

GS Multiple Choice Questions

The following multiple choice questions can be embedded within the e-case. Questions can either be added or removed.

1. Weston has prior work experience at a Big 4 accounting firm.
 - a. True
 - b. False
2. Financial statement fraud is classified as what type of employee workplace crime?
 - a. Non-aligned employee crime
 - b. Pro-organizational crime
 - c. Anti-organizational crime
 - d. None of the above
3. HealthSouth is the United States' largest owner and operator of:
 - a. inpatient rehabilitative hospitals
 - b. surgical centers
 - c. rest homes
 - d. none of the above
4. HealthSouth manipulated their financial statements by making ___ in false or unsupported entries in the company's accounting systems.
 - a. \$3.5 billion
 - b. \$2.7 billion
 - c. \$1.8 billion
 - d. \$5 billion
5. The entries that allowed HealthSouth to inflate earnings allowed the Company to exaggerate revenue and improperly characterize and record operating expenses.
 - a. True
 - b. False
6. Improper characterization and recording operating expenses was the largest component of the income statement manipulation.
 - a. True
 - b. False
7. Accounting manipulations were able to exist because there often existed a gap between:
 - a. what a patient was charged for a service versus what was partially collected from the patient.
 - b. what a patient was charged for a service versus what was actually collected.
 - c. both A and B
 - d. none of the above

8. HealthSouth fabricated hundreds of millions of dollars in pre-tax earnings by booking false entries. These entries had the following characteristics:
 - a. They routinely carried generic, non-descriptive explanations.
 - b. Many entries self-reversed during successive reporting periods.
 - c. Both a and b
 - d. None of the above

9. HealthSouth's capitalization policies allowed the company to defer recognizing over \$200 million in expenses.
 - a. True
 - b. False

10. HealthSouth corporate accountants referred to the fraudulent entries as "management entries,"
 - a. True
 - b. False

11. The accountant that attempted to whistle-blow by sending an email to the Company's external auditor was?
 - a. Micheal Vick
 - b. Michael Vines
 - c. Cynthia Cooper
 - d. Betty Vinson

12. Weston was the first of five CFOs that held the position of CFO during the years the Company was perpetrating the fraud.
 - a. True
 - b. False

13. One of the tips offered by Stephen Kohn, the author of *The Whistle-blower's Handbook* is:
 - a. Keep details notes.
 - b. Use the internal hotlines.
 - c. Don't take legal advice from a corporate compliance officer.
 - d. Be sure talk to your supervisor before whistle-blowing to the audit committee.

14. HealthSouth took advantage of the internal control deficiencies to conceal the fraud.
 - a. True
 - b. False

15. Weston received a monetary payout under which federal regulation?
 - a. Dodd Frank Act
 - b. Sarbanes Oxley Act
 - c. Whistleblower Protection Act
 - d. None of the above

16. Research shows that CFOs engage in accounting manipulation because of pressure from the _____ than for personal gain.

- a. Audit committee
- b. Chief Executive Officer (CEO)
- c. Chief Operating Officer (COO)
- d. None of the above

17. How many months did Weston receive in federal prison?

- a. 27 months
- b. 17 months
- c. 9 months
- d. 36 months

18. Former CEO Richard Scrusby was the first CEO charged for violating the Sarbanes-Oxley Act.

- a. True
- b. False

19. Scrusby was charged with former Alabama Governor Don Siegelman for money laundering, extortion, obstruction of justice, racketeering and bribery and spent six years in federal prison.

- a. True
- b. False

20. Judge Allwin E. Horn ruled in favor of the HealthSouth shareholders and determined that Scrusby was responsible for HealthSouth's fraud and ordered him to pay \$2.87 billion.

- a. True
- b. False

The Story Matters!

This e-case offers an innovative method to teach several important concepts to both undergraduate and graduate business students. We are always interested in your feedback. If you have any questions or concerns, we would love to hear from you! Contact kelly@heliosdigital.com or ivy@heliosdigital.com and let us know your name, area of expertise, and where you are located. We will get back to you within 24-48 hours.