Test Bank for Business and Professional Ethics 10th Brooks

Name:______________________________ Class:____________________ Date:__________

Chapter 1 - Ethics Expectations

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 these.

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 these.

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 these.

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 these.

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 these.

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 these.
    e. None of these.

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 these.
    e. None of these.

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 these.

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 these.

ANSWER: c, d

22. NOCLAR rules or standards are important because they will:
a. Cause businesses to observe No Carbon Required practices.
b. Cause executives to be less aggressive.
c. Cause professional accountants to violate employer confidences.

d. Cause professional accountants to report nonsustainable practices of clients.

e. None of these.

ANSWER: c

23. Nonfinancial measures of performance have become increasingly popular because they are:

a. Better measures of performance than traditional financial measures.

b. Easier to understand than traditional financial measures.

c. Easier to compute than traditional financial measures.

d. Less susceptible to manipulation than traditional financial measures.

e. All of these.

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 these.

e. None of these.

ANSWER: c