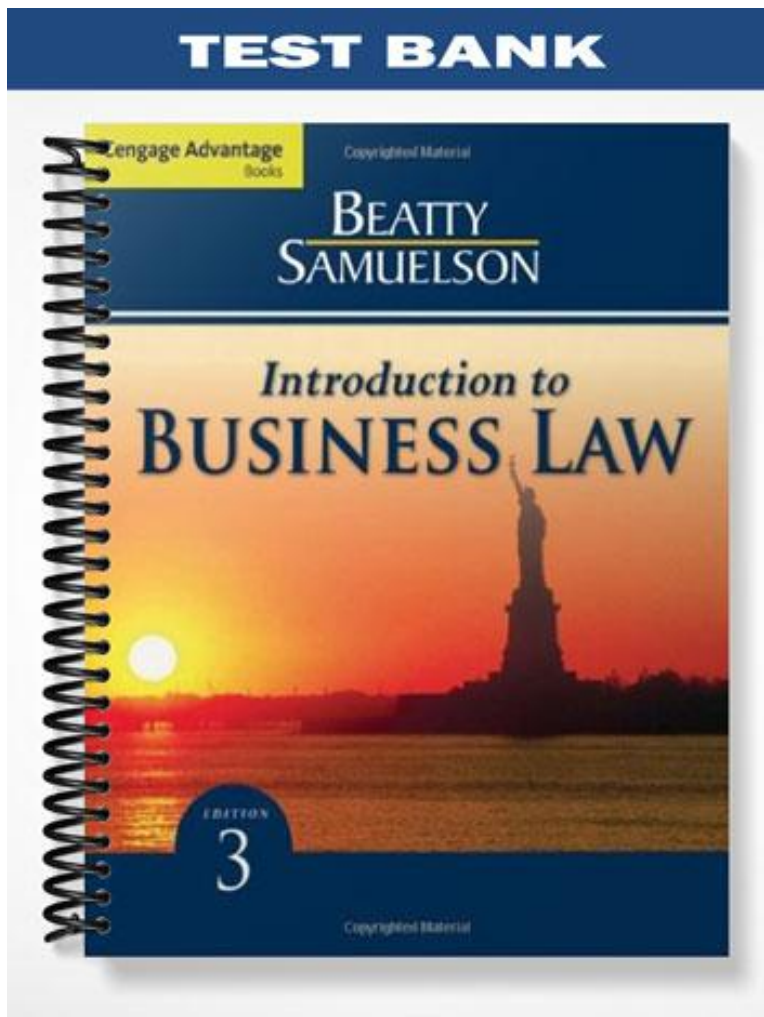


**TEST BANK**



## CHAPTER 2 - BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

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### TRUE/FALSE

1. Ethics is the study of how people should act.

ANS: T                      PTS: 1

2. There is strong evidence that ethical behavior pays off financially for businesses.

ANS: F                      PTS: 1

3. The ethics checklist provided in the textbook serves two purposes: it helps clarify the issues and it produces the one correct answer to an ethical dilemma.

ANS: F                      PTS: 1

4. Society is hurt when business managers behave ethically.

ANS: F                      PTS: 1

5. In making an ethical decision, the decision maker should determine the facts, firsthand, from the people involved.

ANS: T                      PTS: 1

6. Jeffrey Sachs, a leading economist and adviser to developing nations, has led the fight to reduce the use of sweatshops and child labor to produce goods for American companies and consumers.

ANS: F                      PTS: 1

7. Asking the following question: "Which alternative causes the greatest good (or least harm) to the most people?" is one way of considering the ethical implications of alternative actions.

ANS: T                      PTS: 1

8. There are values, such as integrity, that are generally considered universal.

ANS: T                      PTS: 1

9. One consideration in the ethical checklist in the textbook is questioning what kind of world it would be if everyone behaved according to this alternative.

ANS: T                      PTS: 1

10. The ethics checklist provided in the textbook was created by Supreme Court Justice Potter Stewart to aid business managers in finding solutions to difficult ethical problems.

ANS: F                      PTS: 1

### MULTIPLE CHOICE

1. Zeno, Inc. is considering relocating its manufacturing facility from Illinois to Mexico City. The stakeholders in this decision might include:
  - a. Zeno's shareholders.
  - b. customers.
  - c. the Illinois community in which Zeno operates.
  - d. All of the above.

ANS: D                    PTS: 1

2. Does ethical behavior maximize profitability?
  - a. Yes, there is concrete evidence that ethical behavior maximizes profitability.
  - b. No, there is concrete evidence that unethical companies outperform ethical companies.
  - c. There is no universal agreement on the answer to this question.
  - d. There is strong evidence that ethical behavior pays financially in the long run, but not in the short run.

ANS: C                    PTS: 1

3. Why should ethics be a concern to business?
  - a. Society as a whole benefits from ethical behavior.
  - b. People feel better when they behave ethically.
  - c. Unethical behavior can be very costly.
  - d. All of the above.

ANS: D                    PTS: 1

4. Research has shown that the least important motivation for managers in behaving ethically is:
  - a. they want to feel good about themselves.
  - b. they want to feel good about the decisions they make.
  - c. they value their reputation.
  - d. profitability.

ANS: D                    PTS: 1

5. The observation that "The one and only social responsibility of business is to increase profits" can be attributed to:
  - a. Kenneth Lay.
  - b. William C. Ford, Jr.
  - c. Milton Friedman.
  - d. Immanuel Kant.

ANS: C                    PTS: 1

6. E-presto, Inc. has established an EthicsLine. EthicsLine is a toll-free phone number that employees can call any time of the day, any day of the week to discuss ethics and report suspected unethical or improper conduct. Why would E-presto establish the EthicsLine?
  - a. Ethical behavior improves productivity.
  - b. Ethical behavior increases job stability.
  - c. Unethical behavior can destroy a business.
  - d. All of the above are reasons that would justify establishing an EthicsLine.

ANS: D                    PTS: 1

7. Which of the following correctly describes the relationship between law and ethics?
  - a. Law and ethics are synonymous.
  - b. Law and ethics are not always compatible.

- c. It cannot be ethical to commit an illegal act.
- d. An ethical act will always be legal.

ANS: B                      PTS: 1

8. Which of the following is important in analyzing ethical dilemmas, according to the ethics checklist in the textbook?
- a. Interview people who have information through secondary sources.
  - b. Narrow your focus to only one or two issues.
  - c. Identify the stakeholders.
  - d. Eliminate any illegal alternatives since illegal is synonymous with unethical.

ANS: C                      PTS: 1

9. The Chief Executive Officer of Tigor, Inc. must decide about the disposal of toxic waste materials. Which of the following considerations should help the CEO reach an ethical business decision?
- a. Toxic waste disposal law.
  - b. The harm the disposal could cause to the environment.
  - c. The impact on the business if the decision is publicly disclosed through the news media.
  - d. All of the above.

ANS: D                      PTS: 1

10. Don runs a construction company. He hires people to work on his projects and tells them they are all "independent contractors." Legally, they are employees rather than independent contractors since Don tells the workers when to come to work, how long to work, what days to work, what they are to do each day, and so forth. At the end of each week, Don pays his workers in cash (not with a check). He does not withhold any state, federal, or local withholding tax (since he claims the workers are independent contractors). Which statement is correct?
- a. Don has committed both unethical and illegal conduct.
  - b. Don has committed unethical conduct, but it is legal.
  - c. Don has committed ethical conduct but it is illegal.
  - d. Don has committed both ethical and legal conduct.

ANS: A                      PTS: 1

## ESSAY

1. Oxtron, Inc. arranged for two employees, Kaiya and Gary, to attend "The Business Ethics 2009 Conference: Maintaining Credibility" in New York City. Although Gary goes to New York, he does not participate in the conference. Instead, he takes in the local attractions. Kaiya fully participated in the conference. Use the ethics checklist to decide what Kaiya should do about Gary's failure to participate in the conference.

ANS:

According to the ethics checklist, the following questions should be considered:

- What are the facts?
- What are the critical issues?
- Who are the stakeholders?
- What are the alternatives?
- What are the ethical implications of each alternative?
  - Is it legal?
  - How would it look in the light of day?
  - What are the consequences?

- Does it violate important values?
- What kind of world would this be if everyone behaved this way?

PTS: 1

2. Tianhui was recently hired as a sales representative by International, Inc. Before leaving on his first sales trip, a number of the other sales representatives take Tianhui aside and tell him that it is customary for the sales representatives to "pad" (increase) their expense reports each month by 20%. Use the ethics checklist to decide what Tianhui should do about the expense report he submits to International.

ANS:

According to the ethics checklist, the following questions should be considered:

- What are the facts?
- What are the critical issues?
- Who are the stakeholders?
- What are the alternatives?
- What are the ethical implications of each alternative?
  - Is it legal?
  - How would it look in the light of day?
  - What are the consequences?
  - Does it violate important values?
  - What kind of world would this be if everyone behaved this way?

PTS: 1

3. Mega, Inc. is considering establishing a program that actively encourages ethical behavior. What reasons would support Mega's adoption of an ethics program?

ANS:

The following reasons support an ethics program: (1) society as a whole benefits from ethical behavior; (2) people feel better when they behave ethically; (3) unethical behavior can be very costly and can decrease productivity, job stability, and profits.

PTS: 1

## MATCHING

*Match the following people with their views or situations:*

- a. Martin Luther King, Jr.
  - b. John Akers
  - c. Jeffrey Sachs
  - d. Milton Friedman
  - e. John D. Rockefeller
1. Argued that "Ethics and competitiveness are inseparable."
  2. Showed that unethical behavior is no bar to financial success.
  3. Argued that "The one and only social responsibility of business is to increase its profits."
  4. Argued that "An unjust law is not law at all."
  5. Argued that "Third World countries need more sweatshops, not fewer."
1. ANS: B                      PTS: 1

- |           |        |
|-----------|--------|
| 2. ANS: E | PTS: 1 |
| 3. ANS: D | PTS: 1 |
| 4. ANS: A | PTS: 1 |
| 5. ANS: C | PTS: 1 |