**ETHICAL ROADBLOCKS**

**Directions:** Read the following scenarios and determine the reason why the finance professional in question might be struggling to make the right decision. Provide an explanation for your answer.

1. While Vicki knows that other people working for her company are tempted to act unethically, she never is and never would do anything unethical.

2. Ian made a mistake that caused his company to lose money. He attempted to cover it up so he would not have to admit to other coworkers that he lost money.

3. Everyone on Nisha’s team agrees that a new product will be profitable. Nisha isn’t sure, but she goes along with what everyone else is saying.

4. Allen trusts that his supervisor knows what s/he is doing in all situations, so he always follows his/her advice.

5. Esther sees the opportunity for her company to make a lot of money very quickly, so she suggests it without thinking about what could happen in the future.

6. Randy knows that if he admits that he made a mistake, he will likely be fired, so he keeps it to himself.

7. When Yolanda first started her job, she considered herself to be an ethical person, but after a few years, her ethical standards have started to slip.

8. After attending a corporate retreat focused on maximizing profit, Daniel felt pressure to make high risk, high reward decisions that he might not have otherwise made.

9. Laura found out that an investment her company made was not going to bring the returns that she hoped. She knew she couldn’t get that money back, so she assured herself that the investment would eventually pay off.

**POSTTEST**

**Directions:** Identify the correct answer to each of the following questions.

**OBJECTIVE A**

1. Which of the following is a task that might be undertaken by a finance professional:

a. Managing communications with customers and suppliers

b. Determining whether a new product line will be profitable

c. Keeping records of transactions

d. Hiring and training new employees

2. Why are ethics especially important to those who work in finance?

a. Unethical behavior in finance leads to catastrophic results.

b. People who work in finance are naturally unethical.

c. Ethics challenge companies to reduce operating expenses.

d. Ethics prevent companies from ever losing money.

3. Why do finance professionals continue to act unethically, despite the consequences?

a. They are greedy and only care about making as much money as they can.

b. They are always rewarded for their unethical behavior.

c. The finance field is full of temptations and pressures to be unethical.

d. There are no legal consequences for unethical actions.

4. When unethical decisions come from the top of an organization, it is difficult to go against them. This is an example of

a. short-term gratification. c. obedience to authority.

b. sunk costs. d. over-optimism and overconfidence.

5. The tendency to behave in the same way that everyone else does is \_\_\_\_\_\_\_\_\_\_, whereas \_\_\_\_\_\_\_\_\_\_ occurs when people make decisions together in a way that discourages individual responsibility or creativity.

a. conformity; groupthink c. conformity; framing

b. groupthink; incrementalism d. framing; incrementalism

6. When Penny started her job, she believed that lying was completely wrong. However, after two years, she has started to exaggerate financial projections and now believes that lies are only wrong when they cause direct harm. This is an example of

a. self-interest. c. conformity.

b. obedience to authority. d. incrementalism.

7. Nico knows he would never do anything unethical, but he is sure that all of his coworkers are tempted at one point or another. Nico is demonstrating

a. over-optimism and overconfidence. c. framing.

b. short-term gratification. d. loss aversion.

8. It is difficult to make decisions that can cause you harm, which is why financial professionals often act unethically due to

a. loss aversion. c. conformity.

b. self-interest. d. sunk costs.

9. The tendency to respond to situations depending on how those situations are posed or viewed is known as

a. groupthink. c. obedience to authority.

b. framing. d. over-optimism and overconfidence.

10. Rita knows she will get a bonus if she pushes for her company to go through with a merger, but she knows that in the long term, this merger might threaten her job. If Rita supports the merger, she is likely motivated by

a. sunk costs. c. short-term gratification.

b. over-optimism and overconfidence. d. incrementalism.

11. Collin’s company just broke ground on a new plant, but after analyzing economic trends, Collin knows that they will likely lose money on the investment. He tries to convince himself and others that the plant will be profitable anyway. This demonstrates the effects of

a. sunk costs. c. self-interest.

b. conformity. d. obedience to authority.

12. Which of the following is an example of loss aversion:

a. Agreeing with what everyone else is saying

b. Making a decision that benefits your own interests

c. Justifying money that has already been spent

d. Covering up decisions that cost you money

**OBJECTIVE B**

13. Ethical principles can help people who work in finance to

a. generate large revenues. c. avoid unethical pitfalls.

b. protect their own interests. d. avoid being caught acting unethically.

14. Which of the following is an ethical principle that gives finance professionals the ability to make judgments without favoritism or self-interest:

a. Competence c. Transparency

b. Fairness d. Rule of law

15. Dean always keeps financial information private and secret unless absolutely necessary. He is practicing

a. competence. c. diligence.

b. self-regulation. d. confidentiality.

16. Which of the following is an example of rationalization that might be used in finance:

a. “I’m not sure this is the right decision.”

b. “My colleagues seem more prepared than I do.”

c. “Everyone else is doing it.”

d. “I don’t care what anyone thinks.”

17. Angelica has determined that many of her colleagues are acting unethically. Whom should she talk to first?

a. Her supervisor c. Top company executives

b. The colleagues involved d. The authorities

18. When approaching someone about his/her unethical behavior, finance professionals should avoid

a. being accusatory. c. being direct.

b. telling the truth. d. talking in specific terms.

19. What does it mean to play the devil’s advocate?

a. Being highly critical of everything that others say

b. Always recommending the unethical course of action

c. Staying quiet during discussions or arguments

d. Arguing against a position to validate an argument

20. Evelyn tried to talk to Lin about his unethical behavior, but Lin brushed her off. What should Evelyn do?

a. Take her concerns to a higher-level executive

b. Ignore Lin’s behavior until someone else notices

c. Gossip about Lin’s actions with other colleagues

d. Tell the media about her ethical concerns