial information, threats to independence and objectivity, confidentiality breaches, and pressure to prioritise organisational performance over ethical and public interest considerations.

In line with the SAICA Code of Professional Conduct (2025), ethical conduct is not a rules-based compliance exercise, but an outcomes-oriented application of professional judgement in the public interest. The Code requires professional accountants to apply a conceptual framework to identify, evaluate and address threats to the fundamental principles using the reasonable and informed third-party test. This learning unit therefore emphasises ethical reasoning, judgement and

defensible decision-making, as required in the SAICA Initial Assessment of Competence (IAC).



1.2 LEARNING OUTCOME AND ASSESSMENT CRITERIA

The content of this learning unit is based on the following learning outcome and assessment criteria:

Learning outcome	Assessment criteria
Exercise ethical judgments in practical situations.	Discuss and apply ethical principles in practical simulations.

1.3 LEARNING ASSUMED TO BE IN PLACE

The code of professional conduct, by-laws and rules regarding improper conduct was covered as part of your undergraduate studies. You must revise the content below if you are not familiar with the content.

SAICA Student Handbook 2025/2026 Volume 2B, SAICA and IRBA Pronouncements:

- Section 1: ET
- Section 2: IRBA Rules Regarding Improper Conduct (BN105/2019 and IRBA RULES)
- Section 6 By-laws – only available on SAICA’s website: www.saica.co.za (Appendix 4)

Please take note that the pronouncements issued by IRBA is not included in Volume 2B, but only available on the IRBA website: www.irba.co.za.



COMMENT

We recommend that you study the CPC directly from the SAICA Student Handbook, as you may take this book with you when writing the test and/or examination according to the open book policy. Refer to the open book policy as published on SAICA's website

(<https://saicawebprstorage.blob.core.windows.net/uploads/resources/IAC-Regulations-2025.pdf>).

The Rules Regarding Improper Conduct is not included in the SAICA books but is still examinable. You should therefore ensure that you are familiar with the content thereof.

1.4 BACKGROUND

Professional Ethics

Part 1 of the SAICA Code of Professional Conduct basically sets the groundwork for the entire code, and it is important that you understand all the basics covered.

The fundamental principles (section 110) are as follows:

- integrity (subsection 111);
- objectivity (subsection 112);
- professional competence and due care (subsection 113);
- confidentiality (subsection 114); and
- professional behaviour (subsection 115).

In the 2025 edition of the SAICA Code, certain application material has been elevated to South African requirements (for example R120.9a SA). This reinforces that professional accountants must not only identify threats but must also explicitly justify their evaluation of whether such threats are at an acceptable level. In assessments, students are therefore expected to demonstrate reasoning and judgement, not merely list principles or threats.

Fundamental principles are the standard of behaviour that is expected from all CA(SA)s as defined in the CPC. Ensure that you understand each of these principles, so that you can identify the fundamental principle under threat in each scenario given in an assessment.

The conceptual framework approach requires the CA(SA)s to (120.2):

- Identify threats to compliance with the fundamental principles arising from facts and circumstances.
- Evaluate the significance of each threat using the reasonable and informed third-party test to determine whether the threat is at an acceptable level.
- Address the threats by:
 - eliminating the circumstances creating the threat;
 - applying appropriate safeguards to reduce the threat to an acceptable level; or
 - declining or ending the professional activity where threats cannot be reduced to an acceptable level (R120.10–R120.11).

Before you can identify the threat and start applying the conceptual framework, you need to know each of the following categories of threats. Please note that more than one threat can be applicable to any given scenario (R120.6 A3):

- self-interest threats;
- self-review threats;
- advocacy threats;
- familiarity threats; and

- intimidation threats.

Candidates should note that more than one category of threat is often present in a single scenario. High-quality answers identify all relevant threats, link each threat to the affected fundamental principle, and evaluate their combined impact on ethical compliance.

After identifying the threat, which can be challenging, the CA(SA) would need to assess the threat and ensure that it is at an acceptable level. Should the threat not be at an acceptable level, paragraph R120.10 would apply.

Part 2: Professional accountants in business

This part of the CPC is applicable to professional accountants in business such as employees, directors (executive or non-executive), partners, owner-managers, and the like. Professional accountants in business must comply with this part, as well as with part 1 of the CPC. (Refer to the Guide to the Code.)

This part further sets out additional material that applies to professional accountants in business when performing professional activities. Professional accountants in business include professional accountants employed, engaged, or contracted in an executive or non-executive capacity. This part is also applicable to professional accountants in public practice when performing professional activities pursuant to their relationship with the firm, whether as a contractor, employee, or owner. This part of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics was not incorporated into the IRBA Code.

It is important that you are familiar with each of the specific situations addressed in sections 210 to 270 and how it can be incorporated into assessments. These situations form the basis of questions that could be set in this area of the CPC.

Section 260 (NOCLAR) is a highly examinable and judgement-intensive area of the SAICA Code of Professional Conduct (2025). Awareness of actual or suspected non-compliance with laws and regulations creates self-interest and intimidation threats to the principles of integrity and professional behaviour. The Code distinguishes clearly between the responsibilities of senior and non-senior professional accountants in business, requiring escalation, documentation and, in certain circumstances, disclosure (paras 260.11–260.27).

Part 3: Professional accountants in public practice

This part of the CPC is applicable to professional accountants who are in public practice whether they provide assurance services or not. This part sets out additional information that applies to professional accountants when providing professional services.

Exam Focus – Dual Application of the Code

Where a professional accountant in public practice performs professional activities pursuant to their relationship with a firm (for example consulting or accounting services), Part 2 requirements may apply in addition to Part 3. Candidates must therefore clearly identify which Part(s) of the Code apply to each role in a scenario.

Part 4: International independence standards

This part sets out additional material that applies to professional accountants in public practice when performing the following engagements:

- Part 4A – *Independence for Audit and Review engagements* – when performing audit or review engagements
- Part 4B – *Independence for Assurance Engagements other than Audit and Review Engagements* – when performing assurance engagements which are not audit or review engagements. (NOT EXAMINABLE IN CTA2)

Independence threats are very topical, and you need a thorough understanding of this topic together with the related safeguards. Professional accountants in this part refers to individual professional accountants in public practice and their firms. As mentioned above professional accountants in public practice must comply with parts 1, 3 and 4 of the CPC.

You should study all four parts of the CPC, as stated above, to enable yourself to identify which parts of the CPC are applicable when answering questions.

When attempting questions or writing tests or examinations, you should be on the lookout for persons in scenarios who are CA(SA)s and bear in mind that they have to comply with the CPC.

Please note that trainees aspiring to become CA(SA)s should comply with the SAICA CPC based on

the provisions of SAICA's training regulations. SAICA's training regulations however do not form part of your certificate in the theory of accounting (CTA) or Initial Test of Competence (ITC) syllabus.

Business Ethics

Business ethics refers to policies or practices that guide all decisions of the organisation with internal and external stakeholders. Business ethics, when applied correctly assists the organisation to meet operational goals but can also assist in safeguarding the reputation of the organisation.

As you step into the profession, you will need to make various decisions for different organisations. It is important that decisions you make are based on solid ethical principles and theories to ensure responsible leadership and the sustainability of the organisation.

I2		Business ethics	
<i>Business ethics refers to the ethical principles and values applied by the organisation to decision-making, conduct and the relationship between the organisation, its stakeholders and society (King V).</i>			
Learning Outcomes	Level	Minimum content	Level
d) Describe ethics theories (normative and applied) and how they can provide the reasoning behind the corporate culture, decisions-, actions- and behaviour of management and employees when they act as agents of the corporation.	2	<u>Ethics theories</u> <ul style="list-style-type: none"> • Virtue Ethics • Utilitarian Ethics • Deontological Ethics • Egalitarianism Ethics • Common good approach to Ethics • Fairness or justice approach to Ethics <u>Theoretical underpinnings</u> <ul style="list-style-type: none"> • Stakeholder Theory • Shareholder Theory • Agency Theory • Institutional Theory • Legitimacy Theory • Resource-dependency Theory • Resource-based View 	
e) Apply an ethical decision-making process which incorporates the ethics triangle, which requires critical thinking and ethical reasoning skills, to solve ethical dilemmas or make business ethical decisions.	3	<ul style="list-style-type: none"> • Ethics triangle (good for self and good for others) • Corporate governance as defined by KING V • Responsible leadership and sustainable development 	3

*SAICA Competency Framework 2025

The above insert was taken from the SAICA Competency Framework (updated 2025). It shows what is expected from students with regards business ethics.

You should take a moment and research the different ethical theories and the theoretical underpinnings.



1.5 EXAM TECHNIQUE

- In SAICA IAC and CTA assessments, ethical questions are assessed primarily on a candidate's ability to apply the conceptual framework in a structured, logical and defensible manner, rather than on the mere recall of ethical terminology. You will need to consider the following elements in your answer: Identify the issue as you have identified it in the scenario.
- State the threat (s) to fundamental principle (s).
- Explain why it is a concern. (This is very important)

- Evaluate the significance of the issue/concern/threat.
- Apply safeguards to reduce the threat to an acceptable level or eliminate the threat.
- Explicit reference to relevant paragraphs of the SAICA Code of Professional Conduct (2025) strengthens answers and demonstrates professional judgement.

1. Compliance with a fundamental principle being threatened

For example, compliance with the fundamental principle of **objectivity** is threatened due to the familiarity threat to the external auditor's objectivity because of the auditor's family ties with the financial director, a CA(SA) of the client company. The threats can be categorised as follows (see paragraph 120.6 A3):

- self-interest threats;
- self-review threats;
- advocacy threats;
- familiarity threats; and
- intimidation threats.

2. Evaluation of threat (R120.7 and R120.9)

You should evaluate the significance of each threat. In point 1 above, the financial director will have a significant influence on the subject matter that will be audited by the auditor in question, and the threat will therefore be significant.

3. Addressing threats (R120.10 and R120.11)

The threat should be either eliminated or reduced to an acceptable level by putting an applicable safeguard(s) in place. The professional accountant will do so by: eliminating the circumstances, including interests and/or relationships, that are creating threats;

- applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; and
- declining or ending the specific professional activity.



B.

- Most students struggle to identify all the relevant matters relating to improper ethical conduct in any given scenario. A very good theoretical knowledge of the CPC will help you with this. The first step is to know what is in your book and what is covered in parts 1, 2, 3 and 4 of the CPC. You should then enhance this knowledge by attempting many questions under examination conditions.
- Remember that both professional accountants in business and professional accountants in public practice must comply with the CPC. It is therefore very important to ensure you deal with the ethical conduct of all the relevant persons in the given scenario, for example, a financial director who is a CA(SA) and which parts of the CPC is applicable.
- The threat to the auditor's independence will always be a topical issue, and you should be on the lookout for this threat and any others hidden in a scenario. Please refer to the CPC as well as *Auditing notes* for practical examples on threats, considerations regarding the significance of the threat, as well how to address the identified threats. **It is important to link each of the threats identified with the appropriate fundamental principle as per section 110 of the CPC.**

Self-assessment Question 1.1**10 marks**

Activity	Estimated Time		
	Reading and writing	Marking and review	Total
SAICA ITC 2022 (Adapted)	20 minutes	10 minutes	30 minutes

Tshepo Tenza is a young entrepreneur who started his own jeans manufacturing and retail business, Rainbow Threads, in 2017. He began operations from his house and steadily grew the business over time as the popularity of his jeans increased. The jeans are unique because they have vibrant prints along the hems and on the pockets. These prints are inspired by the colourful patterns seen in Ndebele artworks. Tshepo has kept his costs as low as possible, with the result that his unique style of clothing remains affordable. Rainbow Threads aims to keep on growing the number of customers who are loyal to the brand.

In early 2018, Tshepo managed to secure equity funding from Flash Venture Capitalists ('FVC') through its early-stage investment programme, which enabled him to expand Rainbow Threads faster. To obtain the funding, he had to incorporate Rainbow Threads as a private company, Rainbow Threads (Pty) Ltd ('RainbowT') in which he holds 80% of the shares, with FVC owning the balance. As part of the shareholders' agreement, FVC also required that RainbowT adopt full International Financial Reporting Standards (IFRS) and provide audited annual financial statements. The audit for the financial year ended 31 January 2026 (FY2026) is currently in progress. Tshepo used part of the funds obtained from FVC to enter into a lease agreement for premises in the Mall of Africa, located in Gauteng, effective from 1 July 2019.

Tshepo is worried about the current financial position of the business. Because he only has basic accounting knowledge, he approached his life-long friend, Lebogang Tshabala CA(SA), for advice. Lebogang is the managing partner at a consultancy firm, TT Consultants. Tshepo asked Lebogang if TT Consultants could help him to ensure that his accounting records and financial statements continue to meet the requirements of IFRS.

Lebogang discussed the proposed engagement with her partners at TT Consultants, and they agreed to provide these services to RainbowT. However, before Lebogang could share the news with Tshepo, another partner at the firm informed Lebogang that he had reached out to some of his friends and obtained possible funding to assist Tshepo. He proposed the following:

- TT Consultants should accept RainbowT as a consulting client, and RainbowT will pay an agreed-upon rate per hour for accounting services provided.
- TT Consultants would then refer RainbowT to MSM Bank ('MSM'), a privately-owned financial institution. MSM provides competitive rates on revolving credit facilities and transactional products and has agreed to purchase some of the trade receivables of RainbowT in a factoring agreement and to provide additional funding.
- TT Consultants will receive a substantial fee for referring RainbowT to MSM as well as 5% commission on all future revenue generated by MSM on the RainbowT contract.

Lebogang is concerned about the proposal, as she is aware that the chief executive officer of MSM has been implicated in corrupt practices. In fact, he is due to testify before a commission of enquiry regarding these allegations. MSM has been accused of bribing regulators, cabinet ministers and other government officials.

Required:	Marks
Discuss, with reference to ethical considerations, whether or not Lebohang should advise RainbowT to accept assistance from MSM.	10

Question 1 Solution

SAICA Code of Professional Conduct

Lebohang is a qualified Chartered Accountant and is therefore required to comply with the SAICA Code of Professional Conduct (Part 1 and 2).

Several conflict of interest exists:

- Lebohang is friends with Tshepo and is also managing partner at TT Consultants (1)
- Lebohang's company will get substantial fee for referring Rainbow T to MSM. (1)

This creates a self-interest threat (0.5), and possibly a familiarity threat (0.5) to Lebohang's objectivity (0.50).

Lebohang might be biased during the consulting process and might be improperly influenced by the substantial fee to be received by TT Consultants when advising Tshepo. (1)

This threat is not at an acceptable level especially the substantial fee to be received for referring Rainbow T to MSM. (1)

Lebohang should not be involved in advising Rainbow T to MSM and should declare the conflict of interest to Rainbow T. (1)

Other

- Since the commission amount is based on the revenue earned, which is based on the amount of financing that is granted, TT Consultants may be incentivised to advise RainbowT to request and/ or accept more financing than is actually necessary. (1)
- Since the CEO of MSM Bank has been implicated in corrupt practices, it is possible that the financing that they are able to provide are the proceeds from illegal transactions Such illegal transactions may involving taxpayers' money, including the current corruption issues plaguing the country, which may cause great reputational harm as it relates to the public interest. (1)
- Lebohang should consider the potential reputational damage which may arise from being associated with the CEO of MSM may bring (1)
- in addition to the above conflict of interest, Lebohang is also a life-long friend of Tshepo and needs to decide between the best interests of her firm and that of a client (and also a friend).(1)
- As a managing partner / Director, Lebohang has a responsibility to the firm in terms of S 76 of the companies act (act honestly, in good faith and in a manner, they reasonably believe to be in the best interests of, and for the benefit of, their companies), to ensure that the firm's interests and reputation are protected and that clients will not endanger the firm. (1)
- For Lebohang to meet her fiduciary duty to the firm, she has to discuss the offer from MSM Bank with RainbowT, but she can bring to the company's attention the potential consequences of entering into the transaction. (1)
- In addition, Lebohang should also ensure that the advice that she gives to her new client,

- RainbowT is sound and steers them in the correct direction from both an ethical and business perspective. (1)
- The consequence would be that RainbowT can also be negatively affected by the affiliation with MSM Bank. (1)
 - Furthermore, RainbowT runs the risk that FVC might withdraw support or funding from RainbowT given an affiliation with MSM Bank. (1)
 - As this is a small company, the application of King is recommended but not prescribed. King principles should be applied by the company as suggested including the ethical requirements, effective leadership etc. (1)
 - Lebogang should apply one of the ethical theories such as good for self and good for others. In making this decision, the following approaches / ethical theories may be relevant in deciding what is “good”: (1)
 - Lebogang will need to evaluate her goals and principles (virtue theory) and determine whether advising RainbowT to potentially implicate itself in a potentially adverse scenario is aligned with her virtues. (1)
 - Given that she is a CA(SA) and upholds a high standard of ethics, this would not be aligned to her professional virtues (which should correlate to her personal virtues) and therefore she should advise RainbowT to not to take the offer. (1)
 - In line with King and the Companies Act, Lebogang should be forthcoming, transparent and honest with Tshepo regarding the transaction and related risks. (1)
 - Going into business with the CEO is not good for “self” in the sense that it is not sound business practice as the factoring agreement will give rise to discounted receivables which could hamper profitability and cash flows, (1 mark) although this is good for the “other”, namely the CEO and MSM Bank (sound business ethic principles) (1)
 - When considering the impact on all stakeholders, even though TT Consultants may benefit from this agreement via the referral fee, this may negatively impact RainbowT through association with MSM Bank and thus Lebogang should not advise on this offer as it may be to the company’s detriment. (1)
 - The standard for good behaviour through pure rational reflection lends itself to the fact that Lebogang, as a CA(SA), with an understanding of the current negative impact around the CA(SA) profession and the need to uphold objective standards of good behaviour should strive to avoid being implicated in situations that will further tarnish the profession i.e. MSM Bank’s allegations of bribery. (1)
 - Lebogang should encapsulate the concept of “Ubuntu” and respect and understand that she needs to help RainbowT to achieve the best outcome that is aligned with prioritising all parties above just her own business. Effectively, if RainbowT fails because of the agreement with MSM Bank, this will also reflect poorly on Lebogang within the community as she is the one who advised him on this course of action. (1)
 - Lebogang to consider the appropriateness of being remunerated twice for the same service: hourly rate for advising Rainbow T but also getting a referral fee on securing the funding. This may not be considered fair business practice. (1)
 - Conclusion Therefore, Lebogang should discuss the MSM Bank offer made but should explain clearly to RainbowT what the risks are and advise accordingly that it should not accept the offer from MSM Bank. Valid conclusion. (1)

Available 20
Maximum 10



1.7 ANNOUNCEMENTS

Please refer to the Announcements on Learning Unit 1 on myUnisa for some additional resources on the content of this Learning Unit.

1.8 LECTURES

Lectures will be held during March and April, please refer to myUNISA for the announcement regarding the lectures. Additional learning material and questions will also be loaded under the **Additional Resources** folder. Refer to the **Announcements** for additional information on lectures.

Ethics: Additional Resources



DISCUSSION FORUM 1.1: IN THE NEWS

1. Read the following article:

<https://iol.co.za/news/south-africa/2025-10-31-witness-c-highlights-the-challenges-faced-by-ethical-saps-members-amid-corruption/>

Suggested Sites Gmail YouTube Maps Rosebank College -... My virtual machines... Adobe Acrobat

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NEWS ▾ MATRIC POLITICS ▾ OPINION ▾ BUSINESS ▾ ENTERTAINMENT ▾ LIFESTYLE ▾ TRAV

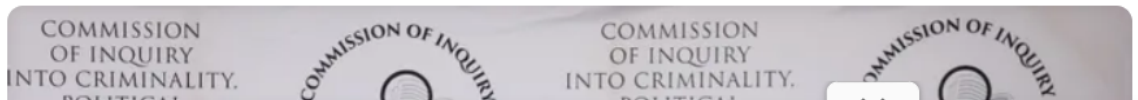
NEWS SOUTH AFRICA

Witness C highlights the challenges faced by ethical SAPS members amid corruption



Loyiso Sidimba | Published 2 months ago

3min



Discussion points:

- Is the problem with the apples or the barrel?
- Critical thinking is vital; all students should strive to focus on the broader picture and integration plays a huge role. Ethical dilemmas are never in isolation; they involve real-life situations that will have an impact on the business profits and other stakeholders such as employees.

Please use the Discussion Forum on myUnisa to discuss among yourselves what are your thoughts on the above article using the discussion point above.