|  |
| --- |
| **True / False** |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Unless a corporation violates a law, its actions do not raise questions about corporate ethics.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 2. Ethics is the study of the principles and conduct that guide business decision making based on what is right and good.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 3. Business ethics looks at the decisions that businesses make or have to make and whether those decisions are right or wrong.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 4. Ethics is as clearly defined as the law.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 5. Focusing on a firm's short-run profits without considering the company’s longterm needs may be acting unethically.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. It may be *unethical* for a company to refuse to negotiate liability claims for alleged injuries because of a faulty product.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 7. The legality of an action is always clear.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Adhering strictly to all business laws is all that is necessary to fulfill all business ethics obligations.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. The study of ethics goes beyond legal requirements to evaluate what is right for society.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. If an action is legal, it is ethical.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. If people merely comply with the law, they are acting at the lowest ethical level society will tolerate.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. An action may be legal but not ethical.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 13. Acting in good faith gives a business firm a better chance of defending its actions in court.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 14. Ethical reasoning is the process through which an individual links his or her moral convictions or ethical standards to the particular situation at hand.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 15. Duty-based ethical standards often come from religious precepts.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 16. Religious rules generally are absolute with respect to the behavior of their adherents.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 17. A company that acts ethically, or in good faith, has a stronger position in litigation than a company that does not.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 18. Under the principle of rights theory, one person’s principles are as “right” as another’s.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 19. In ethical terms, a cost-benefit analysis is an assessment of the negative and positive effects of alternative actions on individuals.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 20. According to utilitarianism, it does not matter how many people suffer a negative effect from an act.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 21. The concept of corporate social responsibility is imposed on corporations by law.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 22. Corporations can be viewed as “citizens” that are expected to participate in bettering society.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Corporations can be perceived as owing ethical duties to groups other than their shareholders.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 24. In a corporation, managers are often faced with ethical trade-offs when a certain decision will benefit one group, but harm another.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 25. Sometimes, there is no “good” answer to the ethical questions that arise.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 26. Management’s behavior sets the ethical tone of a firm.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 27. Managers must apply the same ethical standards to their employees as they do to themselves.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 28. Business owners’ misbehavior has no negative consequences for their business.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 29. The effectiveness of internal company codes of ethics is determined by the degree of their enforcement by legal authorities.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 30. Companies that provide employee support through ethical training programs (as opposed to companies that provide no training) generally have more effective ethics codes.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 31. Codes of ethical conduct can indicate how employees are expected to act.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 32. Effective corporate ethical policies must be clearly communicated to employees.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 33. Companies are required to set up confidential systems so that employees can “raise red flags” about suspected illegal or unethical accounting practices.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

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| 34. Some provisions of U.S. bribery laws are directed toward accountants.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 35. Bribery of foreign government officials is both an ethical and a legal issue.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| --- |
| **Multiple Choice** |

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| 36. In studying the business law, students also review ethics in a business context. Ethics includes the study of what constitutes​   |  |  |  | | --- | --- | --- | |  | a. | ​right or wrong behavior. | |  | b. | ​financially rewarding behavior. | |  | c. | ​legal behavior. | |  | d. | ​religious behavior. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 37. According to the view that Applied Engineering Corporation is a “citizen,” the firm is expected to​   |  |  |  | | --- | --- | --- | |  | a. | ​participate in bettering communities and society. | |  | b. | ​primarily generate revenue for its owners. | |  | c. | ​have no responsibility other than profit maximization. | |  | d. | ​efficiently allocate scarce resources. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 38. Daisy works for eMarketing, Inc. Her job includes putting “spin” on the firm’s successes and failures. In this context, ethics has to do with how businesspersons, in making their decisions, apply​   |  |  |  | | --- | --- | --- | |  | a. | ​legal doctrine. | |  | b. | ​moral and ethical principles. | |  | c. | ​corporate guidelines. | |  | d. | ​financial priorities. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 39. Julie is sales manager for Kelso’s Concrete & Stone Products, Inc. In applying ethical principles to the business of the firm, Kelso’s and Julie will most likely evaluate​   |  |  |  | | --- | --- | --- | |  | a. | ​what duties and responsibilities should exist for the business. | |  | b. | ​how to maximize profits in the short run | |  | c. | ​how to maximize profits in the long run. | |  | d. | ​marketing campaigns to counter potential bad publicity. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 40. Destiny and Eduardo, investors in Competitive Acquisitions Corporation, are dissatisfied with the profit-maximization theory of corporate objectives. These investors and others who look beyond profits and dividends may consider the triple bottom line, which does *not* include a corporation’s​   |  |  |  | | --- | --- | --- | |  | a. | ​impact on people. | |  | b. | ​profits. | |  | c. | ​impact on the planet. | |  | d. | ​congressional lobbying activities. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 41. In attempting to maximize profits, executives and employees of Capital Solutions, Inc., and other corporations have to distinguish between short-run and long-run profit maximization. Business ethics is consistent only with​   |  |  |  | | --- | --- | --- | |  | a. | ​long-run profit maximization. | |  | b. | ​short-run profit maximization. | |  | c. | ​no consideration of profits whatsoever. | |  | d. | ​strict adherence to the goal of profit maximization. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 42. Flexo Trucking Company transports hazardous waste. Garn is a Flexo driver, whom the company knows drives longer hours than federal regulations permit. One night, Garn exceeds the limit and has an accident. Spilled chemicals contaminate Hill City’s water source, forcing the residents to move away. Flexo acted unethically because​   |  |  |  | | --- | --- | --- | |  | a. | ​Flexo showed reckless disregard for Hill City’s residents and others. | |  | b. | ​Garn exceeded the federal time limit. | |  | c. | ​harm was caused by an unfortunate accident. | |  | d. | ​Hill City should have better protected its water source. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 43. Corporate Security Company provides other firms with security services. Questions of what is ethical involve the extent to which Corporate Security has​   |  |  |  | | --- | --- | --- | |  | a. | ​a legal duty beyond those duties mandated by ethics. | |  | b. | ​an ethical duty beyond those duties mandated by law. | |  | c. | ​any duty beyond those mandated by both ethics and the law. | |  | d. | ​any duty when it is uncertain whether a legal duty exists. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 44. Invested Capital Corporation provides other firms with funds to expand operations. If Invested Capital strictly complies with existing laws, the firm’s business ethics obligations will​   |  |  |  | | --- | --- | --- | |  | a. | ​be entirely met. | |  | b. | ​not be met. | |  | c. | ​be partially met. | |  | d. | ​not need to be met. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 45. SuperMeds Corporation develops a new drug that controls severe acne. The drug is not approved by the government for sale in the United States because one of its ingredients is a banned chemical. This chemical is not banned in Mexico. Whether it is ethical for SuperMeds to sell the drug in Mexico depends on​   |  |  |  | | --- | --- | --- | |  | a. | ​the effect of any “bad” publicity from the sale. | |  | b. | ​the number of potential customers. | |  | c. | ​which legal standards are applied. | |  | d. | ​which ethical standards are applied. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 46. Housemate, Inc., makes and sells a variety of household products. With a fair amount of certainty, Housemate’s decision makers can predict whether a given business action would be legal in​   |  |  |  | | --- | --- | --- | |  | a. | ​all situations. | |  | b. | ​many situations. | |  | c. | ​no situations. | |  | d. | ​few situations. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 47. Precision Engineering Inc., like other corporations, is subject to laws that are broad in their purpose and their scope. Compliance with these laws is not always sufficient to determine “right” behavior because​   |  |  |  | | --- | --- | --- | |  | a. | ​the law does not codify all ethical requirements. | |  | b. | ​company codes are also sources of law. | |  | c. | ​business decisions can have negative impacts. | |  | d. | ​ethical problems occur in business. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 48. Brewster, the chief executive officer of Cog & Gear Lubricants Corporation, wants to ensure that Cog & Gear’s activities are legal and ethical. The best course for Brewster and Cog & Gear is to act​   |  |  |  | | --- | --- | --- | |  | a. | ​in good faith. | |  | b. | ​out of ignorance of the law. | |  | c. | ​with regard for the firm’s shareholders only. | |  | d. | ​in their own self-interest. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 49. In business deals, Fiona, the chief executive officer of Glazed Donuts, Inc., follows duty-based ethical standards. These are most likely derived from​   |  |  |  | | --- | --- | --- | |  | a. | ​a corporate ethics code. | |  | b. | a cost-benefit analysis.​ | |  | c. | ​philosophical reasoning. | |  | d. | ​the law. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 50. Ryland, an officer for Sports Park, Inc., attempts to apply a duty-based approach to ethical reasoning in conflicts that occur on the job. This approach is based on the idea that a person must​   |  |  |  | | --- | --- | --- | |  | a. | ​achieve the greatest good for the most people. | |  | b. | ​avoid unethical behavior regardless of the consequences. | |  | c. | ​conform to society’s ethical standards. | |  | d. | ​place his or her employer’s interest first. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 51. In making business decisions, Glenda, personnel manager for HVAC Maintenance, Inc., applies her belief that all persons have fundamental rights. This is​   |  |  |  | | --- | --- | --- | |  | a. | ​a religious rule. | |  | b. | ​the categorical imperative. | |  | c. | ​the principle of rights. | |  | d. | ​utilitarianism. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 52. As CEO of Alabama Archery Supplies, Bertrand applies ethical standards derived from religious principles. For businesses, religious principles can be​   |  |  |  | | --- | --- | --- | |  | a. | ​a unifying force for employees. | |  | b. | ​all of the choices. | |  | c. | ​a rallying point to increase employee motivation. | |  | d. | ​the basis for an action that leads to negative publicity. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 53. Steaks n’ Fries Restaurant Company’s decision makers view a particular risk in the consumption of Steaks n’ Fries’ products as open and obvious. Continuing to market the products without explicitly telling consumers of the risk could be justified from a perspective of​   |  |  |  | | --- | --- | --- | |  | a. | ​duty-based ethics. | |  | b. | ​corporate social responsibility. | |  | c. | ​religious ethical principles. | |  | d. | ​outcome-based ethics. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 54. Provident Medical Health Center asks its employees, many of which are members of the American Nurses Association, to apply the utilitarian theory of ethics. This theory does *not* require​   |  |  |  | | --- | --- | --- | |  | a. | ​a choice among alternatives to produce the maximum societal utility. | |  | b. | ​a determination of whom an action will affect. | |  | c. | ​an assessment of the effects of alternatives on those affected. | |  | d. | ​the acquiring of the means of production by workers. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 55. Dyan, the owner of Expert Restoration Services, Inc., adheres to the “principle of rights” theory. Under this theory, a key factor in determining whether a business decision is ethical is how that decision​   |  |  |  | | --- | --- | --- | |  | a. | ​complies with religious principles. | |  | b. | ​affects the rights of others. | |  | c. | ​causes consequences that would follow if everyone acted the same way. | |  | d. | ​supports the right to make a profit. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 56. In making decisions for Commercial Janitorial & Maintenance Services, Inc., Isaiah uses a cost-benefit analysis. This analysis is part of​   |  |  |  | | --- | --- | --- | |  | a. | ​duty-based ethics. | |  | b. | ​Kantian ethics. | |  | c. | ​the principle of rights. | |  | d. | ​utilitarianism. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 57. Morgan and other executive officers of Regional Economic Development Associates, Inc., apply the utilitarian theory of ethics in business contexts. Utilitarianism focuses on​   |  |  |  | | --- | --- | --- | |  | a. | ​moral values. | |  | b. | ​religious beliefs. | |  | c. | ​the consequences of an action. | |  | d. | ​the nature of an action. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 58. Ross, a research manager for Stock & Bond Investments, Inc., adheres to utilitarian ethics. Ross will determine that an action is morally correct when it produces the greatest good for​   |  |  |  | | --- | --- | --- | |  | a. | ​Ross. | |  | b. | ​Stock & Bond Investments. | |  | c. | ​the fewest people. | |  | d. | ​the most people. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 59. Big Box Retail Stores, Inc. fires its employee Craig for criticizing his manager Daria in posts on social media forums. According to the National Labor Relations Board, this discharge is​   |  |  |  | | --- | --- | --- | |  | a. | ​an ethical issue only. | |  | b. | ​a “gray” area in the law. | |  | c. | ​a violation of federal labor law. | |  | d. | ​protected by the employer’s right to curtail “concerted activities.” |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 60. As part of a hiring process, Codex Marketing Company conducts an Internet search to discover what a job candidate has posted. To Codex, this act should present​   |  |  |  | | --- | --- | --- | |  | a. | ​an ethical issue. | |  | b. | ​a legal question. | |  | c. | ​a personnel problem. | |  | d. | ​none of the choices. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 61. Metal Fabrication, Inc. expends funds and takes steps to ensure that all employees are safe on the job, that all products are safe for consumers, and that the environmental impact of the corporation is minimal. Metal’s owners and management appear to believe in the concept of​   |  |  |  | | --- | --- | --- | |  | a. | ​the moral minimum. | |  | b. | ​corporate social responsibility. | |  | c. | ​the categorical imperative. | |  | d. | ​utilitarianism. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 62. Any decision by the management of Fast-Food Franchise Corporation may significantly affect its​   |  |  |  | | --- | --- | --- | |  | a. | ​operators only. | |  | b. | ​operators, owners, suppliers, the community, or society as a whole. | |  | c. | ​owners only. | |  | d. | ​suppliers, the community, or society as a whole only. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 63. Mary works in the accounting department of New Trends Sales Company. Her job includes reviewing expense reports submitted by management and employees. In determining which expenses are “padding,” Mary should apply to management​   |  |  |  | | --- | --- | --- | |  | a. | ​a different set of principles from those that apply to employees. | |  | b. | ​the same ethical principles that apply to employees. | |  | c. | ​those principles that produce the most favorable financial outcome. | |  | d. | ​whatever result is in the best interest of New Trends. |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 64. Lucas is a corporate officer for Micro Manufacturing Company. Ethical dilemmas that Lucas is *not* likely to encounter include deciding   |  |  |  | | --- | --- | --- | |  | a. | whether to report internal misconduct to a government agency. | |  | b. | whether to lay off employees or take a loss in corporate profits. | |  | c. | whether to provide federally mandated family medical leave to employees. | |  | d. | what to tell a reporter about the recent drop in corporate stock prices when the drop was due to mistakes made internally. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 65. Under the “stakeholder view” of corporate social responsibility, the most difficult aspect of the stakeholder analysis faced by the management of Natural Gas Piping Corporation is determining​   |  |  |  | | --- | --- | --- | |  | a. | ​which group’s interest should receive greater weight. | |  | b. | ​how the firm's competitors might take advantage of the analysis. | |  | c. | ​how the government might view the legality of a decision. | |  | d. | ​which “stakeholders” outside the company should be consulted. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 66. Brick & Mortar Construction & Masonry Corporation’s ethics committee is asked a question: Should the firm bid low to obtain a contract that it knows it can fulfill only at a higher price? A practical method of investigating and answering this question involves all of the following steps *except*​   |  |  |  | | --- | --- | --- | |  | a. | ​absolution. | |  | b. | ​decision. | |  | c. | ​inquiry. | |  | d. | ​justification. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 67. GetTogether, A Social Media Company encourages its managers to behave ethically, reasoning that lower-level employees will take their cues from management. One of the most important ways to create and maintain an ethical workplace is for GetTogether’s management to​   |  |  |  | | --- | --- | --- | |  | a. | ​demonstrate a commitment to ethical decision making. | |  | b. | ​discreetly engage in unethical or illegal acts. | |  | c. | ​look the other way when an employee engages in an unethical act. | |  | d. | ​direct employees to “do as we say, not as we do.” |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 68. Ricardo suspects his supervisor Simone of unethical accounting practices. But Ricardo does not want to report Simone if she will find out who reported her and fire Ricardo. An important feature of online reporting systems like EthicsPoint is that an employee reporting unethical behavior​   |  |  |  | | --- | --- | --- | |  | a. | ​can do so anonymously. | |  | b. | ​is financially compensated if he or she is fired as a result of a report. | |  | c. | ​must fully identify themselves when making a report. | |  | d. | ​must have additional employee support to make a report. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| 69. Ethical standards would most likely be considered violated if Team Logos Merchandising Corporation deals with a company in a developing nation that​   |  |  |  | | --- | --- | --- | |  | a. | ​agrees to produce goods at Team Logos’s desired price. | |  | b. | ​goes unnoticed by “corporate watch” groups. | |  | c. | ​routinely violates labor and environmental standards. | |  | d. | ​pays its workers less than the U.S. minimum wage. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 70. Major Construction & Manufacturing Corporation makes a side payment to a government official in India. Under the Foreign Corrupt Practices Act, this is permitted​   |  |  |  | | --- | --- | --- | |  | a. | ​under no circumstances. | |  | b. | ​if the purpose is to secure a favorable contract. | |  | c. | ​under the dictum “When in Rome, do as the Romans do.” | |  | d. | ​if the official is not a U.S. citizen. |  |  |  | | --- | --- | | *ANSWER:* | a | |

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| **Essay** |

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| 71. Recreation & Sports Equipment Corporation sells a product that is capable of seriously injuring consumers who misuse it in a foreseeable way. Does the firm owe an ethical duty to take this product off the market? What conflicts might arise if the firm stops selling this product?​   |  |  | | --- | --- | | *ANSWER:* | Ethical behavior can sometimes generate sufficient good will to warrant practicing it out of a desire for increased profits. By the same token, unethical behavior can sometimes generate enough bad publicity to warrant avoiding it out of the same desire. A business firm’s activities that are perceived as ethical and receive wide publicity can benefit the firm’s owners in the short run-and even in the long run if the firm’s enhanced public image continues to attract more consumers to its products.  There is nothing unethical about making a profit. It is the behavior that generates the profit that can be questionable. Business ethics thus has a practical element. A business firm should act in its best interest. A firm interested in profits should also be interested in the public’s opinion.  Of course, it is not a company’s fault when consumers misuse its product. If continuing to sell a product is not a strict violation of the law, stopping its sale would likely reduce profits. This could impact the firm’s owners, employees, and others. But suspending sales could reduce injuries, and it could lead to increased profits from the sales of other products, if the suspension stops negative publicity.  When a business entity decides to respond to what it sees as a moral or ethical obligation by removing a product from the market, an ethical conflict is raised between the firm and its employees and between the firm and its share-holders. This conflict arises directly out of the impact that the decision has on the firm’s profits. If meeting this perceived obligation increases the firm’s profitability, then all parties “win” and the dilemma would be easily resolved in favor of “doing the right thing.” | |

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| 72. Frances, an executive with GMO Seed & Feed, Inc., has to decide whether to market a product that could offer substantial benefits but might also have potentially serious side effects for a small percentage of users. How should Frances decide whether to sell the product? How does the standard of ethics that is applied affect this answer?​   |  |  | | --- | --- | | *ANSWER:* | When a corporate executive has to decide whether to market a product that might have undesirable side effects for a small percentage of users but that would be beneficial for most users, the decision turns on the benefit to the many versus the harm to the few. Of course, all possible precautions should be taken to protect the few. A more specific answer depends on which system of ethics is applied.  From a religious duty-based perspective, the answer might be absolute: do not sell the product because some would be harmed, sell the product only to those who would not be harmed, or sell the product with clear warnings of the possible harm. Similar conclusions might be reached through a philosophical, “categorical imperative,” duty-based approach, which would consider the result if every corporation chose to sell the product. A principle-of-rights duty-based approach might likewise come to the same conclusions, reasoning that all persons have a right to life, for example, and that the corporation has an ethical duty to respect that right and act accordingly.  From a utilitarian perspective, under a cost-benefit analysis, if the product were sold, it could benefit the greatest number of persons—future and current employees, as well as shareholders, and most consumers. If there was “bad” publicity, and it was adverse enough to reduce sales, however, more persons could benefit from the decision not to market the product.  Under any of the different corporate social responsibility theories, the decision whether to market the product would acknowledge the firm’s duty to act ethically and be accountable to society. There might be a balancing of the interests of competing stakeholder groups or a shouldering of the responsibility to behave in a socially beneficial way as a good corporate citizen. Of course, the firm would likely have to accept any legal liability that would arise from its sale of the product.  To apply any of these approaches, the executive might evaluate the situation according to the five steps for making ethical business decisions. Under this procedure for reviewing ethical conflicts, the first step is to specify the facts, the problem, and the ethical principles at issue. The second step is to discuss potential actions and their effects. The third step is to come to a consensus as to what to do. This consensus should withstand moral scrutiny (the fourth step) and fulfill corporate, community, and individual values (the fifth step). It seems unlikely that a proposed sale of the product would survive the fourth step, under either a duty-based or an outcome-based ethical standard. | |