



## Ethics and Governance – Module 2 Quiz

*Here are some easy questions just to test you have understood the main points within this module.*

### Questions

#### Question 1

Which of the following correctly includes all possible consequences for a professional accountant whose actions are not aligned with professional accounting standards and legal obligations?

Item I fines

Item II imprisonment

Item III tacit emancipation

Item IV loss of membership

- A I and II only
- B III and IV only
- C I, II and IV only
- D I, III and IV only

#### Question 2

Based on research, which of the following is an ethical issue most likely to be experienced by professional accountants in Australia?

- A maintaining confidentiality
- B client proposals for tax evasion
- C instructions by superiors to carry out unethical acts
- D receiving unreasonable gifts, favours and entertainment

#### Question 3

Which of the following about the theoretical approaches to ethics is correct?

- A Ethics are personal feelings on right and wrong.
- B Professional ethics requires legal backing in the form of laws.
- C A systematic approach to resolving difficult issues in a consistent way is required.
- D Normative theory is characterised by a value judgment on what is happening or being practised.



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### Question 4

Consider the phrase 'the end justifies the means', which can also be stated as 'the outcome justifies the methods'. Which ethical theory would this be linked with?

- A normative theory
- B teleological theory
- C psychological theory
- D deontological theory

### Question 5

The CFO and finance staff of JK Ltd have their performance bonuses linked to the business' profit. The CFO is determined to achieve a 10 per cent increase in profits in the current year in order to meet the criteria for receiving a bonus.

Which of the following threats is most likely at risk?

- A familiarity
- B self-review
- C self-interest
- D intimidation

### Question 6

Which of the following statements about ethical egoism is correct?

- A Ethical egoism is a normative theory.
- B Ethical egoism is a psychological concept.
- C Ethical egoism is a theory of human nature.
- D Ethical egoism is a branch of deontological theory.



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### Question 7

The Victorian State Government unveiled their plans for an \$8 billion East West Link project in Melbourne. There are numerous benefits associated with the project including the improvement of freight efficiency, alleviation of traffic congestion and an improvement of community amenities and on-road public transport. Traffic modelling indicates that around 80 000 to 100 000 vehicles would use the East West Link each day.

Despite benefits of this project, the Government has indicated that 118 properties, including 92 homes and 26 businesses would need to be relocated.

Which of the following philosophical approaches to ethics is most accurately aligned with the decision making approach taken by the Victorian State Government?

- A teleological
- B normative
- C utilitarianism
- D ethical egoism

### Question 8

Malcolm was the Chief Financial Officer of Inventa Ltd. He is now the senior partner at QuickAudit. QuickAudit is the current auditor of Inventa Ltd and Malcolm is the partner in charge of the audit.

Which threat is most likely to arise in the above information?

- A advocacy
- B familiarity
- C self-review
- D self-interest

### Question 9

Margret is a doctor practising in a country where euthanasia is legal. Margret has recently being asked by Jack, her terminally ill patient, to prescribe lethal medication to aid in his suicide. Margret is conflicted since it is against her religious beliefs to kill or assist in the suicide of another person. However, Jack believes that it is his right to die with dignity.

Which of the following is correct?

- A This is an example of a lack of hierarchy which is a major weakness of rights theory.



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- B Margret has a duty towards her religion and her beliefs to refuse Jack's request.
- C Jack's request is in accordance with the law and is thus an example of the justice theory.
- D This is an example of how 'virtue ethics' is superior to traditional theories of ethics in that it emphasizes a 'right' action.

### Question 10

Which of the following is not a fundamental principle of the Code of Ethics for Professional Accountants?

- A integrity
- B objectivity
- C accountability
- D confidentiality



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### Solutions

**Question 1:** Correct answer is C

Explanation

Fines, imprisonment and loss of membership are all possible consequences (options I, II and IV). Tacit emancipation (III) is a legal term describing when a minor is given the capacity to act without parental consent. This is not a relevant consequence.

**Question 2:** Correct answer is B

Explanation

Client proposals for tax evasion correct because based on research project by Leung & Cooper (2005), this issue was experienced by 47 per cent of the 1500 sampled CPA Australia members, whereas the other 3 issues were experienced by a fewer members (maintaining confidentiality 29%, instructions to be unethical 34%, unreasonable gifts & entertainment 11%).

**Question 3:** Correct answer is C

Explanation

- Option A This is incorrect because ethics are much broader than just feelings.
- Option B This is incorrect because while professional ethics demands the existence of a predetermined framework or set of rules it does not necessarily require these rules to be legally enforceable.
- Option C This is correct because ethics involves a systematic approach or process that provides a consistent way of considering and resolving ethical issues.
- Option D This is not correct because normative theories aim to determine what ought to be done, which must be distinguished from what is happening or being practised (psychological theories).

**Question 4:** Correct answer is B

Explanation

- Option A Normative theory is not correct because it is broad and includes both teleological and deontological theories.
- Option B Teleological theories determine right from wrong or good from bad, based solely on the outcome, results or consequences of the decision or action. In other words, the means or methods may be considered cruel and unethical but if the end result is good, then according to teleological theories, the decision or action would be ethical.



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- Option C      Psychological theory is not correct because it is based on what people actually do and how they behave, so it is not accurate to link this theory to the statement in the question as it is not applicable to everyone.
- Option D      Deontological theory is not correct because this asserts that the intentions are more important than the outcomes.

**Question 5:** Correct answer is C

Explanation

- Option A      It is not a familiarity threat because familiarity results from the formation or existence of relationships that extend beyond a professional one and that causes the one party to become sympathetic to the other and not apply sufficient professional scepticism. This is not the case based on the information provided.
- Option B      It is not a self-review threat because this arises when a person reviews their own work. This is not the case here since the auditors or the Board of directors would review the work of the CFO and finance team.
- Option C      There is a self-interest threat to their objectivity because the CFO and finance team stand to gain financially from manipulating the financials to achieve the profit target.
- Option D      It is not an intimidation threat because there is no undue influence, threat or pressure on the CFO or finance team.

**Question 6:** Correct answer is A

Explanation

Ethical egoism is a branch of teleological theory which in turn is one of the two broad categories of normative theories.

It is a philosophical concept not a psychological concept, which is linked to psychological egoism, and it is not linked to a theory human nature, which once again is linked to psychological egoism. Ethical egoism is not a deontological theory, as it is focused on consequences, so it is teleological.



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**Question 7:** Correct answer is C

Explanation

- Option A Teleological is incorrect because this is too broad. It can still be branched into ethical egoism and Utilitarianism, so it is not the most accurately aligned.
- Option B Normative is incorrect because this is too broad. It can still be branched into Teleological and Deontological theories, so it is not the most accurately aligned.
- Option C Utilitarianism is correct as this is an act or decision that produces the greatest benefit for the greatest number of people. Therefore, while a few people have to suffer by having their homes and business bulldozed, the number of people that are likely to benefit far exceed those that are disadvantaged by the East West Link project.
- Option D Ethical egoism is incorrect as this refers to decisions and actions that pursue one's own self-interest, but in this situation the focus is on the interests of the broader community.

**Question 8:** Correct answer is C

Explanation

- Option A Advocacy is not correct as this threat arises when the 'practitioner promotes the client's position to the point where the practitioner's objectivity is impaired' (s 100.12). This is not evident based on the information in the question.
- Option B Familiarity is not correct as this threat results from having 'long and close relationships with the client' (s 100.12). This might be a threat based on the fact that Malcolm would have close working relations with the employees of Investa Ltd that would have been established during his employment there. However, the information in the question does not focus on or mention his relationship with other employees and so it is not the most likely threat based only on the information provided.
- Option C Self-review is correct as this threat arises where a practitioner would not appropriately evaluate the results or judgment made or services provided by himself. In other words, Malcolm would be 'assuring his own work'. Since Malcolm was previously the CFO, he would have been instrumental in putting together the financial statements. As the audit partner, he is now required to assess the accuracy and reliability of those financials that he compiled and had significant influence over. Thus, he would be reviewing his own work.
- Option D Intimidation is not correct as this threat arises from 'actual or perceived pressures that cause the practitioner to not act objectively' (s 100.12). This is not evident based on the information provided.



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**Question 9:** Correct answer is A

Explanation

- Option A This option is correct because in terms of the rights theory, both Margret and Jack have the right to freedom of choice. Margret has the right to choose her own religious beliefs while Jack has the right to choose to end his life. However, in this instance, Jack's right to end his life conflicts with Margret's right to comply with her religious beliefs. Therefore, this is a failure by the rights theory to provide a hierarchy when one person's rights contravenes the rights of another.
- Option B Option 2 is incorrect as Margret has a 'right' to her beliefs but not a 'duty' towards them. In other words, Margret is not obligated to comply with her beliefs in the same way as she is obligated to adhere to laws and regulations.
- Option C Option 3 is incorrect because justice theory does not refer to compliance with laws. Rather, it is concerned with issues of fairness and equality that normally arise from an unequal distribution of benefits and burdens. The principle of justice focuses on how fairly we distribute benefits and burdens among members of a group.
- Option D Option 4 is incorrect because virtue ethics refers to attitudes, dispositions or traits of character that enable us to do what is ethically desirable rather than on action.

**Question 10:** Correct answer is C

Explanation

Accountability is not one of the fundamental principles. The fundamental principles are integrity, objectivity, professional competence and due care, professional behaviour and confidentiality.