|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The difference between what the public thinks it is getting in audited financial statements and what the public is actually getting is known as:   |  |  |  | | --- | --- | --- | |  | a. | the credibility gap. | |  | b. | the expectations gap. | |  | c. | the audit gap. | |  | d. | the stewardship gap. | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Which of the following is **not** a trend described in Chapter 1 as having an impact on the ethics of business?   |  |  |  | | --- | --- | --- | |  | a. | Directors’ legal liability | |  | b. | Management’s stated intention to protect reputation | |  | c. | Auditors’ legal liability | |  | d. | Management’s assertions to shareholders on the adequacy of internal controls | |  | e. | Management’s stated intention to manage risk |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. Which corporate report discusses subjects that include environmental, health and safety, philanthropic, and other social impacts?   |  |  |  | | --- | --- | --- | |  | a. | A corporate annual report | |  | b. | A corporate social responsibility report | |  | c. | A corporate quarterly report | |  | d. | A corporate stakeholder report | |  | e. | A corporate ethics committee report |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. Professional accountants, in their fiduciary role, owe their primary loyalty to:   |  |  |  | | --- | --- | --- | |  | a. | the accounting profession. | |  | b. | the client. | |  | c. | the general public. | |  | d. | government regulations. | |  | e. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Ethical corporate behavior is expected to lead to:   |  |  |  | | --- | --- | --- | |  | a. | higher profitability in the short term. | |  | b. | higher profitability in both the short term and the long term. | |  | c. | lower profitability in the long term. | |  | d. | higher profitability in the long term. | |  | e. | lower profitability in both the short term and the long term. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Examining the interests of stakeholders is probably required for:   |  |  |  | | --- | --- | --- | |  | a. | high short-term profits. | |  | b. | optimal medium- and longer-term profits. | |  | c. | continuing support from stakeholder groups. | |  | d. | effective risk management. | |  | e. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. A value that is almost universally respected by stakeholder groups is:   |  |  |  | | --- | --- | --- | |  | a. | a super norm. | |  | b. | an alfa norm. | |  | c. | a value norm. | |  | d. | a hypernorm. | |  | e. | a general norm. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Since the mid-1990s, both management and auditors have become increasingly:   |  |  |  | | --- | --- | --- | |  | a. | profit management oriented. | |  | b. | ethics oriented. | |  | c. | value management oriented. | |  | d. | risk management oriented. | |  | e. | marketing oriented. |  |  |  | | --- | --- | | *ANSWER:* | b, d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The following are determinants of reputation.   |  |  |  | | --- | --- | --- | |  | a. | Trustworthiness and responsibility | |  | b. | Credibility, responsibility, and relevance | |  | c. | Responsibility and impartiality | |  | d. | Relevance and impartiality | |  | e. | Relevance, credibility, and responsibility |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. The following would be a key control function of a board of directors.   |  |  |  | | --- | --- | --- | |  | a. | Set guidance and boundaries | |  | b. | Appoint the CEO | |  | c. | Approve the sale of the company’s assets | |  | d. | Decide on the company’s auditor | |  | e. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Companies attempt to manage the risk of something happening that will have a negative or positive impact on the company’s objectives, such as:   |  |  |  | | --- | --- | --- | |  | a. | credit risks. | |  | b. | litigation risks. | |  | c. | reputation risks. | |  | d. | ethics risks. | |  | e. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Most large corporations do not consider these risks in a broad and comprehensive way.   |  |  |  | | --- | --- | --- | |  | a. | Operational risks | |  | b. | Reputational risks | |  | c. | Credit risks | |  | d. | Market risks | |  | e. | Ethics risks |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. The following are examples of ethics risks faced by employees.   |  |  |  | | --- | --- | --- | |  | a. | Honesty and integrity | |  | b. | Fairness and compassion | |  | c. | Integrity and responsibility | |  | d. | Fairness and integrity | |  | e. | Responsibility and honesty |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Not reporting environmental issues is an example of:   |  |  |  | | --- | --- | --- | |  | a. | a lack of transparency. | |  | b. | a lack of integrity. | |  | c. | a lack of accuracy. | |  | d. | All of the above | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. Incomplete disclosure of a company’s revenue recognition policy is an example of:   |  |  |  | | --- | --- | --- | |  | a. | a lack of transparency. | |  | b. | a lack of integrity. | |  | c. | a lack of accuracy. | |  | d. | All of the above | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. This philosophical approach requires that an ethical decision depend upon the duty, rights, and justice involved.   |  |  |  | | --- | --- | --- | |  | a. | Consequentialism | |  | b. | Virtue ethics | |  | c. | Duty ethics | |  | d. | Righteousness | |  | e. | Deontology |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. The Modified Moral Standards Approach focuses on the following dimensions of the impact of a proposed action.   |  |  |  | | --- | --- | --- | |  | a. | Whether it provides a net benefit to society, is fair to all stakeholders, is right, and demonstrates the virtues expected | |  | b. | Whether it provides a net benefit to society and whether it is legal | |  | c. | Whether it provides a net benefit to society, is fair to all stakeholders, and is legal | |  | d. | Whether it is fair to most stakeholders and is right | |  | e. | Whether it provides a net benefit to society, is fair to most stakeholders, and is right |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. This organization is developing an international code of conduct for professional accountants.   |  |  |  | | --- | --- | --- | |  | a. | The International Accounting Standards Board | |  | b. | The European Federation of Accountants | |  | c. | The Financial Accounting Standards Board | |  | d. | The Public Accounting Oversight Board | |  | e. | The International Federation of Accountants |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. The following is a fundamental factor for having an effective ethical corporate culture.   |  |  |  | | --- | --- | --- | |  | a. | Tone at the top (Ethical leadership) | |  | b. | Efficient oversight by the company’s board of directors | |  | c. | Workplace ethics | |  | d. | Code of conduct | |  | e. | An ethics risk management program |  |  |  | | --- | --- | | *ANSWER:* | a, c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. How do we know that the #MeToo movement has been successful?   |  |  |  | | --- | --- | --- | |  | a. | Sexual violence against women has stopped. | |  | b. | Police forces are taking women’s complaints of bullying seriously. | |  | c. | Court cases against high-ranking executives and celebrities are becoming successful. | |  | d. | Major companies are investigating and firing executives accused of sexual misbehavior with employees. | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | c, d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. The August 2019 Business Roundtable *Statement on the Purpose of a Corporation* is important because:   |  |  |  | | --- | --- | --- | |  | a. | It confirms that profit maximization is the appropriate sole goal of corporations. | |  | b. | It confirms that corporations are accountable only to shareholders. | |  | c. | It confirms that corporations are to benefit all stakeholders. | |  | d. | It changes what most executives have thought. | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | c, d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. NOCLAR rules or standards are important because they:   |  |  |  | | --- | --- | --- | |  | a. | will cause business to observe No Carbon Required practices. | |  | b. | will cause executives to be less aggressive. | |  | c. | will cause professional accountants to violate employer confidences. | |  | d. | will cause professional accountants to report nonsustainable practices of clients. | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Nonfinancial measures of performance have become increasingly popular because they:   |  |  |  | | --- | --- | --- | |  | a. | are better measures of performance than traditional financial measures. | |  | b. | are easier to understand than traditional financial measures. | |  | c. | are easier to compute than traditional financial measures. | |  | d. | are less susceptible to manipulation than traditional financial measures. | |  | e. | All of the above |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. The International Federation of Accountants (IFAC):   |  |  |  | | --- | --- | --- | |  | a. | is not relevant to professional accountants in most industrialized countries. | |  | b. | is not relevant to professional accountants working in industry. | |  | c. | was created to develop global accounting, auditing, and ethics standards for professional accountants. | |  | d. | has the authority to discipline professional accountants. | |  | e. | has an impact on professional accounting practices in less than 20 countries around the world. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Effective crisis management could represent:   |  |  |  | | --- | --- | --- | |  | a. | an opportunity to avoid costs. | |  | b. | an opportunity to change employees’ perspectives on risk. | |  | c. | an opportunity to enhance a company’s reputation. | |  | d. | All of the above | |  | e. | None of the above |  |  |  | | --- | --- | | *ANSWER:* | c | |