Business and Professional Ethics 9th edition Brooks Test Bank

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MULTIPLE CHOICE

1 : As a result of the spectacular stock market crash in 1929, the government enacted the Securities Act of 1933, the Securities Act of 1934, and:
A : The *Glass-Steagall Act*.
B : The *Investment Advisers Act*.
C : The *Gramm-Leach-Bliley Act*.
D : All of the above
E : Only a and b

Correct Answer : E

2 : In 1984, Edward Freeman published an article on stakeholder theory. Which of the following is not true?
A : A firm needs the support of its stakeholders to enhance the firm's reputation.
B : Stakeholder theory took years to mature.
C : Stakeholder theory is not a useful framework for those interested in governance.
D : Firms need stakeholders to achieve their corporate objectives.
E : Stakeholder theory occurred at the same time as the rise in social and corporate activism.

Correct Answer : C

3 : Which of the following is not covered under the Sarbanes-Oxley Act of 2002 (SOX)?
A : The responsibilities of shareholders
B : The responsibilities of the board of directors
C : The responsibilities of management
D : The responsibilities of auditors
E : Conflicts of interest

Correct Answer : A

4 : The overall requirement of the Internal Revenue Service Circular 230 is to ensure that tax professionals:
A : know their clients.
B : always develop tax plans for their clients.
C : make tax planning suggestions that, even if they don't have a chance of success, will save the client some money in the short term.
D : never develop tax shelters.
E : only be professional accountants.

Correct Answer : A

5 : A collateralized debt obligation (CDO):
A : is an insurance policy that any investor can purchase.
B : is a bond that is secured by a portfolio of mortgages.
C : protects an investor in the event that the issuer of the mortgage defaults on the contract.
D : acts as a hedge against changes in interest rates.
E : was outlawed with the passage of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

Correct Answer : B

6 : Which of the following is not a sign of an ethical collapse within an organization, according to

Marianne Jennings, author of The Seven Signs of Ethical Collapse: How to Spot Moral Meltdowns in Companies?
A : Pressure to meet financial goals
B : Hubris
C : Nepotism, favoritism, and hiring sycophants
D : An open and candid organizational culture
E : A weak board of directors

Correct Answer : D

7 : The U.S. Federal Sentencing Guidelines were introduced in 1991 to:
A : help judges formulate sentences.
B : avoid sentences that were too light.
C : signal potential sentences to executives and directors.
D : encourage executives and directors to avoid environmental damage.
E : All of the above

Correct Answer : E

8 : Due diligence programs developed to reduce penalties levied under the U.S. Federal Sentencing Guidelines for environmental harm did not include:
A : awareness programs for employees.
B : guidelines for employees.
C : compliance oversight by corporate officials.
D : rewards for noncompliance.
E : encouragement for whistleblowers.

Correct Answer : D

9 : Which was the largest fraud or bankruptcy leading to the crisis of investor confidence in 2002?
A : Enron
B : Global Crossing
C : WorldCom
D : HIH Insurance
E : Xerox

Correct Answer : C

10 : The U.S. Internal Revenue Service (IRS) implemented Circular 230 to remedy problems found with regard to the marketing of tax shelters thought to:
A : have no other purpose than reducing taxes.
B : have lower than 50% chance of success if challenged by the IRS.
C : not be in accordance with the client’s needs.
D : create fictitious losses.
E : All of the above

Correct Answer : E

11 : A Ponzi scheme, such as the one Bernie Madoff ran, is:hard to hide forever.
A : a card game.
B : a sound investment scheme.
C : a scheme to improve the environment.

D : hard to hide forever.
E : None of the above

Correct Answer : D

12 : The Carillion plc bankruptcy was important because:
A : it had major infrastructure construction and operations projects all over the world.
B : it left tens of thousands of active and pensioned workers without financial support.
C : it attracted the largest number of short sellers on the London Stock Exchange.
D : it went bankrupt within six months of receiving a clean audit report.
E : All of the above

Correct Answer : E

13 : The QuadrigaCX cryptocurrency exchange went bankrupt because:
A : the founder and operator died.
B : the founder fired all professional accounting and control personnel.
C : Canada had no regulatory framework to oversee such exchanges.
D : the founder dissipated most of the exchange's funds.
E : cryptocurrency is a very risky investment.

Correct Answer : D

14 : Deutsche Bank closed down a business segment producing roughly 20% of its business because:
A : it was an unprofitable business segment for banks in general.
B : the leader of that business segment was disgraced.
C : there were damning reports from the German regulator.
D : there was negligent strategic thinking.
E : the culture in that business segment was beyond remediation.

Correct Answer : E

15 : Large drug and chemical manufacturers have been fined huge sums for harmful products that they marketed aggressively and that:
A : were seriously harmful to humans.
B : were priced at absurdly high margins of profit.
C : involved a very high risk of addiction.
D : have generated over 2,000 lawsuits.
E : All of the above

Correct Answer : E

16 : At least two major accounting bodies have begun to reimage the accounting profession because of the following.
A : A lack of basic accounting knowledge
B : Faulty basic auditing practices
C : Poor risk assessment practices
D : A lack of competency with modern tools
E : Three of the above

Correct Answer : E

MULTIPLE ANSWER

17 : Which of the following financial crises or fiascos were not related to the subprime lending crisis?
A : Bear Stearns
B : Lehman Brothers
C : Bernie Madoff
D : AIG
E : Galleon Group

Correct Answer : E

18 : The crisis in investor confidence in 2002 was caused by:
A : a lack of integrity of business leaders.
B : the manipulation of financial results.
C : the boards of directors that did not provide proper oversight.
D : the findings of alert auditors.
E : All of the above

Correct Answer : E

19 : SOX contained sections with regard to the auditors and/or audit committee that were designed to:
A : increase the independence of management.
B : increase the financial literacy of audit committee members.
C : limit the conflicts of interest related to the services an auditor can perform.
D : restrict the ability of auditors to serve on the audit committee.
E : All of the above

Correct Answer : E

20 : Why didn't investors caught in the subprime lending crisis take earlier note of the risks inherent in investments known as collateralized debt obligations (CDOs)?
A : Investors were driven by greed and the desire for high returns.
B : Banks were selling and buying them.
C : The risks were buried in complex, jargon-oriented documents.
D : The risks were diversified over many mortgages.
E : Only three of the above

Correct Answer : E

21 : The U.S. government created the Troubled Asset Relief Program (TARP) to:
A : bail out investors in U.S. financial firms and institutions.
B : avoid a worldwide financial crisis.
C : stimulate the U.S. economy.
D : resolve the financial crisis in Iceland.
E : make a profit on the ultimate sale assets bought at a low value.

Correct Answer : E

22 : The Dodd-Frank Wall Street Reform and Consumer Protection Act was created after the subprime lending fiasco to protect consumers from deceptive practices related to:
A : mortgages.
B : credit cards.

C : cars.
D : financial derivatives.
E : All of the above

Correct Answer : E

23 : Ralph Nader contributed to the lack of credibility of corporations by exposing:
A : their excessive bonus schemes.
B : their greed.
C : their poor car safety.
D : their poor environmental record.
E : the “seller beware” attitude of toy manufacturers.

Correct Answer : E

24 : Freddie Mac and Fannie Mae:
A : were created to support the U.S. housing market.
B : stimulated the U.S. housing bubble.
C : provided bailout funds to the U.S. government.
D : acted in the best interests of consumers.
E : acted in the best interests of lenders.

Correct Answer : E

25 : Who among the following demonstrated extraordinary hubris (the arrogant belief that rules are for other people but not for us)?
A : Kenneth Lay
B : Bernie Ebbers
C : Arthur Andersen
D : Scott Sullivan
E : All of the above

Correct Answer : E