Ethics in Accounting A Decision-Making Approach 1st edition Klein Test Bank

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INSTRUCTOR TEST BANK – CHAPTER 2

MULTIPLE CHOICE

1. An unethical act:
   a. Is always illegal as well
   b. Is not necessarily illegal
   c. Must, at minimum, violate a government regulation
   d. Is determined for the accounting profession by the FASB

SOLUTION: B

2. If a CPA violates one of the Principles of the AICPA's Code of Professional Conduct, the CPA:
   a. Will never be subject to disciplinary action by the AICPA
   b. May lose the right to practice accounting for a period of time unless the violation was justified
   c. Definitely will lose the right to practice accounting for a period of time unless the violation was justified
   d. May or may not lose the right to practice accounting, depending on the severity of the violation

SOLUTION: A

3. The AICPA and IFAC Codes of Conduct are:
   a. Substantially similar, but not identical
   b. Identical, except that the AICPA Code applies to Certified Public Accountants and the IFAC Code applies to other professional accountants
   c. Identical, except that the AICPA Code applies to accountants licensed in the United States and the IFAC Code applies to professional accountants licensed outside the United States
   d. Identical, except that the AICPA Code applies to individual accountants and the IFAC Code applies to accounting firms and other organizations of accountants

SOLUTION: A

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4. Self-regulation of the auditing profession in the United States:
   a. Has always been, and remains, a distinguishing feature of the auditing profession
   b. Historically has characterized the oversight of auditors of privately-held companies, but no longer does
   c. Historically has characterized the oversight of auditors of publicly-held companies, but no longer does
   d. Never has been a characteristic of the auditing profession because government understandably recognizes the need to assure strict compliance with ethical standards designed to protect the investing public

SOLUTION: C

5. The substantial similarity of the AICPA and IFAC Codes of Conduct tends to support the concept of:
   a. The ethical conformity doctrine
   b. Self-regulation
   c. Ethical absolutism
   d. Ethical relativism

SOLUTION: C

6. The usury laws:
   a. Are an example of ethical absolutism
   b. Are an example of ethical relativism
   c. Bar excessively high interest rates on certain types of loans
   d. Reflect the consensus among all countries that interest rates need to regulated by a universal body or multi-governmental entity

SOLUTION: C

7. Some societies believe that justice is best determined by juries comprised of ordinary citizens, but other societies believe that justice is best administered by judges. This is an example of:
   a. Ethical relativism
   b. Ethical absolutism, with certain groups differing in their application of a core ethical principle
   c. The ethical standardization doctrine
   d. Ethical self-determination

SOLUTION: B

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8. If a CPA violates the Principles section of the AICPA Code of Professional Conduct, the CPA is subject to professional disciplinary actions:
   a. By the SEC or by the AICPA's Disciplinary Committee
   b. By the state accountancy board in the state where the CPA practices accounting
   c. Only if the CPA is still an active (non-retired) accounting practitioner
   d. Never

SOLUTION: D

9. One hallmark of a profession is:
   a. Its members' unrelenting dedication to clients' interests over the countervailing public interest
   b. Its classification as a profession by the U.S. Department of Labor
   c. Its members' willingness to cooperate with clients by subordinating their judgments in deference to clients' desires
   d. A member's exercise of independent judgment

SOLUTION: D

10. Creation of the PCAOB was an important event in the development of the accounting profession because it altered the accounting profession's historical policy of self-regulation in the area of:
    a. Internal auditing
    b. Tax return preparation
    c. Tax advocacy on behalf of clients accused of fraud
    d. External auditing of publicly-traded companies

SOLUTION: D

11. According to the Responsibility Principle of the AICPA's Code of Professional Conduct, accountants should always:
    a. Make sensitive moral judgments
    b. Pursue the public interest
    c. Maintain client confidentiality
    d. Use the highest degree of care in performing all professional activities

SOLUTION: A

12. According to the Objectivity and Independence Principle of the AICPA's Code of Professional Conduct, accountants should always be independent in providing:
    a. All professional services
    b. All services to their employer
    c. All audit services
    d. All tax advisory services

SOLUTION: C

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13. Kohlberg's three levels of moral development, in order, focus on:
    a. Self-interest, achieving justice, and achieving peer approval
    b. Self-interest, adhering to principles over laws, and learning to disregard the need for peer approval
    c. The avoidance of punishment, compliance with laws, and compliance with societal expectations
    d. Self-interest, achieving peer approval, and the pursuit of justice

SOLUTION: D

14. In Kohlberg's Six Stages of Moral Development, striving to act in accordance with laws occurs at:
    a. Stage 2
    b. Stage 4
    c. Stage 5
    d. Stage 6

SOLUTION: B

15. Which of the following is not one the four stages in Rest's Four-Component Model of Ethical Decision-Making?
    a. Developing moral sensitivity
    b. Developing sound moral judgment
    c. Developing a willingness to challenge unjust laws
    d. Developing the character to initiate actions

SOLUTION: C

16. Legal mandates and ethical mandates are:
    a. Identical
    b. Different, with legal mandates usually imposing higher behavioral requirements than ethical mandates
    c. Different, with ethical mandates usually imposing higher behavioral requirements than legal mandates
    d. Both imposed on professional accountants, with legal mandates typically having broader application

SOLUTION: C

17. To act ethically, a person always must:
    a. Follow the formal expression of a law
    b. Follow both the spirit and the formal expression of a law
    c. Do the right thing, even if violates a law
    d. Adhere to the spirit, intent, and formal expression of a law

SOLUTION: C

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18. Ethical absolutism means that:
    a. All cultures share a common set of ethical values
    b. Ethical duties are absolute requirements that are, if necessary, imposed by laws
    c. Value systems absolutely vary over time as societal views progress
    d. A person has an absolute duty to follow ethical principles, even if they diverge from legal mandates

SOLUTION: A

19. Which of the following principles of the AICPA Code of Conduct is not applicable to accountants employed in a financial reporting capacity at a corporation?
    a. Independence
    b. Integrity
    c. Objectivity
    d. Due care

SOLUTION: A

20. Which of the following is not expressly addressed by the principle of the AICPA Code of Conduct concerning integrity?
    a. The duty to maintain objectivity
    b. The duty to respect client personnel
    c. The duty to not subordinate one's opinion in favor of the client's viewpoint
    d. The duty to avoid conflicts of interest

SOLUTION: B

21. If a CPA who is a member of the AICPA fails to abide by the Principles section of the AICPA's Code of Professional Conduct, but otherwise acts in conformity with the Code, the CPA's membership in the AICPA will potentially be:
    a. Suspended for a period of up to 30 days
    b. Suspended for a period of up to one year
    c. Revoked, with the right to apply for reinstatement after one year
    d. Not subject to any form of punishment regarding the license to practice accounting

SOLUTION: D

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22. Kohlberg concluded that most people's moral development reflects:
    a. The conventional stage
    b. The pre-conventional stage
    c. The post-conventional stage
    d. Unconventional activity that cannot be classified according to his model of behavior

SOLUTION: A

23. Acting based on fear of punishment corresponds to which of the following stages of moral development?
    a. The pre-conventional stage
    b. The conventional stage
    c. The post-conventional stage
    d. All of the above

SOLUTION: A

24. Acting on principle, knowing that the party you hurt would have done the same thing if the roles had been reversed, corresponds to which of the following stages of moral development?
    a. The pre-conventional stage
    b. The conventional stage
    c. The post-conventional stage
    d. All of the above

SOLUTION: C

25. Acting based on fear of disappointing your close friends corresponds to which of the following stages of moral development?
    a. The pre-conventional stage
    b. The conventional stage
    c. The post-conventional stage
    d. All of the above

SOLUTION: B

26. Acting based on a desire to comply with a legal statute, even though you disagree with that statute, corresponds to which of the following stages of moral development?
    a. The pre-conventional stage
    b. The conventional stage
    c. The post-conventional stage
    d. All of the above

SOLUTION: B

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27. Acting in a manner that is inconsistent with the stated rules of a legal statute, knowing that your actions are incompatible with that statute, corresponds to which of the following stages of moral development?
    a. The pre-conventional stage
    b. The conventional stage
    c. The post-conventional stage
    d. All of the above

SOLUTION: C

28. Carol Gilligan's key thesis is that:
    a. Women are less willing to violate laws and established societal norms than men are
    b. Women are less willing to engage in risky, unethical behavior than men are
    c. Women are more focused on principles of compassion than principles of justice
    d. Women have greater compassion for those who deviate from ethical norms than men have

SOLUTION: C

29. One of Carol Gilligan's key conclusions is that:
    a. Men are more ethical than women
    b. Women are more ethical than men in resolving dilemmas that hinge on issues of fairness and justice
    c. At higher stages of moral development, women are more focused on issues of compassion for those in need than men are
    d. At higher stages of moral development, women are more focused on issues of equality of opportunity for all than men are

SOLUTION: C

30. The term "System 1" is used to describe how our brains make ethical decisions in a:
    a. Rapid, intuitive manner
    b. Rigorously analytical manner
    c. Dual-processing mode that utilizes all available mental resources
    d. Single-processing mode that is deliberative and meticulous

SOLUTION: A

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ESSAYS/SHORT ANSWER

1. What are the characteristics of a profession?

2. What aspects of accounting practice reflect that accounting is a profession?

3. Of all of the characteristics of a profession, which one is the most important? Why?

4. Do you believe that most ethical decision-making is made in accordance with a model or other framework? Why or why not?

5. State and describe the six Principles of the AICPA Code of Professional Conduct.

6. Research the core principles of the IFAC Code of Conduct and compare them to the Principles of the AICPA Code of Professional Conduct. What are the differences? Are these differences important to you?

7. Can you identify an ethical decision that an IRS agent might encounter?

8. What are the six stages of moral development, according to Kohlberg?

9. Discuss an ethical issue that you believe you resolved using a System 1 mental response.

10. Discuss an ethical issue that you believe you resolved using a System 2 mental response.

11. A CPA needs money to be able to pay for surgery that will correct a jaw deformity that results in her young child speaking with a noticeable lisp. The lisp is not a danger to the child's physical health, but it has made it difficult for her to communicate with friends, and it results in her being teased and bullied. The CPA, concerned that this problem will create permanent psychological damage, asked her employer for a $5,000 loan to pay for the needed corrective procedure, but her employer refused this request.

    The CPA knows that embezzling the money would be easy to do because her employer is "financially illiterate" and could never detect her misconduct. The CPA plans to take the money and repay it, along with interest, over two years. Consider the following reasoning:

    a. I will not take the money because I was not raised in a family that disrespects the law.

    b. I won't take the money because I will lose my job.

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c. I will take the money because, by the time that my actions are discovered, I will have made many, or even all, of the repayments so my boss will understand and be lenient.

d. I will take the money because my spouse and child will be proud of me for protecting my child against permanent psychological damage.

e. I will not take the money because I am a role model for my child and I would never want her to think that I am a dishonest or devious person.

f. I will take the money because I am willing to risk being criminally prosecuted for embezzlement because it would be a greater wrong if I did not make every possible effort to protect my child against permanent harm.

g. I won't take the money because I could go to jail.

h. I will take the money because the boss will never discover my actions.

i. I will take the money because our legal system would never punish a mother for protecting her child against permanent psychological damage.

j. I will take the money because a parent's first duty is to protect her child against permanent harm.

k. I will take the money because I am willing to risk losing my job to protect my child against permanent harm.

To what stage of moral development does each of the above statements correspond?

SOLUTION:

a. 4
b. 1
c. 2
d. 3
e. 3
f. 6
g. 1
h. 1
i. 2
j. 5
k. 6

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