

**Test Bank for Ethical Obligations and Decision Making in Accounting Text and Cases 4th
Edition by Mintz Morris ISBN 1259543471 9781259543470**

Full link download:

Test Bank:

<https://testbankpack.com/p/test-bank-for-ethical-obligations-and-decision-making-in-accounting-text-and-cases-4th-edition-by-mintz-morris-isbn-1259543471-9781259543470/>

Solution Manual:

<https://testbankpack.com/p/solution-manual-for-ethical-obligations-and-decision-making-in-accounting-text-and-cases-4th-edition-by-mintz-morris-isbn-1259543471-9781259543470/>

Chapter 01: Ethical Reasoning: Implications for Accounting

Multiple Choice Questions

1. What is the common characteristic of Aristotle's virtues and ethical standards for CPAs?
 - A. Truthfulness
 - B. Integrity
 - C. Loyalty
 - D. Due care

2. Jane finds a material misstatement while auditing a client's accounts receivables. Her senior tells her to ignore the misstatement so that the client does not get upset. Jane wants to be viewed as a team player in order to advance in the firm so Jane follows her senior's instructions and ignores the misstatement. Which ethical theory did Jane use to make her decision?
 - A. Egoism
 - B. Justice
 - C. Virtue ethics
 - D. Utilitarianism

3. Which of the following situations would be considered ethical?
- A. The cashier at Wal-Mart gives you \$5 more than you were supposed to receive and you don't do anything about it
 - B. You accidentally back into a car at Wal-Mart and leave your information for them to call
 - C. Receiving fake \$20 bills and using them in a store while knowing they are fake
 - D. Finding a phone in a restaurant and keeping it
4. Which of the following characteristics does NOT describe the importance of integrity in decision making?
- A. Acting out of moral principle
 - B. Being loyal to one's superior
 - C. Having the courage to do the right thing
 - D. Not subordinating professional judgment to others
5. Which of the following characteristics does NOT describe the behavior of Cynthia Cooper in the WorldCom fraud?
- A. Persistence
 - B. Competence
 - C. Integrity
 - D. Conformity
6. The ancient Greeks thought of the virtues as characteristics of behavior that:
- A. Could lead to a good life
 - B. Make up the "six pillars of character"
 - C. Support the rights theory
 - D. Rationalize unethical actions

7. Which of the following elements does NOT make up an integral part of what is meant by "ethics"?
- A. Accepted standards of behavior
 - B. Knowing the difference between right and wrong
 - C. Always following the law
 - D. The moral point of view
8. Ethical relativism can best be described as a:
- A. Point of view that morality is relative to the norms of one's culture.
 - B. Concept that holds that integrity should be maintained in the face of pressure by others.
 - C. An ethical reasoning method that holds one should always act out of self-interest.
 - D. An ethical reasoning method that holds one should always consider the effect of one's actions on others.
9. Which of the following is *NOT* a pillar of character according to the Josephson Institute?
- A. Caring
 - B. Citizenship
 - C. Respect
 - D. Judgmental
10. Which of the following is NOT an element of trustworthiness according to the Six Pillars of Character?
- A. Reliability
 - B. Loyalty
 - C. Fairness
 - D. Honesty

11. An accountant who blows the whistle on financial wrongdoing by his/her employer by going outside the entity violates:
- A. The due care principle
 - B. Confidentiality
 - C. One's reliability obligation
 - D. Public interest obligation
12. Social networking is the norm for many workers, and some workers spend at least 30 percent of their workday linked up to one or more networks. The Ethics Resource Center conducted a survey in which social networkers admitted each of the following except:
- A. They think about risks before posting online.
 - B. They comment on their personal sites about their company if it was in the news.
 - C. They often comment on their personal sites about managers, coworkers, and even clients.
 - D. They always consider the consequences of their postings on others.
13. Which of following is false of active social networkers?
- A. They are less likely to blow the whistle than coworkers.
 - B. They witness more misconduct among their coworkers.
 - C. They experience more retaliation when they report their colleagues.
 - D. They act with integrity with effective training on the use of social networks.
14. Respect is an important character of behavior because:
- A. It entails a loyalty obligation to one's superior
 - B. It enables one to perform professional services competently
 - C. It is critical to maintaining one's integrity
 - D. It encompasses attributes of how we should treat others

15. Responsibility goes hand in hand with:

- A. Respect
- B. Loyalty
- C. Courage
- D. Accountability

16. Treating other fairly encompasses treating them:

- A. Equally, impartially, and responsibly
- B. Equally, responsibly, and openly
- C. Impartially, openly, and diligently
- D. Equally, impartially, and openly

17. Which of the following characteristics is NOT part of behaving with empathy?

- A. Being loyal to one's friends
- B. Being understanding of one's friends
- C. Being sensitive to the feelings of one's friends
- D. Being caring about one's friends

18. If one's reputation is tainted it may create a:

- A. Conflict of interests
- B. Loss of independence
- C. Lack of trust
- D. Loss of objectivity

19. The Public Interest Principle in the AICPA Code of Professional Conduct recognizes:
- A. The importance of integrity in decision making
 - B. The importance of loyalty to one's superior
 - C. The importance of whistleblowing when financial wrongdoing exists
 - D. The importance of maintaining confidentiality
20. Objectivity requires that a CPA should:
- A. Maintain a mental attitude of intellectual honesty and independence
 - B. Maintain a mental attitude of intellectual honesty and impartiality
 - C. Act in accordance with the best interests of one's client
 - D. Act in accordance with the best interests of one's employer
21. The Independence Principle in the AICPA Code applies to:
- A. All accountants and auditors
 - B. All CPAs regardless of professional services
 - C. All CPAs who render attestation services
 - D. All members of the audit committee
22. A CPA would violate the Due Care Principle if he/she:
- A. Undertook a professional engagement without having the requisite background, knowledge and experience.
 - B. Specializes in the industry of the client, even offering training classes for other accounting firms on the industry.
 - C. The accounting firm uses two external partner reviews on high risk audits or clients.
 - D. Performs tax services for an audit client with audit committee approval.

23. Aristotle believed that _____ always preceded the choice of action.
- A. Empathy
 - B. Due Care
 - C. Deliberation
 - D. Loyalty
24. The method of ethical reasoning that deals with making decisions after considering the interests of others is:
- A. Egoism
 - B. Enlightened Egoism
 - C. Utilitarianism
 - D. Rights Theory
25. The method of ethical reasoning that evaluates actions in terms of harms and benefits is:
- A. Act Utilitarianism
 - B. Rights Theory
 - C. Justice
 - D. Virtue
26. The method of ethical reasoning that requires selecting the correct moral rule that produces the greatest benefits over harms is:
- A. Act Utilitarianism
 - B. Rule Utilitarianism
 - C. Rights Theory
 - D. Justice

27. Which of the following elements is not an integral part of Rights Theory?

- A. Act based on the consequences of one's actions on others
- B. Treat people as an end and not merely as a means to an end
- C. Act in a way you would want others to act in similar situations
- D. Act in a way that is universally accepted

28. The ethical reasoning method that is based on treating equals, equally and unequals, unequally is:

- A. Enlightened egoism
- B. Act utilitarianism
- C. Justice
- D. Virtue

29. Teleology deals with:

- A. Consequences of actions
- B. Fairness to others
- C. Respecting the rights of others
- D. Following prescribed virtue characteristics

30. Deontology deals with:

- A. Rights of others and duties toward them
- B. Consequences of actions
- C. Following prescribed virtue characteristics
- D. Following the law as an element of ethical behavior

31. The biggest problem in implementing a utilitarian approach to decision making is:
- A. The interests of others may be subservient to self-interests
 - B. It fails to consider the interests of others
 - C. It can be difficult to weigh all the consequences of actions
 - D. It relies on moral absolutes
32. The biggest problem in implementing a rights approach to decision making is:
- A. The interests of others may be subservient to self-interests
 - B. It is difficult to weigh harms and benefits
 - C. It relies on moral absolutes
 - D. It can be difficult to determine criteria to distinguish equals from unequal claims
33. The biggest problem in applying virtue theory to decision making is:
- A. It can be difficult to identify virtues
 - B. It relies on moral absolutes in decision making
 - C. It can be difficult to determine virtues to distinguish equals from unequal claims in decision making
 - D. Conflicts between virtues may make decision making more difficult
34. The credibility standard in the Statement of Ethical Professional Practice of the IMA requires that an accounting professional should:
- A. Communicate information fairly and objectively
 - B. Disclose all relevant information that might affect the intended user's understanding of the reports, analyses or recommendations
 - C. Disclose delays or deficiencies in information, timeliness, processing or internal controls in conformance with organization policy and the law
 - D. All of the above

35. Under the IMA's standards of ethical practice, an accounting professional can consider informing authorities or individuals not employed by the organization when an ethical dilemma occurs about an accounting or financial reporting matter that remains unresolved if he/she:
- A. Believes there is a clear violation of the law
 - B. Contacts his/her immediate superior who says to forget about the matter
 - C. Informs the external auditors who tell him/her to inform the appropriate authorities
 - D. Believes there has been an ethical violation
36. Eddie paid an \$8 restaurant check with a \$10 bill. The waitress gave him \$12 back. The most ethical action for Eddie is to:
- A. Keep the extra \$10
 - B. Inform the waitress of her overpayment
 - C. Inform the manager of the restaurant of the overpayment
 - D. Leave a larger tip for the waitress
37. Sally is the only student from a foreign country in an Auditing class. On the day of the midterm exam, Sally asks the teacher whether she could use a dictionary to translate English words to her native tongue so she can better understand the questions. What do you think the instructor should do if she follows the ethical principle of justice?
- A. Allow Sally to use the dictionary since she is at a disadvantage
 - B. Not allow Sally to use the dictionary because she should know enough English to get by
 - C. Allow the other students to bring in some tool to give them an advantage
 - D. None of the above

38. George is in the middle of a high stakes poker game when he notices what he thinks is cheating by another player. It appears to George that this player took a card from his lap and switched it with a card that he was dealt. If George is a utilitarian thinker, he should:
- A. Accuse the alleged cheater of cheating in front of all the other players
 - B. Consider what might happen if he accuses the player of cheating and he is wrong
 - C. Speak to the alleged cheater during a regularly scheduled break and tell him not to do it again
 - D. Forget about the whole matter
39. Janice is a staff accountant in the accounting firm of Obama and Biden. She is assigned to the audit of HealthCare Associates. On the very first day Janice noticed that the accounting manager of the client took money out of the petty cash fund and put it in his pocket. The best action for Janice to take is:
- A. Ignore the situation because Janice doesn't know why the manager pocketed the money
 - B. Inform her immediate supervisor of what she observed
 - C. Tell another staff accountant who is a friend and ask for her advice
 - D. Tell the superior of the accounting manager what she has observed
40. Kelly is the controller of a small company. One day the CFO comes in and tells her to lower the estimate of uncollectible accounts receivable. Kelly insists her numbers are correct as is. The CFO tells her it will mean her job at the company if she doesn't go along with the smaller estimate. The primary virtue that would enable Kelly to resist the pressure to manipulate the number is:
- A. Loyalty
 - B. Integrity
 - C. Caring
 - D. Objectivity

41. Jason is the fastest worker on the audit of a company for the firm Zits LLP. Other Zits workers take twice as long to complete the equivalent amount of work as Jason. One day Jason is approached by the other workers and is asked to slow down "You are exceeding the time budget for the audit and making the rest of us look bad," said one staff member. From an organizational, ethical point of view, the best thing for Jason to do is:
- A. Tell the other staff members that he will use the time he saves on his budget to help them to meet their budget by picking up their slack
 - B. Approach the supervisor to discuss the pressure of fellow staff to slow down on doing audit work
 - C. Explain to the other staff members that he works diligently and they should do the same
 - D. Tell the other staff members to mind their own business
42. Steve is deep in debt due to a gambling problem. He is the bookkeeper for a family-owned business, Cal Poly Greenery. The company has only three employees - Steve, the husband, and the wife. All three have been friends for many years. One day the loan shark who lent Steve \$20,000 comes knocking at his door asking for repayment of the loan. Steve convinces the loan shark to give him another day. The following day Steve writes a check on the company's books to himself for \$20,000. Since he reconciles the bank accounts and prepares the financial statements, Steve knows it's unlikely the owners will ever know about what he has done. From an ethical perspective, Steve has:
- A. Violated the trust placed in him by the owners
 - B. Risked his reputation if the loan shark finds out
 - C. Risked his ability to continue working for Cal Poly Greenery
 - D. All of the above

43. Ty is a rising star at Texas State Country & Western Stores. He is the controller of the company. His wife, Rosie, is the lead auditor of the CPA firm that examines Country & Western's financial statements and issues an audit opinion. Given the nature of the relationships, Rosie would violate what ethical standard if she is allowed to conduct the audit:
- A. Integrity
 - B. Due care
 - C. Independence
 - D. Responsibility
44. The most important duty of public accounting is to the:
- A. Securities Exchange Commission
 - B. Current stockholders
 - C. Management
 - D. Investing public
45. The best restatement of Kant's categorical imperative is:
- A. Do to others as you would have everyone do unto you
 - B. Consider others needs before you act
 - C. That those with a smaller stake should have a smaller say compared to those with a bigger stake
 - D. That the ends justifies the means
46. What is the one virtue that people should want in a boss, to trust a boss?
- A. Diligence
 - B. Commitment
 - C. Honesty
 - D. Sense of humor

47. Virtue ethics emphasizes development of good habits of character. What should be the greatest reward of practicing good habits of character, according to MacIntyre?

- A. External rewards
- B. Loyalty from others
- C. Internal rewards
- D. Authority of rules

48. Michael Josephson, founder of the Josephson Institute of Ethics, is credited for developing:

- A. Book of virtues
- B. Care and response orientation
- C. Six Pillars of Character
- D. Rights theory

49. Internal rewards of accounting practice include:

- A. Wealth and prestige
- B. Success and power
- C. Integrity and Excellence
- D. Achievement and notoriety

50. Utilitarian philosophers are divided into two types: act utilitarian and

- A. rule utilitarian.
- B. egoistic utilitarian.
- C. ethical utilitarian.
- D. beneficial utilitarian.

51. Greatest good for the greatest number of people is the theory of_____.

- A. Rights
- B. Deontology
- C. Utilitarianism
- D. Justice

52. The motive of "duty" is most associated with_____.

- A. Egoism
- B. Deontology
- C. Utilitarianism
- D. Justice

53. Virtue ethics is:

- A. Doing what is right
- B. One's duty to act in a socially acceptable manner
- C. One's ability to meet or exceed their potential
- D. What one ought to do when presented with an ethical dilemma

54. Bob is being pressured by his superior to go along with improper accounting and told he is expected to be a team player. Which of the following statements best characterizes those expectations?

- A. Independence
- B. Confidentiality
- C. Loyalty
- D. Utilitarianism

55. When making a donation at the local Goodwill, Martha tells the clerk that her old computer is in perfect working order when she knows it is not, just so she can deduct more on her taxes. Which theory best describes Martha's behavior?
- A. Utilitarianism
 - B. Deontology
 - C. Egoism
 - D. Justice
56. Decisions that are made based on the underlying circumstances of a particular matter can be best characterized by:
- A. Ethical Collectivism
 - B. Situational ethics
 - C. Ethical relativism
 - D. Judgmental Individualism
57. Decisions that are made based on the underlying cultural factors can be best characterized by:
- A. Ethical Collectivism
 - B. Situational ethics
 - C. Ethical relativism
 - D. Judgmental Individualism
58. When applying Utilitarianism to judge actions, what is the only thing that matters?
- A. Motives
 - B. Fairness
 - C. Consequences
 - D. Rights

59. Assume you are taking an exam and you clearly see that your friend is cheating. Your professor does not notice it. What is the most appropriate action for you to take if you are an ethical person?
- A. You pretend not to notice it.
 - B. You discuss the matter with your friend after the exam.
 - C. You also cheat the exam because your friend does.
 - D. Send a text message to your friend and tell them to stop cheating.
60. Your manager asks you to "cook the books" to support a loan application at the local bank. The manager insists it is a one-time request. What should you do?
- A. Go along with the manager's request
 - B. Talk to others in the company to determine how they handled such situations
 - C. Refuse to go along with the request
 - D. Inform the audit committee
61. A difficult choice between two moral principles that are in conflict with one another is known as a/an:
- A. ethical relativism
 - B. situational ethics
 - C. ethical dilemma
 - D. conflict ethics
62. The relationship between legal and ethical can best be expressed as:
- A. Always follow the law regardless of consequences for others
 - B. Ethical behavior requires less than legal behavior
 - C. Legal and ethical are the same thing
 - D. Ethical behavior requires us to do more than required by the law and less than the law allows

63. When an employee is given a job evaluation, he has a right to expect:
- A. Fair evaluations
 - B. Caring and empathy on the part of the evaluator
 - C. 360 degree evaluations from everyone in the firm
 - D. Evaluations of technical, not personal skills
64. A danger of situational ethics is that it can be used to rationalize a wrong-doing. Such rationalizations may be seen in all of the following examples except:
- A. Cheating at the University of North Carolina
 - B. Penn State scandal
 - C. Betty Vinson's actions at World Com
 - D. DigitPrint case discussed in the chapter
65. Hofstede's Cultural Dimensions helps explain how workers from different cultures might react in the workplace. The Long-Term Orientation dimension could help explain the different approaches toward:
- A. Dealing with uncertainty
 - B. Dealing with differences in power structure
 - C. Emphasizing short-term and long-term results
 - D. Emphasizing results over process
66. Civility requires all but the following:
- A. Restraint
 - B. Politeness
 - C. Respect
 - D. Disregard

67. Which of the following is true of the relationship between civility and ethics?
- A. One can be both ethical and uncivil.
 - B. One can be both civil and unethical.
 - C. One can use others, be a bully and be ethical.
 - D. One can have empathy and caring for others and be uncivil towards them.
68. Which of the following is NOT a likely rationalization a student might use to justify cheating on an exam?
- A. Ethical relativism
 - B. Situational ethics
 - C. Cultural conditioning
 - D. Fair treatment
69. The cultural value of Individualism reflects:
- A. The degree a society reinforces individual or collective achievement
 - B. Tolerance for uncertainty and ambiguity in society
 - C. The degree of equality between people in a society
 - D. Whether a society has a long-term or short-term orientation
70. The country with the highest Power Distance score is:
- A. United States
 - B. United Kingdom
 - C. Japan
 - D. Russia

71. In the Harvard Cheating scandal case, using ethical reasoning who is at fault for the situation?

- A. The professor
- B. Teaching assistants
- C. Students who cheated
- D. All of the above

72. In the Giles and Regas case, the primary ethical issue can be stated as:

- A. Whether a subordinate should blow the whistle on a superior who has violated ethical policy
- B. Whether two staff members of the same rank should be allowed to date
- C. Whether a superior should become involved in a dating relationship with a subordinate
- D. Whether a student should renege on the acceptance of an offer from one firm after receiving an offer from a second firm

73. In the NYC Subway Death case, the reason that no bystanders helped Ki-Suck Han was probably due to:

- A. Moral blindness and ethical fading
- B. Bystander effect and moral blindness
- C. Blind spot and moral blindness
- D. Ethical fading and bystander effect

74. In the Lone Star School District case, the auditors were mostly concerned about:

- A. The behavior of a staff member toward client personnel
- B. The falsification of the financial statements
- C. The lack of independence of the audit team
- D. The lack of documentation for travel and entertainment expenses

75. The main issue in the Reneging on a Promise case is:
- A. Should the student who accepted an offer from one CPA firm back off from that promise in order to accept the offer of another firm deemed more preferable to the student
 - B. Should Regas back off from the dating relationship she developed with Giles
 - C. Should the CPA firm renege on its offer of employment to a student after realizing it made one offer too many to student candidates for staff positions
 - D. Should Tybell quit the firm because of conflicts with his superiors
76. In the Capitalization versus Expensing case the main ethical issue is whether Gloria Hernandez should:
- A. Capitalize or expense \$1 million of expenditures
 - B. Report her superiors' actions to the CEO
 - C. Talk to the audit committee about the pressure imposed by her supervisor
 - D. Become a whistle blower
77. Kevin Lowe's ethical dilemma in the Eating Time case can best be described as whether to:
- A. Date another staff member of the CPA firm
 - B. Inform his supervisor about a lack of diligence of other staff accountants
 - C. Quit his job because he can't meet the firm's expected quality of work
 - D. Devote time on an audit and not charge it to the job
78. In the Shifty Industries case, the primary ethical issue can be stated as:
- A. Whether an accountant should claim a higher section 179 deduction (\$100,000) than allowed by law.
 - B. Whether an accountant should claim any section 179 deduction or not.
 - C. Whether an accountant should claim inflated expenses on the company tax return.
 - D. Whether an accountant should claim a section 179 deduction (\$25,000) as allowed by law.

79. In the Cleveland Custom Cabinets case, the owner of the company thought it was all right to manipulate the financial statement numbers primarily because:

- A. He wanted to improve earnings to increase the share price of company stock
- B. The treatment recommended by the owner for estimating overhead conformed to GAAP
- C. He was the sole owner of the company and controlled the board of directors
- D. He got approval from the auditors

80. In the Better Boston Beans case, what is the ethical dilemma facing Cyndie?

- A. Loyalty of co-worker versus trust of co-worker
- B. Trust of co-worker versus the honesty of the workplace
- C. Honesty of the workplace versus the privacy of an individual
- D. Privacy of an individual versus loyalty of co-worker

Essay Questions

81. Why do ethicists consider integrity to be the foundation of ethical behavior?

82. Moral philosophy deals with questions such as "How should I live my life?" and "What sort of person should I strive to be?" What are the basic tenets of moral philosophy? Answer with respect to the philosophies discussed in the chapter.

83. Describe a situation you have encountered in your personal life where you did not follow the law because you judged another alternative to be more ethical. Don't use the example in the text of driving on a two-lane divided roadway. Why did you decide to do that act?

84. Evaluate Lance Armstrong's behavior towards doping during the Tour de France from the perspective of the "Six Pillars of Character." How might Armstrong have handled the matter better?

85. Why do you think potential employers of accounting graduates care about the ethical values of potential student hires?

86. Explain the steps that should be taken by an internal accountant/CMA when there is a difference of opinion with one's supervisor on an accounting or financial reporting manner.

87. What is the role of a code of professional conduct and standards of ethical behavior for accountants and auditors?

88. Is it ethical for Jerry to keep his smart phone on during the work day if:

- (a) His daughter is sick and he needs to monitor messages from the baby sitter.
- (b) His ID has been stolen and he is waiting for the credit card company to inform him of the damages.
- (c) He likes to see what is posted about the company on social media so he can inform his bosses.
- (d) He feels as though all employees should have the leeway to be involved in social networking on the job within reasonable limits.

Discuss each of the above using ethical reasoning.

89. Are search results in Google, YouTube, Facebook, Twitter, and other social media sites fair game, specifically when an employer is looking to fire an employee?

90. The school board has received a bomb threat claiming that a bomb would be detonated at noon on Monday at the high school. The threat was received by the school board at 8 pm on Sunday night. The school asked the bomb squad to investigate and they found no bomb. The next morning at 7am, one hour before school was to start, another threat was received. There was no time to check for a bomb. What is the best action for the school to take from an ethical perspective? Explain. (a) Go ahead with school as planned since the last threat was not credible. (b) Delay the start of school until 10am to give the bomb squad time to check and inform parents there is a water leak that needs to be fixed. (c) Call off school even though final exams were scheduled that day and explain all the steps taken to protect the safety of students.

Discuss which ethical theory supports each alternative. Which would you choose and why?

91. Susie, a newly graduated BBA in accounting, has started a new job with the state budgeting office. Susie has responsibility over expense reimbursements. The state has a travel policy stating that a state employee may be reimbursed up to \$90 per night for a hotel room and up to \$40 per day for meals, as long as the employee turns in food receipts. The first expense account Susie works on the employee who has a hotel receipt for \$130 a night but no food expenses. Susie processes the reimbursement for \$90. The employee becomes irate as his reading of the travel policy is that he can be reimbursed for \$130 a night for hotel and food with a receipt. The employee claims this has never been a problem in the past and has always been reimbursed \$130 a night whether for hotel only or both hotel and food.

What should Susie do and why? Use ethical reasoning to support your answer.

92. Why is it important to consider cultural variables in the workplace?

Chapter 01 Ethical Reasoning: Implications for Accounting **Answer Key**

Multiple Choice Questions

1. What is the common characteristic of Aristotle's virtues and ethical standards for CPAs?

- A. Truthfulness
- B. Integrity**
- C. Loyalty
- D. Due care

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

2. Jane finds a material misstatement while auditing a client's accounts receivables. Her senior tells her to ignore the misstatement so that the client does not get upset. Jane wants to be viewed as a team player in order to advance in the firm so Jane follows her senior's instructions and ignores the misstatement. Which ethical theory did Jane use to make her decision?

- A. Egoism**
- B. Justice
- C. Virtue ethics
- D. Utilitarianism

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

3. Which of the following situations would be considered ethical?
- A. The cashier at Wal-Mart gives you \$5 more than you were supposed to receive and you don't do anything about it
 - B.** You accidentally back into a car at Wal-Mart and leave your information for them to call
 - C. Receiving fake \$20 bills and using them in a store while knowing they are fake
 - D. Finding a phone in a restaurant and keeping it

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Evaluate

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

4. Which of the following characteristics does NOT describe the importance of integrity in decision making?
- A. Acting out of moral principle
 - B.** Being loyal to one's superior
 - C. Having the courage to do the right thing
 - D. Not subordinating professional judgment to others

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

5. Which of the following characteristics does NOT describe the behavior of Cynthia Cooper in the WorldCom fraud?

- A. Persistence
- B. Competence
- C. Integrity
- D. Conformity**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

Topic: Integrity: The Basis of Accounting

6. The ancient Greeks thought of the virtues as characteristics of behavior that:

- A. Could lead to a good life**
- B. Make up the "six pillars of character"
- C. Support the rights theory
- D. Rationalize unethical actions

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

7. Which of the following elements does NOT make up an integral part of what is meant by "ethics"?

- A. Accepted standards of behavior
- B. Knowing the difference between right and wrong
- C. Always following the law**
- D. The moral point of view

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

8. Ethical relativism can best be described as a:

- A. Point of view that morality is relative to the norms of one's culture.**
- B. Concept that holds that integrity should be maintained in the face of pressure by others.
- C. An ethical reasoning method that holds one should always act out of self-interest.
- D. An ethical reasoning method that holds one should always consider the effect of one's actions on others.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

9. Which of the following is *NOT* a pillar of character according to the Josephson Institute?

- A. Caring
- B. Citizenship
- C. Respect
- D.** Judgmental

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

10. Which of the following is NOT an element of trustworthiness according to the Six Pillars of Character?

- A. Reliability
- B. Loyalty
- C.** Fairness
- D. Honesty

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

11. An accountant who blows the whistle on financial wrongdoing by his/her employer by going outside the entity violates:

- A. The due care principle
- B. Confidentiality**
- C. One's reliability obligation
- D. Public interest obligation

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

12. Social networking is the norm for many workers, and some workers spend at least 30 percent of their workday linked up to one or more networks. The Ethics Resource Center conducted a survey in which social networkers admitted each of the following except:

- A. They think about risks before posting online.
- B. They comment on their personal sites about their company if it was in the news.
- C. They often comment on their personal sites about managers, coworkers, and even clients.
- D. They always consider the consequences of their postings on others.**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Evaluate

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

13. Which of following is false of active social networkers?

- A.** They are less likely to blow the whistle than coworkers.
- B. They witness more misconduct among their coworkers.
- C. They experience more retaliation when they report their colleagues.
- D. They act with integrity with effective training on the use of social networks.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

14. Respect is an important character of behavior because:

- A. It entails a loyalty obligation to one's superior
- B. It enables one to perform professional services competently
- C. It is critical to maintaining one's integrity
- D.** It encompasses attributes of how we should treat others

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

15. Responsibility goes hand in hand with:

- A. Respect
- B. Loyalty
- C. Courage
- D.** Accountability

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

16. Treating other fairly encompasses treating them:

- A. Equally, impartially, and responsibly
- B. Equally, responsibly, and openly
- C. Impartially, openly, and diligently
- D.** Equally, impartially, and openly

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

17. Which of the following characteristics is NOT part of behaving with empathy?

- A.** Being loyal to one's friends
- B. Being understanding of one's friends
- C. Being sensitive to the feelings of one's friends
- D. Being caring about one's friends

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Evaluate

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

18. If one's reputation is tainted it may create a:

- A. Conflict of interests
- B. Loss of independence
- C.** Lack of trust
- D. Loss of objectivity

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

19. The Public Interest Principle in the AICPA Code of Professional Conduct recognizes:

- A.** The importance of integrity in decision making
- B. The importance of loyalty to one's superior
- C. The importance of whistleblowing when financial wrongdoing exists
- D. The importance of maintaining confidentiality

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Evaluate

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

20. Objectivity requires that a CPA should:

- A. Maintain a mental attitude of intellectual honesty and independence
- B.** Maintain a mental attitude of intellectual honesty and impartiality
- C. Act in accordance with the best interests of one's client
- D. Act in accordance with the best interests of one's employer

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

21. The Independence Principle in the AICPA Code applies to:

- A. All accountants and auditors
- B. All CPAs regardless of professional services
- C.** All CPAs who render attestation services
- D. All members of the audit committee

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

22. A CPA would violate the Due Care Principle if he/she:

- A.** Undertook a professional engagement without having the requisite background, knowledge and experience.
- B. Specializes in the industry of the client, even offering training classes for other accounting firms on the industry.
- C. The accounting firm uses two external partner reviews on high risk audits or clients.
- D. Performs tax services for an audit client with audit committee approval.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

23. Aristotle believed that _____ always preceded the choice of action.

- A. Empathy
- B. Due Care
- C. Deliberation**
- D. Loyalty

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Evaluate

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

Topic: What is Ethics?

24. The method of ethical reasoning that deals with making decisions after considering the interests of others is:

- A. Egoism
- B. Enlightened Egoism**
- C. Utilitarianism
- D. Rights Theory

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

25. The method of ethical reasoning that evaluates actions in terms of harms and benefits is:

- A.** Act Utilitarianism
- B. Rights Theory
- C. Justice
- D. Virtue

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

26. The method of ethical reasoning that requires selecting the correct moral rule that produces the greatest benefits over harms is:

- A. Act Utilitarianism
- B.** Rule Utilitarianism
- C. Rights Theory
- D. Justice

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

27. Which of the following elements is not an integral part of Rights Theory?

- A.** Act based on the consequences of one's actions on others
- B. Treat people as an end and not merely as a means to an end
- C. Act in a way you would want others to act in similar situations
- D. Act in a way that is universally accepted

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

28. The ethical reasoning method that is based on treating equals, equally and unequals, unequally is:

- A. Enlightened egoism
- B. Act utilitarianism
- C.** Justice
- D. Virtue

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

29. Teleology deals with:

- A.** Consequences of actions
- B. Fairness to others
- C. Respecting the rights of others
- D. Following prescribed virtue characteristics

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

30. Deontology deals with:

- A.** Rights of others and duties toward them
- B. Consequences of actions
- C. Following prescribed virtue characteristics
- D. Following the law as an element of ethical behavior

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

31. The biggest problem in implementing a utilitarian approach to decision making is:

- A. The interests of others may be subservient to self-interests
- B. It fails to consider the interests of others
- C.** It can be difficult to weigh all the consequences of actions
- D. It relies on moral absolutes

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

32. The biggest problem in implementing a rights approach to decision making is:

- A. The interests of others may be subservient to self-interests
- B. It is difficult to weigh harms and benefits
- C.** It relies on moral absolutes
- D. It can be difficult to determine criteria to distinguish equals from unequal claims

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Moral Philosophies and Their Effect on Ethical Reasoning

33. The biggest problem in applying virtue theory to decision making is:
- A. It can be difficult to identify virtues
 - B. It relies on moral absolutes in decision making
 - C. It can be difficult to determine virtues to distinguish equals from unequal claims in decision making
 - D.** Conflicts between virtues may make decision making more difficult

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

34. The credibility standard in the Statement of Ethical Professional Practice of the IMA requires that an accounting professional should:
- A. Communicate information fairly and objectively
 - B. Disclose all relevant information that might affect the intended user's understanding of the reports, analyses or recommendations
 - C. Disclose delays or deficiencies in information, timeliness, processing or internal controls in conformance with organization policy and the law
 - D.** All of the above

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-07 Apply the IMA Statement of Ethical and Professional Practice to a case study.

Topic: Application of Ethical Reasoning in Accounting

35. Under the IMA's standards of ethical practice, an accounting professional can consider informing authorities or individuals not employed by the organization when an ethical dilemma occurs about an accounting or financial reporting matter that remains unresolved if he/she:

- A.** Believes there is a clear violation of the law
- B. Contacts his/her immediate superior who says to forget about the matter
- C. Informs the external auditors who tell him/her to inform the appropriate authorities
- D. Believes there has been an ethical violation

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-07 Apply the IMA Statement of Ethical and Professional Practice to a case study.

Topic: Application of Ethical Reasoning in Accounting

36. Eddie paid an \$8 restaurant check with a \$10 bill. The waitress gave him \$12 back. The most ethical action for Eddie is to:

- A. Keep the extra \$10
- B.** Inform the waitress of her overpayment
- C. Inform the manager of the restaurant of the overpayment
- D. Leave a larger tip for the waitress

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

37. Sally is the only student from a foreign country in an Auditing class. On the day of the midterm exam, Sally asks the teacher whether she could use a dictionary to translate English words to her native tongue so she can better understand the questions. What do you think the instructor should do if she follows the ethical principle of justice?

- A.** Allow Sally to use the dictionary since she is at a disadvantage
- B. Not allow Sally to use the dictionary because she should know enough English to get by
- C. Allow the other students to bring in some tool to give them an advantage
- D. None of the above

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

38. George is in the middle of a high stakes poker game when he notices what he thinks is cheating by another player. It appears to George that this player took a card from his lap and switched it with a card that he was dealt. If George is a utilitarian thinker, he should:

- A. Accuse the alleged cheater of cheating in front of all the other players
- B.** Consider what might happen if he accuses the player of cheating and he is wrong
- C. Speak to the alleged cheater during a regularly scheduled break and tell him not to do it again
- D. Forget about the whole matter

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

39. Janice is a staff accountant in the accounting firm of Obama and Biden. She is assigned to the audit of HealthCare Associates. On the very first day Janice noticed that the accounting manager of the client took money out of the petty cash fund and put it in his pocket. The best action for Janice to take is:

- A. Ignore the situation because Janice doesn't know why the manager pocketed the money
- B. Inform her immediate supervisor of what she observed**
- C. Tell another staff accountant who is a friend and ask for her advice
- D. Tell the superior of the accounting manager what she has observed

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

40. Kelly is the controller of a small company. One day the CFO comes in and tells her to lower the estimate of uncollectible accounts receivable. Kelly insists her numbers are correct as is. The CFO tells her it will mean her job at the company if she doesn't go along with the smaller estimate. The primary virtue that would enable Kelly to resist the pressure to manipulate the number is:

- A. Loyalty
- B. Integrity**
- C. Caring
- D. Objectivity

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

41. Jason is the fastest worker on the audit of a company for the firm Zits LLP. Other Zits workers take twice as long to complete the equivalent amount of work as Jason. One day Jason is approached by the other workers and is asked to slow down "You are exceeding the time budget for the audit and making the rest of us look bad," said one staff member. From an organizational, ethical point of view, the best thing for Jason to do is:
- A. Tell the other staff members that he will use the time he saves on his budget to help them to meet their budget by picking up their slack
 - B.** Approach the supervisor to discuss the pressure of fellow staff to slow down on doing audit work
 - C. Explain to the other staff members that he works diligently and they should do the same
 - D. Tell the other staff members to mind their own business

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

42. Steve is deep in debt due to a gambling problem. He is the bookkeeper for a family-owned business, Cal Poly Greenery. The company has only three employees - Steve, the husband, and the wife. All three have been friends for many years. One day the loan shark who lent Steve \$20,000 comes knocking at his door asking for repayment of the loan. Steve convinces the loan shark to give him another day. The following day Steve writes a check on the company's books to himself for \$20,000. Since he reconciles the bank accounts and prepares the financial statements, Steve knows it's unlikely the owners will ever know about what he has done. From an ethical perspective, Steve has:
- A.** Violated the trust placed in him by the owners
 - B. Risked his reputation if the loan shark finds out
 - C. Risked his ability to continue working for Cal Poly Greenery
 - D. All of the above

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

43. Ty is a rising star at Texas State Country & Western Stores. He is the controller of the company. His wife, Rosie, is the lead auditor of the CPA firm that examines Country & Western's financial statements and issues an audit opinion. Given the nature of the relationships, Rosie would violate what ethical standard if she is allowed to conduct the audit:

- A. Integrity
- B. Due care
- C. Independence**
- D. Responsibility

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

44. The most important duty of public accounting is to the:

- A. Securities Exchange Commission
- B. Current stockholders
- C. Management
- D. Investing public**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-05 Explain the concept of the public interest in accounting.

Topic: The Public Interest in Accounting

45. The best restatement of Kant's categorical imperative is:

- A.** Do to others as you would have everyone do unto you
- B. Consider others needs before you act
- C. That those with a smaller stake should have a smaller say compared to those with a bigger stake
- D. That the ends justifies the means

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

46. What is the one virtue that people should want in a boss, to trust a boss?

- A. Diligence
- B. Commitment
- C.** Honesty
- D. Sense of humor

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

47. Virtue ethics emphasizes development of good habits of character. What should be the greatest reward of practicing good habits of character, according to MacIntyre?

- A. External rewards
- B. Loyalty from others
- C. Internal rewards**
- D. Authority of rules

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

48. Michael Josephson, founder of the Josephson Institute of Ethics, is credited for developing:

- A. Book of virtues
- B. Care and response orientation
- C. Six Pillars of Character**
- D. Rights theory

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

49. Internal rewards of accounting practice include:

- A. Wealth and prestige
- B. Success and power
- C. Integrity and Excellence**
- D. Achievement and notoriety

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-05 Explain the concept of the public interest in accounting.

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

Topic: The Public Interest in Accounting

50. Utilitarian philosophers are divided into two types: act utilitarian and

- A. rule utilitarian.**
- B. egoistic utilitarian.
- C. ethical utilitarian.
- D. beneficial utilitarian.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

51. Greatest good for the greatest number of people is the theory of_____.

- A. Rights
- B. Deontology
- C. Utilitarianism**
- D. Justice

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

52. The motive of "duty" is most associated with_____.

- A. Egoism
- B. Deontology**
- C. Utilitarianism
- D. Justice

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

53. Virtue ethics is:

- A.** Doing what is right
- B. One's duty to act in a socially acceptable manner
- C. One's ability to meet or exceed their potential
- D. What one ought to do when presented with an ethical dilemma

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

54. Bob is being pressured by his superior to go along with improper accounting and told he is expected to be a team player. Which of the following statements best characterizes those expectations?

- A. Independence
- B. Confidentiality
- C.** Loyalty
- D. Utilitarianism

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

55. When making a donation at the local Goodwill, Martha tells the clerk that her old computer is in perfect working order when she knows it is not, just so she can deduct more on her taxes. Which theory best describes Martha's behavior?

- A. Utilitarianism
- B. Deontology
- C. Egoism**
- D. Justice

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

56. Decisions that are made based on the underlying circumstances of a particular matter can be best characterized by:

- A. Ethical Collectivism
- B. Situational ethics**
- C. Ethical relativism
- D. Judgmental Individualism

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

57. Decisions that are made based on the underlying cultural factors can be best characterized by:

- A. Ethical Collectivism
- B. Situational ethics
- C. Ethical relativism**
- D. Judgmental Individualism

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

58. When applying Utilitarianism to judge actions, what is the only thing that matters?

- A. Motives
- B. Fairness
- C. Consequences**
- D. Rights

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

59. Assume you are taking an exam and you clearly see that your friend is cheating. Your professor does not notice it. What is the most appropriate action for you to take if you are an ethical person?

- A. You pretend not to notice it.
- B.** You discuss the matter with your friend after the exam.
- C. You also cheat the exam because your friend does.
- D. Send a text message to your friend and tell them to stop cheating.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

60. Your manager asks you to "cook the books" to support a loan application at the local bank. The manager insists it is a one-time request. What should you do?

- A. Go along with the manager's request
- B. Talk to others in the company to determine how they handled such situations
- C.** Refuse to go along with the request
- D. Inform the audit committee

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

61. A difficult choice between two moral principles that are in conflict with one another is known as a/an:

- A. ethical relativism
- B. situational ethics
- C. ethical dilemma**
- D. conflict ethics

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

62. The relationship between legal and ethical can best be expressed as:

- A. Always follow the law regardless of consequences for others
- B. Ethical behavior requires less than legal behavior
- C. Legal and ethical are the same thing
- D. Ethical behavior requires us to do more than required by the law and less than the law allows**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

63. When an employee is given a job evaluation, he has a right to expect:

- A.** Fair evaluations
- B. Caring and empathy on the part of the evaluator
- C. 360 degree evaluations from everyone in the firm
- D. Evaluations of technical, not personal skills

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

64. A danger of situational ethics is that it can be used to rationalize a wrong-doing. Such rationalizations may be seen in all of the following examples except:

- A. Cheating at the University of North Carolina
- B. Penn State scandal
- C. Betty Vinson's actions at World Com
- D.** DigitPrint case discussed in the chapter

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

65. Hofstede's Cultural Dimensions helps explain how workers from different cultures might react in the workplace. The Long-Term Orientation dimension could help explain the different approaches toward:

- A. Dealing with uncertainty
- B. Dealing with differences in power structure
- C.** Emphasizing short-term and long-term results
- D. Emphasizing results over process

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

66. Civility requires all but the following:

- A. Restraint
- B. Politeness
- C. Respect
- D.** Disregard

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

67. Which of the following is true of the relationship between civility and ethics?

- A. One can be both ethical and uncivil.
- B.** One can be both civil and unethical.
- C. One can use others, be a bully and be ethical.
- D. One can have empathy and caring for others and be uncivil towards them.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

68. Which of the following is NOT a likely rationalization a student might use to justify cheating on an exam?

- A. Ethical relativism
- B. Situational ethics
- C. Cultural conditioning
- D.** Fair treatment

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

69. The cultural value of Individualism reflects:

- A.** The degree a society reinforces individual or collective achievement
- B. Tolerance for uncertainty and ambiguity in society
- C. The degree of equality between people in a society
- D. Whether a society has a long-term or short-term orientation

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

70. The country with the highest Power Distance score is:

- A. United States
- B. United Kingdom
- C. Japan
- D.** Russia

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

71. In the Harvard Cheating scandal case, using ethical reasoning who is at fault for the situation?

- A. The professor
- B. Teaching assistants
- C. Students who cheated
- D.** All of the above

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

72. In the Giles and Regas case, the primary ethical issue can be stated as:

- A. Whether a subordinate should blow the whistle on a superior who has violated ethical policy
- B. Whether two staff members of the same rank should be allowed to date
- C.** Whether a superior should become involved in a dating relationship with a subordinate
- D. Whether a student should renege on the acceptance of an offer from one firm after receiving an offer from a second firm

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

73. In the NYC Subway Death case, the reason that no bystanders helped Ki-Suck Han was probably due to:

- A. Moral blindness and ethical fading
- B. Bystander effect and moral blindness**
- C. Blind spot and moral blindness
- D. Ethical fading and bystander effect

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

74. In the Lone Star School District case, the auditors were mostly concerned about:

- A. The behavior of a staff member toward client personnel
- B. The falsification of the financial statements
- C. The lack of independence of the audit team
- D. The lack of documentation for travel and entertainment expenses**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

75. The main issue in the Reneging on a Promise case is:

- A.** Should the student who accepted an offer from one CPA firm back off from that promise in order to accept the offer of another firm deemed more preferable to the student
- B. Should Regas back off from the dating relationship she developed with Giles
- C. Should the CPA firm renege on its offer of employment to a student after realizing it made one offer too many to student candidates for staff positions
- D. Should Tybell quit the firm because of conflicts with his superiors

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

76. In the Capitalization versus Expensing case the main ethical issue is whether Gloria Hernandez should:

- A.** Capitalize or expense \$1 million of expenditures
- B. Report her superiors' actions to the CEO
- C. Talk to the audit committee about the pressure imposed by her supervisor
- D. Become a whistle blower

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

77. Kevin Lowe's ethical dilemma in the Eating Time case can best be described as whether to:

- A. Date another staff member of the CPA firm
- B. Inform his supervisor about a lack of diligence of other staff accountants
- C. Quit his job because he can't meet the firm's expected quality of work
- D. Devote time on an audit and not charge it to the job**

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

78. In the Shifty Industries case, the primary ethical issue can be stated as:

- A. Whether an accountant should claim a higher section 179 deduction (\$100,000) than allowed by law.**
- B. Whether an accountant should claim any section 179 deduction or not.
- C. Whether an accountant should claim inflated expenses on the company tax return.
- D. Whether an accountant should claim a section 179 deduction (\$25,000) as allowed by law.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

79. In the Cleveland Custom Cabinets case, the owner of the company thought it was all right to manipulate the financial statement numbers primarily because:

- A. He wanted to improve earnings to increase the share price of company stock
- B. The treatment recommended by the owner for estimating overhead conformed to GAAP
- C.** He was the sole owner of the company and controlled the board of directors
- D. He got approval from the auditors

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

80. In the Better Boston Beans case, what is the ethical dilemma facing Cyndie?

- A. Loyalty of co-worker versus trust of co-worker
- B.** Trust of co-worker versus the honesty of the workplace
- C. Honesty of the workplace versus the privacy of an individual
- D. Privacy of an individual versus loyalty of co-worker

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

Essay Questions

81. Why do ethicists consider integrity to be the foundation of ethical behavior?

Integrity is an internal system of principles which guides our behavior. The rewards are intrinsic. Integrity is a choice rather than an obligation. Even though influenced by upbringing and exposure, integrity cannot be forced by outside sources. Integrity conveys a sense of wholeness and strength. When we are acting with integrity we do what is right - even when no one is watching.

People of integrity are guided by a set of core principles that empowers them to behave consistently to high standards. The core principles of integrity are virtues, such as: compassion, dependability, generosity, honesty, kindness, loyalty, maturity, objectivity, respect, trust and wisdom. Virtues are the valuable personal and professional assets employees develop and bring to work each day. The sum of all virtues equals integrity.

There is a dynamic relationship between integrity and ethics, where each strengthens, or reinforces, the other. Personal integrity is the foundation for ethics - good business ethics encourages integrity. A person who has worked hard to develop a high standard of integrity will likely transfer these principles to their professional life. Possessing a high degree of integrity, a person's words and deeds will be in alignment with the ethical standards of the organization. The right thing to do is not always the easy thing.

It can be challenging for organizations to establish and then comply with their own ethical standards. Whether ethics are defined or not, employees at all levels experience pressures to act against ethical standards and counter to their own integrity. Some say one thing and then, in the heat of battle, do another. It takes awareness and courage to act in that moment; to hold out for a choice that is in alignment with the stated ethics of the organization and the integrity of those involved.

Integrity is what provides the inspiration to convert awareness into action. There is intrinsic satisfaction in accessing courage at times when our integrity is tested.

(Source: http://www.abundancecompany.com/ethics_integrity.htm).

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-01 Explain how integrity enables a CPA to withstand pressures and avoid subordination of judgment.

Topic: Integrity: The Basis of Accounting

82. Moral philosophy deals with questions such as "How should I live my life?" and "What sort of person should I strive to be?" What are the basic tenets of moral philosophy? Answer with respect to the philosophies discussed in the chapter.

Moral philosophy is the area of philosophy concerned with theories of ethics, with how we ought to live our lives. Normative Ethics is concerned with providing a moral framework that can be used in order to work out what kinds of action are good and bad, right and wrong. Normative ethics is prescriptive - it establishes a set of ethical ideals one follows to lead "the good life." It is not descriptive; it doesn't describe how people actually do behave. There are three main traditions in normative ethics: *virtue ethics, deontology, and consequentialism*.

Four Sources of Ethical Standards

The Utilitarian Approach

Some ethicists emphasize that the ethical action is the one that provides the most good or does the least harm, or, to put it another way, produces the greatest balance of good over harm. The ethical corporate action, then, is the one that produces the greatest good and does the least harm for all who are affected—customers, employees, shareholders, the community, and the environment.

The Rights Approach

Other philosophers and ethicists suggest that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends. The list of moral rights includes the right to make one's own choices about what kind of life to lead. It is often said that rights imply duties—in particular, the duty to respect others' rights.

The Fairness or Justice Approach

Aristotle and other Greek philosophers have contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally—or if unequally, then fairly based on some standard that is defensible. We pay people more based on their harder work or the greater amount that they contribute to an organization, and say that is fair.

The Virtue Approach

A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal

virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, "What kind of person will I become if I do this?" or "Is this action consistent with my acting at my best?"

Putting the Approaches Together

Each of the approaches helps us determine what standards of behavior can be considered ethical. There are still problems to be solved, however. The first problem is that we may not agree on the content of some of these specific approaches. We may not agree on what constitutes the common good. We may not even agree on what is a good and what is a harm.

The second problem is that the different approaches may not all answer the question "What is ethical?" in the same way. Nonetheless, each approach gives us important information with which to determine what is ethical in a particular circumstance. And much more often than not, the different approaches do lead to similar answers.

Making Decisions

Making good ethical decisions requires a trained sensitivity to ethical issues and a practiced method for exploring the ethical aspects of a decision and weighing the considerations that should impact our choice of a course of action. Having a method for ethical decision making is absolutely essential. When practiced regularly, the method becomes so familiar that we work through it automatically without consulting the specific steps.

The more novel and difficult the ethical choice we face, the more we need to rely on discussion and dialogue with others about the dilemma. Only by careful exploration of the problem, aided by the insights and different perspectives of others, can we make good ethical choices in such situations.

(Source: A Framework for Thinking Ethically, Markkula Center for Applied Ethics at Santa Clara University: <http://www.scu.edu/ethics/practicing/decision/framework.html>).

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

83. Describe a situation you have encountered in your personal life where you did not follow the law because you judged another alternative to be more ethical. Don't use the example in the text of driving on a two-lane divided roadway. Why did you decide to do that act?

- Sometimes in natural disasters like a fire, flood, hurricane a person might break-in and enter a house to look for and rescue the occupants.
- Look for the reasoning behind a student's answer to evaluate the appropriateness of the action.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

84. Evaluate Lance Armstrong's behavior towards doping during the Tour de France from the perspective of the "Six Pillars of Character." How might Armstrong have handled the matter better?

Lance Armstrong's doping during the Tour de France shows loyalty only to himself. By doping, he showed a lack of trustworthiness, honesty, integrity, respect, and fairness to his competitors who played by the rules. He used and abused the system and duped the public into thinking he had honestly accomplished something he had cheated at for many years. His situation stands as an example of how quickly one's reputation for trust can be shattered.

An interesting article that explores how Armstrong's actions motivated others to act just as wrongly appears in a Harvard Business School posting at: <http://hbswk.hbs.edu/item/lessons-from-the-lance-armstrong-cheating-scandal>.

When Armstrong chose to break the rules of professional cycling by taking illegal substances, he did more than put his own career in jeopardy—he betrayed millions of people who believed in him, and risked the reputations and careers of teammates in order to win personal glory.

"Once he decides to cheat, it is not just about him, he needs to create this whole infrastructure around him with this incredible organization to facilitate it," says Professor of Management Practice Clayton S. Rose, who sees in Armstrong's story an ideal vessel for teaching lessons about business ethics and leadership.

As much as Armstrong's story says about his own decision to betray his responsibilities, Rose sees more of a lesson in the decisions made by his followers—fellow riders, medical staff, and training staff—to go along with Armstrong's deceptions. "How do you start to go down that slippery slope?" Rose asks. "What can you do to stop yourself—and at what cost?"

Despite its emphasis on individual heroes, cycling is very much a team sport, one where the team supports the leader and works for his success. Riders help shield their leader from other cyclists in tight packs, draft in front of him to reduce wind resistance during climbs, and chase down rivals who break from the group.

So when Armstrong decided to dope, he required other riders to dope as well to match his escalating performance level, and the rest of the support team to facilitate the doping and manage the cover-up to achieve victory.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-03 Describe how the pillars of character support ethical decision making.

Topic: The Six Pillars of Character

85. Why do you think potential employers of accounting graduates care about the ethical values of potential student hires?

Employers want trustworthy employees, which includes being honest, having integrity, being loyal and reliable. Employers want loyal employees who will respect the confidentiality of client information.

What makes a recent accounting graduate stand out to employers? Possessing not only general accounting knowledge, but also non-accounting skills. Whether it's written or oral communication skills, critical-thinking skills, problem-solving skills, or ethical-awareness skills, it's extremely important for accounting graduates to be well-rounded.

Critical-thinking, problem-solving, and ethical-awareness skills are important attributes to have when talking with a potential employer during an interview.

Employers want someone who can recognize a situation and understand what the ethical issues are, which paths to take, and know the difference between right and wrong, which is different from legal and illegal a lot of times. Something might be legal, but it may not necessarily be ethical.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

86. Explain the steps that should be taken by an internal accountant/CMA when there is a difference of opinion with one's supervisor on an accounting or financial reporting manner.

Since the conflict is with the supervisor, the accountant should clarify relevant ethical issues with an IMA Ethics Counselor or other impartial advisor to obtain a better understanding of possible courses of action. The accountant should consult his own attorney as to legal obligations and rights concerning the ethical conflict. Issues arise with respect to confidentiality that must be fleshed out by discussions with one's attorney.

The example of Cynthia Cooper is a case in point how to handle such an ethical dilemma. Cooper first went to her superior, who really was on an equal footing within the organization - Scott Sullivan, the CFO. Sullivan insisted the accounting Cooper was challenging was acceptable. Cooper sensed the CEO - Bernie Ebbers - knew of the accounting but Sullivan was squarely in charge of these matters. Cooper then went to the chair of the audit committee who seemed relatively disinterested and not wanting to rock the boat. She persisted because of a good relationship with the chair. After striking out over a period of time, and discovering the scope of the fraud, Cooper approached the external auditors - KPMG at that time - and was successful in gaining their support on the accounting difference. Ultimately, Cooper and KPMG went to the board of directors and Sullivan was fired. Ebbers had already resigned.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

87. What is the role of a code of professional conduct and standards of ethical behavior for accountants and auditors?

A code of conduct and standards of ethical behavior set the minimum behavior expected by the professional. Those regulations and standards exist to address the knowledge imbalance between the client and the provider of services, who has professional expertise. Clients trust their accountants and auditors in part because of the strict standards of ethical behavior in the profession.

Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce. This reliance imposes a public interest responsibility on the profession.

Auditors should take into consideration the public interest and reasonable and informed public perception in deciding whether to become involved in certain relationships with the client or client management that might impair objectivity and integrity by creating threats that cannot be mitigated by any safeguards developed by the client, the firm, or the regulators.

In acting in the public interest, a professional accountant shall observe and comply with provisions of a Code of Conduct such as that of the American Institute of CPAs and the Ethical Professional Standards of the IMA.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Learning Objective: 01-07 Apply the IMA Statement of Ethical and Professional Practice to a case study.

Topic: AICPA Code of Conduct

Topic: Application of Ethical Reasoning in Accounting

88. Is it ethical for Jerry to keep his smart phone on during the work day if:

- (a) His daughter is sick and he needs to monitor messages from the baby sitter.
- (b) His ID has been stolen and he is waiting for the credit card company to inform him of the damages.
- (c) He likes to see what is posted about the company on social media so he can inform his bosses.
- (d) He feels as though all employees should have the leeway to be involved in social networking on the job within reasonable limits.

Discuss each of the above using ethical reasoning.

(a) Is there another way for the babysitter or credit card company to contact Jerry besides the smart phone? Could Jerry receive personal calls on the company phone? Could he be reached via email?

Jerry is showing responsibility and caring for his family in being available when a child is sick. Others in the organization should be empathetic and realize the same thing might happen to them. They should ask under *The Rights Theory*: How would I want those in the organization to treat me if I felt compelled to have my smart phone on during the day to monitor my child's health?

(b) In trying to be reached by the credit card company, can Jerry do these calls on his lunch hour or after work hours? Like with the babysitter, could Jerry receive personal call on the company phone or via email? In this case Jerry is crossing a fine line between the health and safety of oneself and family and a purely personal matter that could be handled at a later time. Even though others might say they would want to have access to their smart phones during work hours to resolve the credit card issue, it is not an emergency as the card is likely to be canceled by the company with Jerry's approval once a fraud report is issued.

(c) and (d) can be supported using egoism. These situations show that Jerry is interested in his rights and being the first to tell his boss about postings on social media, possibly at the expense of his coworkers. Students may try to use utilitarianism to support these positions.

However, Jerry should ask for permission from his employer to monitor social media sites during the work day. Maybe the employer is not interested in Jerry doing this or doesn't really concern itself with what others say about the employer on social media sites. The employer has a right to approve such use by Jerry and Jerry has an obligation to inform the employer of what he intends

to do and why.

Extended discussion

For many companies, social media tools can provide new ways of connecting with potential and current customers, employees, suppliers and other stakeholders. They offer companies the opportunity to speed up the pace of business, better establish the message that a company wants to convey, strengthen a company's relationships with customers and others and further facilitate a continuous conversation about the business.

But social media when not well managed opens the door to numerous risks - breach of confidentiality, conflicts of interest, misuse of company resources, to name a few of the more obvious ones. A company without an initiative to effectively identify, assess and manage its approach to social media and its various tools not only loses out on its many opportunities they offer but faces numerous risks to and improper business practices and activities that may damage the business. A program to harness these risks does not need to be onerous or intrusive, but it does need to be proportional to the company's exposure. Further, a company should expect the social media arena to continue to change both in technologies, their uses, business providers and ways social media impacts the business landscape.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?

89. Are search results in Google, YouTube, Facebook, Twitter, and other social media sites fair game, specifically when an employer is looking to fire an employee?

The ethics involved in hiring are different for grounds for firing. In regards to hiring, according to a Fall 2011 survey by Reppler, "more than 90% of recruiters and hiring managers have visited a potential candidate's profile on a social network as part of the screening process. And a whopping 69% of recruiters have rejected a candidate based on content found on his or her social networking profiles—an almost equal proportion of recruiters (68%), though, have hired a candidate based on his or her presence on those networks." Whether they have stopped to ask if it is ethical or not, it seems employers are using the Internet to screen for potential employees.

While it is ethically questionable whether an employer should use social media in the hiring process, because of concerns such as anti-discrimination laws for hiring, the use of social media as one element of a process set in motion when considering firing an employee for cause makes more sense. An employer should be allowed to monitor open social media sites as grounds for firing an employee. According to a SpamTitan Technology survey, most employers agree with this position: "The results show that 87% of companies would consider firing an employee if they posted something confidential about the company on a social media site..."

With the rise in popularity of websites such as Facebook, Twitter and LinkedIn, it is understandable that members of staff with Internet access are tempted to spend a little of their working day checking their accounts. For many employers the main issue is not the loss of productivity that occurs as a result of inappropriate social media use. It is the security threat that inappropriate social media use introduces.

But, employers must tread lightly in this ethical area as well. The safest path is to create a social media policy for employees for how they represent the employer online. Policies range from a code of conduct to specific guidelines for every social media site available - protecting both the brand and name of the employer and spelling out fireable offenses for the employee. For the employer, protecting the name and brand can be equitable to profits and jobs that could be lost if an employee spreads damaging posts online. And social media policies only help the employee as well. It is true that employees have a right to express their frustration about their boss on Facebook, as long as they do not cross a predetermined line, a line that is very thin and ever-changing but one that should be drawn by each organization and made part of the culture.

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-06 Discuss the Principles section of the AICPA Code of Professional Conduct.

Topic: AICPA Code of Conduct

90. The school board has received a bomb threat claiming that a bomb would be detonated at noon on Monday at the high school. The threat was received by the school board at 8 pm on Sunday night. The school asked the bomb squad to investigate and they found no bomb. The next morning at 7am, one hour before school was to start, another threat was received. There was no time to check for a bomb. What is the best action for the school to take from an ethical perspective? Explain. (a) Go ahead with school as planned since the last threat was not credible. (b) Delay the start of school until 10am to give the bomb squad time to check and inform parents there is a water leak that needs to be fixed. (c) Call off school even though final exams were scheduled that day and explain all the steps taken to protect the safety of students.

Discuss which ethical theory supports each alternative. Which would you choose and why?

The question is designed to have no right answer but rather for the student to display understanding of theories and critical thinking skills.

(a) This may not require a theory. It is business as usual. Students may discuss the rights of students and parents for safety, and whether ethical blindness exists. It would seem an egoistic approach drives the inaction here. Students might discuss it in the context of Penn State and ignoring the child abuse in the interests of the reputation of the University.

(b) This is considering protecting the public and students' interest but it is accomplished by telling a lie to achieve this end. Thus students should mention Kant on the duty to not tell a lie. Rights might also be mentioned as to whether the public, parents, and students have a right to know the truth. Act Utilitarianism, on the other hand might be used to justify making up a story about a water leak - the least harm to the least many.

(c) Final exams can always be re-scheduled. This is protecting the public and students' interest and is telling the truth. Thus students should mention Kant on the duty to not tell a lie and rights of the public, parents, and students to know the truth. Rule Utilitarianism can be used to emphasize the importance of never violating certain rules, which would include full disclosure to parents when their kids' health and safety are at stake.

Ask whether it might be best not to tell the public about the bomb threat because of the possibility of copycat incidents.

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

91. Susie, a newly graduated BBA in accounting, has started a new job with the state budgeting office. Susie has responsibility over expense reimbursements. The state has a travel policy stating that a state employee may be reimbursed up to \$90 per night for a hotel room and up to \$40 per day for meals, as long as the employee turns in food receipts. The first expense account Susie works on the employee who has a hotel receipt for \$130 a night but no food expenses. Susie processes the reimbursement for \$90. The employee becomes irate as his reading of the travel policy is that he can be reimbursed for \$130 a night for hotel and food with a receipt. The employee claims this has never been a problem in the past and has always been reimbursed \$130 a night whether for hotel only or both hotel and food.

What should Susie do and why? Use ethical reasoning to support your answer.

This is written to have no right answer, but rather to have students display their understanding of ethical theory and critical thinking skills. The employee is using egoism to try to justify his position. Susie is using Kant to justify following the rules of the state. Some students may mention that using utilitarianism the state and employees will all be better off if the rule is \$130 per night on travel, food and entertainment. What if cheaper hotels are available at the same quality? Should employees be expected to be selective in their choice of where to stay as they might be if it were a personal trip? Is there a difference between personal ethics and workplace ethics?

The employee claims the reimbursement at the higher level of \$130 a night has never been a problem in the past whether for hotel only or both hotel and food. The first thing Susie should do is double check the company's policy on this matter. If the employee is correct, then the policy is routinely ignored perhaps in the interests of keeping employees happy. After all, it takes time to travel to a meeting; time that is not reimbursed. What's wrong with allowing an employee to be reimbursed at the higher level so long as all employees are treated the same?

On the other hand, policies should be followed as written even if there are negative consequences for an employee. The company can always change the policy to have it reflect the prevailing view about reimbursement. Of course such policies should be set by management, not the employees, although getting feedback from those employees who will be affected by the policy is a good management practice. It demonstrates diligence, empathy, and reasoned behavior, all virtues.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-04 Differentiate between moral philosophies and their effect on ethical reasoning in accounting.

Topic: Modern Moral Philosophies

92. Why is it important to consider cultural variables in the workplace?

Culture helps explain the priority of one's values. Working in a team situation, members need to understand the goals, which may include an agreed upon ranking of values. In Asian cultures, employees in a group may not feel obligated to inform outside the group if the rules are violated whereas in a more Individualistic culture an individual may feel a personal obligation to inform those who have a right to know. The implications for behavior in the workplace are significant depending on cultural dimensions.

As for Uncertainty Avoidance, in some cultures the disclosure of information is quite guarded because of the fear that opening up about it creates uncertainty for the entity and may lead to negative consequences for all. In other cultures, uncertainty is expected and risk better managed.

Here is a review of Hofstede's work on cultural variables discussed in the chapter. Hofstede identified four cultural dimensions that can be used to describe general similarities and differences in cultures around the world: (1) individualism, (2) power distance, (3) uncertainty avoidance, and (4) masculinity. In 2001, a fifth dimension, long-term orientation—initially called Confucian dynamism—was identified.

Individualism (IDV) focuses on the degree that the society reinforces individual or collective achievement and interpersonal relationships. In individualist societies (high IDV), people are supposed to look after themselves and their direct family, while in collectivist societies (low IDV), people belong to "in-groups" that take care of them in exchange for loyalty. Imagine, for example, you are the manager of workers from different cultures and cheating/unethical behavior occurs in the workplace. A work group with collectivist values such as China and Japan (low IDV) might be more prone to covering up the behavior of one member of the group in order to "save face", whereas in the United Kingdom and United States (high IDV), there is a greater likelihood of an individual blowing the whistle.

Uncertainty Avoidance (UAI) is another cultural value that has important implications for workplace behavior, as it describes the tolerance for uncertainty and ambiguity within society. A high UAI ranking indicates that a country has a low tolerance of uncertainty and ambiguity. Such a society is likely to institute laws, rules, regulations, and controls to reduce the amount of uncertainty. A country such as Russia has a high UAI, while the United States and United Kingdom have lower scores (low UAI), indicating more tolerance for a variety of opinions. One implication is the difficulty of doing business in a country like Russia, which has strict rules and

regulations about what can and cannot be done by multinational enterprises.

Other variables have important implications for workplace behavior as well, such as the Power Distance index (PDI), which focuses on the degree of equality between people in the country's society. A high PDI indicates inequalities of wealth and power have been allowed to grow within society, as has occurred in China and Russia as they develop economically. Long-term orientation (LTO) versus short-term orientation has been used to illustrate one of the differences between Asian cultures, such as China and Japan, and the United States and United Kingdom. In societies like China and Japan, high LTO scores reflect the values of long-term commitment and respect for tradition, as opposed to low-LTO countries, such as the United Kingdom and United States, where change can occur more rapidly. Time can often be a stumbling block for Western-cultured organizations entering the China market. The length of time it takes to get business deals done in China can be two or three times that in the West. One final point is to note that Brazil and India show less variability in their scores than other countries, perhaps reflecting fewer extremes in cultural dimensions.

Our discussion of cultural dimensions is meant to explain how workers from different cultures *might* interact in the workplace. The key point is that cultural sensitivity is an essential ingredient in establishing workplace values and may affect ethical behavioral patterns.

Here are 7 key variables in *cultural diversity* in the workplace.

1. Communication - Many workplace cultural issues arise from differences in communication, such as direct versus indirect, content versus context. In direct cultures, people generally say what they mean, and content is king. In indirect cultures, such as Asia, Latin America, or the Middle East, people are likely to communicate indirectly, and you must be able to understand context to understand true meaning.

2. Values - One of the main differences in cultures is values. Some cultures might prize accomplishment, while others focus most on family or quality of life. Differences in values can be seen directly in the workplace. Cultures such as the United States favor competition and productivity, while others place greater value on harmony and cooperation.

3. Beliefs and Viewpoint - Another major variable in workplace cultural diversity is how people see the world, and how they interact with it. In the West, people believe they control events, and their destiny. But in most other cultures, people are fatalistic and often believe they have little control over events.

4. Social Structure - A couple of the big differences here are egalitarian or authoritarian societies

and group or individual orientation. In the United States, for example, we tend to be very individualistic. But many Asian cultures, in contrast, are very group oriented and prefer to work in teams.

5. Time - Albert Einstein proved that time is relative, and this is certainly true across cultures. Americans tend to focus on short-term and believe deadlines are firm and fixed. In many other cultures, people think more long-term, and deadlines tend to be fluid.

6. Etiquette - The main differentiator here is whether cultures are formal or informal. In the United States, we tend to be very informal, as exemplified by the immediate use of first names. But in other cultures, people tend to be more formal, including the use of names proper greetings, etc.

7. Perceive the Individual - All this said, above all everyone must be seen as an individual. I recently hosted two visitors from Germany: one was an archetypal German, while the other might easily this be mistaken as a California surfer. Cultures are only general guidelines.

Conclusion - We are all becoming world travelers in the workplace, fueled by immigration, outsourcing, and more. To be effective in a culturally diverse workplace, you need to know the rules and enjoy the challenge of cross-cultural interaction.

AACSB: Ethics

AICPA: BB Critical Thinking

AICPA: FN Decision Making

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 01-02 Discuss the relationship between one's values and ethics; and legal obligations.

Topic: What is Ethics?