**INSTRUCTOR TEST BANK – CHAPTER 1**

**MULTIPLE CHOICE**

1. The AICPA’s Code of Professional Conduct establishes:
2. The rules of conduct for structuring and conducting audits and other attestation engagements
3. The rules of conduct for conducting audits, but no other forms of attestation
4. The rules for resolving technical judgments in achieving a fair presentation of financial statements
5. The normative rules of ethical behavior that guide professional accountants

**SOLUTION: D**

1. The AICPA’s Code of Professional Conduct expresses professional standards:
2. That are mandatory minimum rules of behavior that all members of the AICPA must comply with
3. That, when violated, constitute crimes under most, if not all, state accountancy licensing statutes
4. That are aspirational goals, but yet are rarely achieved by most professional accountants
5. That establish worldwide standards that all professionals accountants must, at minimum, comply with

**SOLUTION: A**

1. The AICPA’s Code of Professional Conduct expressly applies to:
2. All CPAs who are compelled by state law to join the AICPA
3. All CPAs who have valid CPA licenses in good standing
4. All CPAs who have valid CPA licenses, even if their licenses temporarily are suspended due to misconduct
5. All CPAs who voluntarily join the AICPA

**SOLUTION: D**

1. Membership in the AICPA:
2. Automatically makes a CPA a member of IFAC as well
3. Automatically subjects a CPA to the ethical rules established by the IFAC Code as well
4. Does not entitle a CPA to join IFAC
5. Entitles a CPA to join IFAC upon payment of additional dues

**SOLUTION: C**

1. The membership rules of IFAC:
2. Prevent CPAs from joining it if they are not actively in practice
3. Encourage CPAs from around the world to join it
4. Deny membership to CPAs who are unwilling to abide by its rules of ethical conduct
5. Deny membership to all individual CPAs

**SOLUTION: D**

1. The SEC had:
2. A primary role in the development of the AICPA Code of Professional Conduct
3. A secondary role in the development of the AICPA Code of Professional Conduct
4. No role in the development of the AICPA Code of Professional Conduct, but it retains the authority to override this code of conduct concerning the behavior of both internal and external auditors performing services relating to the financial activities of regional and local financial institutions
5. No role in the development of the AICPA Code of Professional Conduct

**SOLUTION: D**

1. An Enrolled Agent is subject to the AICPA’s Code of Professional Conduct:
2. Automatically
3. Only if she also holds a state CPA license as well
4. Only if she is granted membership in the AICPA
5. Only if she performs auditing services as an employee or partner in a CPA firm that is an AICPA member

**SOLUTION: C**

1. If a single woman is working as a professional accountant outside the United States, joining IFAC is:
2. Impossible
3. Mandatory
4. Permitted only if an existing IFAC member recommends her
5. Optional but highly recommended as a reputational tool for attracting and retaining clients

**SOLUTION: A**

1. IFAC is often referred to as:
2. The “Global Watchdog”
3. The “Global Accounting Police”
4. An “Organization of Organizations”
5. The “AICPA’s Little Brother”

**SOLUTION: C**

1. The rules of the AICPA are required to be:
2. Identical to the rules of the IFAC
3. Developed by the international professional accounting community through IFAC and then applied through the IFAC to professional accountants practicing in the United States
4. More rigorous than IFAC’s rules due to the mandates imposed by American stock exchange trading rules
5. Never more lenient that the rules of the IFAC

**SOLUTION: D**

1. Normative ethics focuses on:
2. How people normally behave
3. How people have been observed to behave, based on one or more empirical studies
4. How people should behave
5. The conduct of accountants that is most prevalent in their profession

**SOLUTION: C**

1. A CPA who is a member of the AICPA failed to abide by the AICPA’s Code of Professional Conduct. The state in which she practices accounting requires all CPAs to abide by “all professional standards.” This CPA’s license to practice accounting will potentially be:
2. Suspended
3. Revoked
4. Not affected
5. All of the above

**SOLUTION: D**

1. A CPA who is **not** a member of the AICPA failed to abide by the AICPA’s Code of Professional Conduct. The state in which she practices accounting requires all CPAs to abide by “all professional standards.” This CPA’s license to practice accounting will potentially be:
2. Suspended
3. Revoked
4. Not affected
5. All of the above

**SOLUTION: D**

1. A CPA who is a member of the AICPA failed to abide by the AICPA’s Code of Professional Conduct. The state in which she practices accounting requires all CPAs to abide by “all professional standards.” This state requirement mandates that the CPA follow:
2. Generally accepted accounting principles
3. Generally accepted auditing standards
4. The AICPA’s Code of Professional Conduct
5. All of the above

**SOLUTION: D**

1. The IFAC Code of Conduct applies to:
2. All accountants, even if they are not licensed by the IFAC itself
3. All professional accountants who work in industry
4. All professional accountants who work in auditing, including both internal and external auditing
5. All professional accountants

**SOLUTION: D**

1. The AICPA’s Code of Professional Conduct:
2. Applies only to accountants who work in public accountant practice as licensed CPAs
3. Potentially applies to all licensed CPAs, whether they work in government, industry, academia, or public practice
4. Provides a comprehensive definition of the accounting standards that collectively comprise GAAP
5. Provides a comprehensive set of the accounting standards that comprise both GAAP and GAAS

**SOLUTION: B**

**ESSAYS/SHORT ANSWER**

1. Identify an ethical dilemma that you have encountered. How did you resolve it? Looking back, could you have achieved a better resolution?
2. Can you identify a financial accounting decision that requires an accountant working in industry to make an ethical choice?
3. Can you identify a tax accounting decision that requires a tax return preparer for individual clients to make an ethical choice?
4. Can you identify a tax accounting decision that requires an accountant working in the Tax Department of a small Limited Liability Company to make an ethical choice?
5. Can you identify an ethical decision that an IRS agent might encounter?
6. Can you identify an ethical decision that an internal auditor might encounter?
7. Can you identify an ethical decision that an accountant for a charitable organization might encounter?
8. Is it voluntary for a member of the AICPA to follow the AICPA’s Code of Professional Conduct?
9. Is it voluntary for CPA who is not a member of the AICPA to follow the AICPA’s Code of Professional Conduct?
10. Is it voluntary for a bookkeeper who is not a CPA to follow the AICPA’s Code of Professional Conduct?