

## Business Ethics and Governance

**1. Which of the following is not a driver of responsible competitiveness?**

- A. Policy drivers
- B. Development drivers
- C. Business action
- D. Social enablers

View answer

Correct answer: (B)  
Development drivers

**2. Which of the following statements regarding institutional shareholders is correct?**

- A. These shareholders have extensive power to monitor the activities of the company.
- B. Institutional shareholders prefer to exert their power privately rather than publicly.
- C. These shareholders often aim to improve outcomes rather than sell their shareholding.
- D. Institutional shareholders are known to publicly use their voting power to encourage sound corporate governance.

View answer

Correct answer: (B)  
Institutional shareholders prefer to exert their power privately rather than publicly.

**3. A (n) \_\_\_\_\_ is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several actions that must be evaluated as right or wrong.**

- A. Crisis
- B. ethical issue
- C. indictment
- D. fraud

View answer

Correct answer: (B)  
ethical issue

**4. A board that is elected in a classified system is known as a:**

- A. Diversified board.
- B. Staggered board.
- C. Rotating board.
- D. Declassified board.

View answer

Correct answer: (A)  
Diversified board.

**5. A high-commitment approach to environmental issues may include all of the following except:**

- A. risk analysis
- B. stakeholder analysis
- C. green-washing
- D. strategic sustainability auditing

View answer

Correct answer: (C)  
green-washing

**6. Which of the following relating to discounting future liabilities is correct?**

- A. Discounting future cash flows is not aligned with the aims and objectives of sustainability reporting.
- B. Discounting distant future costs that are to be incurred increases the current liability that is to be reported now.
- C. Discounting costs highlights the savings of future generations due to present generations accounting for the loss now.
- D. Discounting social issues are done in terms of the accounting standards so there are no ethical issues as the process is fair.

View answer

Correct answer: (A)  
Discounting future cash flows is not aligned with the aims and objectives of sustainability reporting.

**7. Which of the following relating to CSR theories is correct?**

- A. Institutional theory is based on the shareholder concept.
- B. Social contract is the key concept of legitimacy theory.
- C. The key concept of enlightened self-interest is stakeholder relations.

D. Stakeholder theory requires organisations to manage community perceptions to survive.

[View answer](#)

Correct answer: (B)  
Social contract is the key concept of legitimacy theory.

**8.** A stakeholder orientation includes all of the following activities except:

- A. generating data about stakeholder groups
- B. assessing the firm's effects on stakeholder groups
- C. distributing stakeholder information throughout the firm
- D. minimizing the influence of stakeholder information on the firm

[View answer](#)

Correct answer: (D)  
minimizing the influence of stakeholder information on the firm

**9.** ABC Ltd is a mining company listed on the Australia stock exchange. It has an audit committee comprising four members. Two members are independent non-executive directors with engineering and mining qualifications. The nomination committee is currently looking to appoint an additional member to the audit committee. In terms of the ASX principles, which of the following would most likely be the best candidate for appointment?

- A. An independent non-executive director with a qualification in finance.
- B. An executive director with a qualification in accounting.
- C. A non-independent non-executive director with qualifications in accounting and auditing.
- D. A non-executive director who was previously the CFO of ABC Ltd a year ago.

[View answer](#)

**10.** An independent director is one who:

- A. Did not attend a school supported by the company.
- B. Does not have outside relationships with other directors.
- C. Does not have any other relationships with the company other than his or her directorship.
- D. All of the above.

[View answer](#)

Correct answer: (C)  
Does not have any other relationships with the company other than his or her directorship.

**11.** An organisation's obligation to act to protect and improve society's welfare as well as its own interests is referred to as

- A. organisational social responsibility
- B. organisational social responsiveness
- C. corporate obligation
- D. business ethics

[View answer](#)

Correct answer: (A)  
organisational social responsibility

**12.** An organization's appropriate tone at the top promoting ethical conduct is an example of:

- A. Ethics sensitivity.
- B. Ethics incentives.
- C. Ethical behavior.
- D. Consequentialist.

[View answer](#)

Correct answer: (C)  
Ethical behavior.

**13.** Atmospheric issues include all of the following except:

- A. acid rain
- B. global warming
- C. air pollution
- D. water quantity

[View answer](#)

Correct answer: (D)  
water quantity

**14.** Which of the following regarding residual loss is correct?

- A. Bonding costs do not have an effect on residual loss.

- B. Residual loss is incurred by the agent because an agency relationship exists.
- C. Under agency theory, residual loss can be reduced to zero by good governance.
- D. A reduction in residual loss is likely to be the result of an increase in monitoring costs.

[View answer](#)

Correct answer: (D)  
A reduction in residual loss is likely to be the result of an increase in monitoring costs.

**15.** Better access to certain markets, differentiation of products, and the sale of pollution-control technology are ways in which better environmental performance can:

- A. increase revenue
- B. increase costs
- C. decrease revenue
- D. decrease costs

[View answer](#)

Correct answer: (A)  
increase revenue

**16.** Which of the following regarding corporate governance is correct?

- A. Corporate governance can temper growth.
- B. Good corporate governance can result in excessive risk-taking.
- C. Corporate governance often result in prompt and effective decision-making.
- D. The aim of corporate governance is to protect the interests of shareholders and the local economies.

[View answer](#)

Correct answer: (A)  
Corporate governance can temper growth.

**17.** Codes of conduct and codes of ethics

- A. are formal statements that describe what an organization expects of its employees.
- B. become necessary only after a company has been in legal trouble.
- C. are designed for top executives and managers, not regular employees.
- D. rarely become an effective component of the ethics and compliance program.

[View answer](#)

Correct answer: (A)  
are formal statements that describe what an organization expects of its employees.

**18.** Consider the following recommendations:  
- a minimum of three members;  
- chaired by an independent director;  
- a majority of independent directors;  
- can comprise executive directors.  
In terms of the ASX Principles, the above requirements relate to the composition of which committees?

- A. The nomination and risk committees.
- B. The audit and remuneration committees.
- C. The remuneration, audit, risk and nomination committees.
- D. The remuneration, risk and nomination committees but not the audit committee.

View answer

Correct answer: (D)  
The remuneration, risk and nomination committees but not the audit committee.

**19.** External audit of the accounts of a limited company is required

- A. because it is demanded by the company's bankers
- B. by the Companies Act 2006
- C. at the discretion of the shareholders
- D. to detect fraud

View answer

Correct answer: (B)  
by the Companies Act 2006

**20.** For referent power to be effective, what must exist between individuals in the relationship?

- A. Antipathy
- B. Rivalry
- C. History
- D. Empathy

View answer

Correct  
Empathy

answer:

(D)

**21.** In terms of the ASX Principles, which of the following regarding the composition of the nomination committee of a listed company is most correct?

- A. A minimum of three members chaired by an executive director.
- B. A majority of independent directors chaired by an independent director.
- C. A majority of three members of whom most are independent directors.
- D. A minimum of one independent director who also chairs the committee.

View answer

Correct

answer:

(B)

A majority of independent directors chaired by an independent director.

**22.** In terms of the National Greenhouse and Energy Reporting Act, which of the following entities would be required to register with the Clean Energy Regulator?

- A. A facility that emitted 23.5kt of greenhouse gases.
- B. A corporate that consumed 199TJ of energy.
- C. A facility that produced 150TJ of energy.
- D. A corporate that emitted 26Kt of greenhouse gases.

View answer

Correct

answer:

(C)

A facility that produced 150TJ of energy.

**23.** Managerial ethics can be characterised by all of the following levels except

- A. immoral management
- B. amoral management
- C. demoral management
- D. moral management

View answer

Correct

answer:

(C)

demoral management

**24.** Most companies begin the process of establishing organizational ethics programs by developing:

- A. ethics training programs.

- B. codes of conduct.
- C. ethics enforcement mechanisms.
- D. hidden agendas.

View answer

Correct answer: (B)  
codes of conduct.

**25.** One of the objectives of the Sarbanes-Oxley Act was to:

- A. Increase the cost of compliance with federal regulations.
- B. Force foreign companies to delist from U.S. capital market exchanges.
- C. Improve the quality and transparency of financial reporting.
- D. Increase the compliance burden for small companies.

View answer

Correct answer: (C)  
Improve the quality and transparency of financial reporting.

**26.** Stakeholders are considered more important to an organization when:

- A. they can make use of their power on the organization
- B. they do not emphasize the urgency of their issues
- C. their issues are not legitimate
- D. they can express themselves articulately

View answer

Correct answer: (A)  
they can make use of their power on the organization

**27.** Stakeholders are considered more important to an organization when:

- A. they can make use of their power on the organization
- B. they do not emphasize the urgency of their issues
- C. their issues are not legitimate
- D. they can express themselves articulately

View answer

Correct answer: (A)  
they can make use of their power on the organization



**28.** Successful global initiatives addressing standards for business must begin and end with:

- A. the role of corporate governance and shareholder power in corporate decision making.
- B. social activism
- C. the implementation of standardized ethics programs.
- D. the consolidation of economic and environmental efforts.

View answer

Correct answer: (A)  
the role of corporate governance and shareholder power in corporate decision making.

**29.** The \_\_\_\_\_ dimension of social responsibility refers to a business's societal contribution of time, money, and other resources.

- A. Ethical
- B. Philanthropic
- C. Volunteerism
- D. Strategic

View answer

Correct answer: (B)  
Philanthropic

**30.** The ability to interpret and adapt successfully to different national, organizational, and professional cultures is called:

- A. national competitiveness.
- B. global development.
- C. cultural intelligence.
- D. stakeholder sensitivity

View answer

Correct answer: (C)  
cultural intelligence.

**31.** The chairperson of the board of directors and CEO should be leaders with:

- A. Vision and problem solving skills.
- B. The ability to motivate.
- C. Business acumen.

D. All of the above.

View answer

Correct answer: (D)  
All of the above.

**32.** The corporate governance structure of a company reflects the individual companies':

- A. Cultural and economic system.
- B. Legal and business system.
- C. Social and regulatory system.
- D. All of the above.

View answer

Correct answer: (D)  
All of the above.

**33.** The first step in the auditing process should be to secure the commitment of:

- A. employees.
- B. top executives and directors.
- C. stockholders.
- D. customers.

View answer

Correct answer: (B)  
top executives and directors.

**34.** The four types of social responsibility include:

- A. legal, philanthropic, economic, and ethical
- B. ethical, moral, social, and economic
- C. philanthropic, justice, economic, and ethical
- D. legal, moral, ethical, and economic

View answer

Correct answer: (A)  
legal, philanthropic, economic, and ethical

**35.** The goal of corporate governance and business ethics education is to:

- A. Teach students their professional accountability and to uphold their personal Integrity to society.
- B. Change the way in which ethics is taught to students.
- C. Create more ethics standards by which corporate professionals must operate.
- D. Increase the workload for accounting students.

View answer

Correct answer: (C)  
Create more ethics standards by which corporate professionals must operate.

**36.** The hand-of-government refers to the

- A. ability of the government to interfere in business negotiations
- B. role of corporations to be profitable within the law
- C. effect of national politics on business decisions
- D. impact of changing government regulations

View answer

Correct answer: (B)  
role of corporations to be profitable within the law

**37.** The internal audit function is least effective when the department:

- A. Is non-independent.
- B. Is competent.
- C. Is objective.
- D. Exhibits integrity

View answer

Correct answer: (A)  
Is non-independent.

**38.** The primary stakeholders are:

- A. Customers.
- B. Suppliers.
- C. Shareholders.
- D. Creditors.

View answer

Correct answer: (C)  
Shareholders.

**39.** The social economy partnership philosophy emphasizes:

- A. cooperation and assistance.
- B. profit maximization.
- C. competition.
- D. restricting resources and support.

[View answer](#)

Correct answer: (A)  
cooperation and assistance.

**40.** The view that business exists at society's pleasure and businesses should meet public expectations of social responsibility is the

- A. iron law of responsibility argument
- B. enlightened self-interest argument
- C. capacity argument
- D. anti-freeloader argument

[View answer](#)

Correct answer: (B)  
enlightened self-interest argument

**41.** To be successful, business ethics training programs need to:

- A. focus on personal opinions of employees.
- B. be limited to upper executives.
- C. educate employees on formal ethical frameworks and models of ethical decision making.
- D. promote the use of emotions in making tough ethical decisions.

[View answer](#)

Correct answer: (C)  
educate employees on formal ethical frameworks and models of ethical decision making.

**42.** Under the \_\_\_\_\_, both internal and external corporate governance mechanisms are intended to induce managerial actions that maximize profit and shareholder value.

- A. Shareholder theory.
- B. Agency theory.
- C. Stakeholder theory.
- D. Corporate governance theory.

View answer

Correct answer: (A)  
Shareholder theory.

**43.** Which of the following regarding agency theory is correct?

- A. Agency theory only applies to large entities.
- B. Agents act in the best interest of the principal.
- C. Agents are assumed to be in a position of power.
- D. Agency theory defines the relationship between agents and directors.

View answer

Correct answer: (C)  
Agents are assumed to be in a position of power.

**44.** What type of justice exists if employees are being open, honest, and truthful in their communications at work?

- A. Procedural
- B. Distributive
- C. Ethical
- D. Interactional

View answer

Correct answer: (D)  
Interactional

**45.** When a firm charges different prices to different groups of customers, it may be accused of:

- A. cultural relativism
- B. money laundering
- C. facilitating payments
- D. price discrimination

View answer

Correct answer: (A)  
cultural relativism

**46.** Where in the annual report would you expect to find mandatory social and environmental reporting?

- A. The financial statements and the chairman's report.
- B. Notes to the financial statements and directors' report.
- C. Corporate governance information and the auditor's report.
- D. The Directors' declaration and the Chief Executive Officer's report.

View answer

Correct answer: (B)  
Notes to the financial statements and directors' report.

**47.** Which moral philosophy seeks the greatest good for the greatest number of people?

- A. Consequentialism
- B. Utilitarianism
- C. Egoism
- D. Ethical formalism

View answer

Correct answer: (B)  
Utilitarianism

**48.** Which of the following descriptions applicable to different types of directors and their independence is incorrect?

- A. Independent executive director.
- B. Independent non-executive director.
- C. Non-independent executive director.
- D. Non-independent non-executive director.

View answer

Correct answer: (A)  
Independent executive director.

**49.** Which of the following is a problem presented by ethics audits?

- A. They may be used to reallocate resources.

- B. They identify practices that need improvement.
- C. Selecting auditors may be difficult.
- D. They may pinpoint problems with stakeholder relationships.

View answer

Correct answer: (C)  
Selecting auditors may be difficult.

**50.** Which of the following is not a CSR theory?

- A. Rights theory.
- B. Legitimacy theory.
- C. Stakeholder theory.
- D. Enlightened self-interest.

View answer

Correct answer: (A)  
Rights theory.

**51.** Which of the following is not a social sustainability issue?

- A. Child labour.
- B. Biodiversity.
- C. Ethical trading.
- D. Supply chain management.

View answer

Correct answer: (B)  
Biodiversity.

**52.** Which of the following is not an agency cost?

- A. Residual loss.
- B. Bonding costs.
- C. Congruency loss.
- D. Monitoring costs.

View answer

Correct answer: (C)  
Congruency loss.

**53.** Which of the following is not an example of a duty or responsibility of directors?

- A. Having a conflict of interest but declaring it to the board of directors.
- B. Continuing to transact with creditors when the company's liabilities exceed the assets.
- C. Researching and asking questions relating to the company's operations so as to be informed.
- D. Choosing to personally carry out instructions from the board rather than requesting subordinates to do so.

View answer

Correct answer: (B)  
Continuing to transact with creditors when the company's liabilities exceed the assets.

**54.** Which of the following is not an impact that underpins corporate social responsibility?

- A. Social.
- B. Political.
- C. Economic.
- D. Environmental.

View answer

Correct answer: (B)  
Political.

**55.** Which of the following is not likely to have a direct impact on environmental sustainability?

- A. Laws prohibiting fracking.
- B. The introduction of new carbon tax.
- C. A repeat of the global financial crisis.
- D. Restrictions on greenhouse gas emissions.

View answer

Correct answer: (C)  
A repeat of the global financial crisis.

**56.** Which of the following is not one of the elements of financial reporting?

- A. Assets.
- B. Liabilities.
- C. Expenses.
- D. Cash flows.



View answer

Correct answer: (D)  
Cash flows.

**57.** Which of the following is NOT one of the primary elements of a strong organizational compliance program?

- A. A written code of conduct
- B. An ethics officer
- C. Significant financial expenditures
- D. A formal ethics training program

View answer

Correct answer: (C)  
Significant financial expenditures

**58.** Which of the following is not one the underlying principles of the corporate governance Combined Code of Practice?

- A. Openness
- B. Integrity
- C. Accountability
- D. acceptability

View answer

Correct answer: (D)  
acceptability

**59.** Which of the following is not part of the definition of an asset?

- A. Control of a resource.
- B. Resulting from a past event.
- C. Inflow of economic benefits.
- D. During the accounting period.

View answer

Correct answer: (D)  
During the accounting period.