

Test Bank for Ethical Obligations and Decision Making in Accounting Text and Cases 3rd Edition by Mintz and Morris

Chapter 2 – Accountants' Ethical Decision Process and Professional Judgment

Multiple Choice Questions

1. When Sally is asked why she should share her toys with her sister, she responds by saying "Because my mom says I have to and if I don't I'll go to time-out." In which stage of moral development is Sally?
 - A. Conventional Morality
 - B. Fairness to Others
 - C. Postconventional Morality
 - D. Preconventional Morality

2. In reference to Rest's four-component Model of Morality, which component reflects an individual's willingness to place ethical values ahead of non-ethical values that relate to self-interest?
 - A. Moral Character
 - B. Moral Motivation
 - C. Moral Sympathy
 - D. Moral Judgment

3. The cognitive development approach refers to:
 - A. The thought process followed in one's moral development
 - B. The method of moral reasoning used in decision making
 - C. The exercise of professional judgment in decision making
 - D. All of these

4. Kohlberg's model can best be described as:
- A. The various phases in one's moral development and related levels of moral reasoning
 - B. A model of ethical action that is based on one's moral development
 - C. A predictive tool to determine how a person will reason ethically based on one's moral development
 - D. A model of age-specific levels of moral reasoning
5. In the "Heinz and the Drug" case described in the chapter, Heinz's actions falls into which of Kohlberg's stages?
- A. Stage 1
 - B. Stage 2
 - C. Stage 3
 - D. Stage 4
6. Heinz stole the drug because:
- A. He loved his wife
 - B. He couldn't come up with all the money to pay for it
 - C. He was afraid his wife would die without the drug
 - D. All of these
7. In stage 1 of Kohlberg's model, ethical reasoning is motivated by:
- A. Fear of punishment
 - B. Satisfaction of one's needs
 - C. Following the law
 - D. Acting based on universal ethical principles

8. In stage 3 of Kohlberg's model, ethical reasoning is motivated by:
- A. Satisfaction of one's needs
 - B. Acting in the best interests of others
 - C. Upholding the rights, values, and legal contracts of society
 - D. Acting based on universal principles
9. In stage 5 of Kohlberg's model, ethical reasoning is motivated by:
- A. Acting in the best interests of others
 - B. Following the law
 - C. Upholding the rights, values, and legal contracts of society
 - D. Acting based on universal principles
10. Individuals who reason at stage 6 incorporate ethical reasoning based on:
- A. The morality of law and duty to the social order
 - B. A rational calculation of benefits and harms to society
 - C. Universal ethical principles
 - D. All of these
11. A client asks his accountant to ignore a mistake which overstated the accounts receivable account. The accountant decides that the accounts receivable account has to be corrected to state the correct amount. The accountant makes his decision based on his duty to society, respect for authority, and maintaining the social order. Which stage of Kohlberg' Stages of Moral Development is the accounting reasoning?
- A. Stage 2
 - B. Stage 3
 - C. Stage 4
 - D. Stage 5

12. The ethical domain in accounting and auditing refers to:
- A. The important constituent groups affected by accounting and auditing work
 - B. The stages of the moral development of accountants and auditors
 - C. The decision making process followed by accountants and auditors
 - D. All of these
13. The results of studies indicate that CPAs reason primarily at:
- A. Stages 1 and 2
 - B. Stages 2 and 3
 - C. Stages 3 and 4
 - D. Stages 4 and 5
14. Rest's "Four Component Model of Morality" can best be described as:
- A. A description of the values that influence ethical decision making
 - B. A model of the relationship between ethical action and one's level of moral development
 - C. A model of moral judgment based on one's possession of certain virtues of behavior
 - D. All of these
15. Assume you were assigned a term paper and decided to surf the web to identify a provider of papers for a fee. You chose what you thought was the best paper available. With respect to Rest's model of morality it can be said that:
- A. Your actions lack moral sensitivity
 - B. You are reasoning at stage 1
 - C. You are making judgments based on the utilitarian method
 - D. You lack the courage of your convictions

16. The actions of Sherron Watkins in the Enron case appears to reflect each of the following except for:
- A. Moral sensitivity
 - B. Egoism
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17. Yvonne is preparing a tax return for Jack. Jack wants to claim his nephew as a dependent even though he does not meet the criteria. Jack says if Yvonne does not list his nephew as a dependent, he will fire her and find a new tax accountant. Yvonne refuses because it is illegal to claim a dependent that does not meet the qualifications. Based on Yvonne's decision, she is likely reasoning in which stage of Kohlberg's moral development model?
- A. Stage 2
 - B. Stage 3
 - C. Stage 4
 - D. Stage 5
18. James Rest's model of ethical action involves four components inherent to the ethical decision-making process. Which of the following relates to a person's moral judgment?
- A. Interpreting a situation as a moral dilemma
 - B. Willingness to place ethical values ahead of non-ethical values
 - C. Intention to act ethically aligning to his values
 - D. Outcome of one's prescriptive reasoning

19. Thorne's "Integrated Model of Ethical Decision Making" can best be described as:
- A. A depiction of a model of moral development
 - B. A depiction of how the Principles in the AICPA Code of Professional Conduct influences decision making
 - C. A model of the role of virtue in decision making
 - D. A model of the role of moral development and virtue in decision making
20. In Thorne's model of ethical decision making, the instrumental virtues relate to:
- A. Moral sensitivity
 - B. Ethical reasoning
 - C. Ethical motivation
 - D. Ethical character
21. The ethical decision making model described in the chapter helps to:
- A. Organize the various elements of ethical reasoning and professional judgment
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22. The importance of framing the ethical issue in the decision making model is:
- A. Identify the stakeholders affected by intended actions
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 - D. Providing a perspective to apply the decision making model to specific facts of the case

23. Each of the following is an element of the operational issues to be considered in the decision making model except for the:
- A. Culture of the organization
 - B. Method of moral reasoning
 - C. Internal controls
 - D. Corporate governance system
24. Each of the following considerations should help to evaluate alternative courses of action in the decision making model except for:
- A. Whether the alternatives are consistent with professional standards
 - B. Whether the alternatives are consistent with firm policies and its own code of ethics
 - C. The stage of moral development of the decision maker
 - D. The potential harms and benefits of alternative courses of action
25. Wanda is faced with an ethical dilemma. She knows her supervisor, the CFO, wants to accelerate the recoding of revenue to an earlier period to "make the numbers," but Wanda is convinced this would violate GAAP. If Wanda reasons at stage 4 of Kohlberg's model she is most likely to:
- A. Make a decision based on what is in her own best interests
 - B. Consider the interests of the stakeholders but decide based on what is in her best interests
 - C. Refuse to record the transaction as desired by the CFO
 - D. Inform the board of directors of the difference of opinion with the CFO

26. Keesha is the CEO of a publicly-owned company. She was informed by the CFO that the company's earnings were down 30 percent from the prior year due to the recession. The company's stock price has declined by 20 percent. The CFO comes up with a scheme to hide debt and inflate revenues by selling underperforming assets to a special purpose entity affiliated with the company. Keesha is concerned about possible effects on the creditors but ultimately she agrees to the accounting. Keesha is reasoning at:

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27. Rosie is the external auditor of Texas Two Steps, a privately-owned dance company in Texas. Rosie believes the owner of the company is skimming cash off the top. She approaches the owner who explains that the money will be replaced in the following month after he refinances his house. Rosie accepts the owner's explanation but reclassifies the expenditure as a receivable of the company from Rosie. Rosie's reasoning best reflects:

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- B. Lacking in professional skepticism

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29. Role expectation or approval from others is a motive for doing right in which stage of Kohlberg's moral reasoning?

- A. Fairness to others
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- C. Self-chosen principles
- D. Law and order

30. At which stage of Kohlberg's view on ethical development is an individual's actions influenced by group norms?

- A. Stage 1
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31. How does Gilligan evaluate the solution to Heinz's dilemma?

- A. Women think saving a life is more important than keeping the law.
- B. Men think keeping the law is more important than saving a life.
- C. Men tend to think in terms of justice, and women in terms of caring.
- D. Men misunderstand and women understand.

32. Rest's components of a moral model include all but

- A. Moral sensitivity
- B. Moral development
- C. Moral judgment
- D. Moral character

33. Moral sensitivity can be summarized as
- A. Being able to think of others first
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 - B. A CPA is unlikely to be influenced by rules or authority.
 - C. A CPA is unlikely to be influenced or give into pressures.
 - D. A CPA unable to apply technical accounting standards is likely to be influenced by others.

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- A. Choose an ethical theory to follow
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38. Diem-Thi Le felt retaliated against for whistle-blowing at the DCAA. Her persistence and determination to see audits change at DCAA exemplify

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39. The best way to characterize the efforts of Diem-Thi Le is that of a

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- C. Member of the audit committee
- D. The director of the DCAA

40. The actions of Diem-Thi Li best illustrate

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- B. System 2 thinking
- C. Moral blindness
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- A. Persistence and independence
- B. Persistence and courage
- C. Courage and loyalty
- D. Persistence and loyalty

42. In the Better Boston Beans case, what is the ethical dilemma facing Cindie?

- 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

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49. In the Phar-Mor case, Pat Finn's actions reflect ethical reasoning at what stage?

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50. In the Gateway Hospital case, Troy:

- A. Wants to be treated the same as Kristen with respect to expense reimbursement
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- C. Wants to be treated differently than Kristen with respect to expense reimbursement because of personal considerations
- D. Believes the company's reimbursement policy is fair

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