

TEST BANK



DYNAMIC
BUSINESS LAW

KUBASEN
SHOWE
HERRON
DIAMETRO-MEYER
BARKACE
SHADDE
WILLIAMSON

Chapter 02 Business Ethics

True / False Questions

1. (p. 18) Ethical conversation is primarily about finding the one and only right thing to do.

FALSE

*AACSB standard: 2
Blooms taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 1*

2. (p. 18) The social responsibility of business consists only of the expectations employees have of employers.

FALSE

*AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1*

3. (p. 18) Business ethics is the application of ethics to the special problems and opportunities experienced by business people.

TRUE

*AACSB standard: 2
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 1*

4. (p. 19) Ethics is not an issue in accounting because of the primarily objective data involved in that field.

FALSE

*AACSB standard: 2, 7
Blooms taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 1*

5. (p. 20) In some countries businesses must pay bribes in order to receive legitimate supplies.

TRUE

*AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2*

6. (p. 35) Ethical relativism is a theory of ethics that denies the existence of objective moral standards.

TRUE

*AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2*

7. (p. 35) Situational ethics is the same thing as ethical relativism.

FALSE

*AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2*

8. (p. 35) Absolutism is also referred to as ethical fundamentalism.

TRUE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 2

9. (p. 36) Consequentialism provides a rigid set of rules to follow regardless of the situation.

FALSE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

10. (p. 36) Rule utilitarianism tells business managers to examine all the potential actions in each situation and choose the action that yields the greatest amount of pleasure over pain for all involved.

FALSE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 2

11. (p. 36) Utilitarianism is a form of consequentialism.

TRUE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 2

12. (p. 36) Deontology consists of acting on the basis of the recognition that certain actions are right or wrong, regardless of their consequences.

TRUE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2

13. (p. 24) The definition of stakeholder is the same as the definition of shareholder.

FALSE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3

14. (p. 24) The community in which a firm operates would not be considered a stakeholder of the firm.

FALSE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3

15. (p. 24) In an ethical analysis using the WPH Framework referenced in the text, owners are the most important stakeholders and should receive the greatest consideration in decision making.

FALSE

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3

Multiple Choice Questions

16. (p. 18) Which of the following is the application of ethics to the special problems and opportunities experienced by those in business?

- A. Situational ethics
- B. Consequentialism
- C. Business ethics**
- D. Sarbanes-Oxley Principles
- E. Business Utilitarianism

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1

17. (p. 18) Which of the following is the study and practice of decisions about what is good, or right?

- A. Morals
- B. Ethics**
- C. Consequences
- D. Law
- E. Business

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 1

18. (p. 18) A local Chamber of Commerce plans a seminar on "the social responsibility of business." What does that term reference?

- A. The responsibility of business to make profit for shareholders
- B. The responsibility of business to have annual meetings
- C. The expectations that the community imposes on firms doing business inside its borders**
- D. The expectations of employees regarding wage rates
- E. The expectations of management in regard to adequate utility resources

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1

19. (p. 21) Which of the following is true regarding a corporate code of ethics?
- A. A corporate code of ethics provides definitive lists of right and wrong decisions
 - B. A well-managed corporation does not need a code of ethics
 - C. A well-managed corporation tries to provide ethical leadership by establishing codes of ethics**
 - D. A corporate code of ethics is legally mandated in all states pursuant to state law
 - E. A corporate code of ethics is required by federal law

AACSB standard: 2, 7

Difficulty: Hard

Learning Objective: 2

20. (p. 23) As pointed out in the text section "Contractual Relationships and Ethics in Japan" which of the following is true regarding the application of ethics in a global context?
- A. While ethical considerations may vary, rules for the negotiation of contracts remain the same from country to country
 - B. Ethical considerations vary from country to country as do practices of contract negotiation**
 - C. Ethical considerations do not vary from country to country although rules for contract negotiation do vary
 - D. Japanese negotiators typically require more specific information than American negotiators in contracts regarding the result if one party cheats or lies
 - E. Japanese negotiators are usually more suspicious than American negotiators

AACSB standard: 5, 13

Blooms taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 2

21. (p. 23) As pointed out in the text section "Business Ethics and Italian Taxes" which of the following is true regarding the application of ethics in a global context?

- A. While ethical considerations may vary, the enforcement of laws remains the same from country to country
- B. Ethical considerations vary from country to country as do practices of law enforcement
- C. Ethical considerations do not vary from country to country although rules for law enforcement do vary
- D. The Italian government seeks to discuss taxes after returns are filed because underestimating profits is rarely a problem there
- E.** The Italian government seeks to discuss taxes before returns are filed because underestimating profits is rarely a problem there

AACSB standard: 5, 7, 13
Blooms taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 2

22. (p. 29) What is the name of the law signed by President Bush in the wake of several corporate accounting scandals?

- A.** The Sarbanes-Oxley Act
- B. The Public Accounting Act
- C. The Certified Public Accounting Act
- D. The Whaley-Mallicoat Act
- E. The Corporate Scandal Act

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2

23. (p. 35) The ethical theory that requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma is called _____.

- A.** Situational ethics
- B. Ethical relativism
- C. Absolutism
- D. Consequentialism
- E. Relativity ethics

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2

24. (p. 35) How is absolutism different from ethical relativism and situational ethics?
- A. It applies utilitarianism
 - B. It holds that a cost-benefit analysis should be applied
 - C.** It holds that whether an action is moral does not depend on the perspective of the person facing the ethical dilemma
 - D. It applies virtue ethics
 - E. It applies corporate ethics principles

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 2

25. (p. 35) Which of the following is true regarding the relationship between ethical relativism and situational ethics?
- A. Like ethical relativism, situational ethics requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma
 - B. Unlike ethical relativism, situational ethics allows us to judge other people's actions
 - C.** Like ethical relativism, situational ethics prohibits us from judging the actions of others
 - D. Like ethical relativism, situational ethics requires that we judge the actions of others
 - E. There is no relationship between ethical relativism and situational ethics

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

26. (p. 35) Which of the following describes the theory of ethical relativism?

- A. Its only principle is the denial of the existence of objective moral standards
- B. It holds that individuals must evaluate actions on the basis of what they feel is best for themselves based upon objective moral standards
- C. It holds that since morality is relative, we have a basis upon which to criticize the behavior of others as immoral
- D. It denies the existence of objective moral standards, it holds that individuals must evaluate actions on the basis of what they feel is best for themselves, but it does not hold that morality is relative
- E.** It denies the existence of objective moral standards; it holds that individuals must evaluate actions on the basis of what they feel is best for themselves; and it holds that since morality is relative, no one can criticize another's behavior as immoral

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

27. (p. 35) What is another name for absolutism?

- A.** Ethical fundamentalism
- B. Ethical relativism
- C. Virtue ethics
- D. Rule utilitarianism
- E. Ethics of care

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

28. (p. 35) Which of the following is an ethical school of thought that denies the existence of objective moral standards?

- A. Absolutism
- B. Deontology
- C. Categorical Imperative
- D. Uncertainty of Thought
- E.** None of the above

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

29. (p. 35) Which of the following is true under the ethical theory of absolutism?

- A. It requires that individuals defer to a set of rules to guide them and holds that all rational individuals will agree on the appropriate set of rules to follow
- B. It requires that all individuals decide for themselves what is ethical depending on the circumstances
- C. It requires that all individuals in a community agree on an appropriate set of ethical rules, but recognizes that individuals outside the community may have a different set of ethical rules
- D. It holds that individuals should decide ethical principles based on their upbringing but not upon the situation itself
- E.** It requires that individuals defer to a set of rules to guide them but recognizes that people may disagree about which rules to follow

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

30. (p. 35) What is the basis of consequentialism?

- A. Deontology
- B. Categorical imperatives
- C.** Inquiry into the consequences
- D. Disregard of consequences
- E. Act utilitarianism

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

31. (p. 36) Kantian ethics is involved with which of the following ethical theories?

- A.** Deontology
- B. Act utilitarianism
- C. Rule utilitarianism
- D. Absolutism
- E. Situational ethics

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

32. (p. 37) What is a difficulty with the application of virtue ethics?

- A. The applicable categorical imperatives
- B.** The lack of agreement about the meaning of "the good life."
- C. The applicable principle of rights
- D. The ethics of care analysis
- E. Both the applicable categorical imperatives and the lack of agreement about the meaning of "the good life."

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 2

33. (p. 38) _____ adherents believe that when one individual, the caregiver, meets the needs of one other person, the cared-for party, the caregiver is helping to meet the needs of all the individuals who fall within the cared-for party's web of care.

- A. Deontology
- B. Utilitarianism
- C. Absolutism
- D. Virtue ethics
- E.** Ethics of care

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 2

34. (p. 36) An ethical theory that urges managers to take those actions that provide the greatest pleasure after having subtracted the pain or harm associated with the action is question is called _____.

- A. Deontology
- B.** Utilitarianism
- C. Kantian ethics
- D. Absolutism
- E. Ethical relativism

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 2

35. (p. 36) A business manager who deceives everyone because the manager believes the deception maximizes pleasure over pain in a given situation is acting consistently with which ethical theory?

- A. Act deontology
- B. Ethical relativism
- C. Act utilitarianism**
- D. Ethical fundamentalism
- E. Rule utilitarianism

AACSB standard: 2, 7

Blooms taxonomy: Application

Difficulty: Hard

Learning Objective: 2

36. (p. 36) A business manager who considers it wrong to terminate a person whose spouse has terminal cancer because a firm has an obligation to support its employees when they are vulnerable is acting consistently with which ethical theory?

- A. Deontology**
- B. Ethical relativism
- C. Act utilitarianism
- D. Ethical fundamentalism
- E. Rule utilitarianism

AACSB standard: 2, 7

Blooms taxonomy: Application

Difficulty: Hard

Learning Objective: 2

37. (p. 36) Which of the following theories is a form of consequentialism?

- A. Deontology
- B. Ethical relativism
- C. Utilitarianism**
- D. Ethical fundamentalism
- E. Ethical Relativism

AACSB standard: 2, 7

Blooms taxonomy: Comprehension

Difficulty: Medium

Learning Objective: 2

38. (p. 36) A reference to "Kantian ethics" most likely involves which of the following theories?

- A.** Deontology
- B. Ethical relativism
- C. Utilitarianism
- D. Ethical fundamentalism
- E. Ethical Relativism

AACSB standard: 2, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

39. (p. 37) A person who believes that they should not cheat on a drug test because if everyone did so, the drug test would be meaningless is applying a[n] _____.

- A. Ethics of care
- B. Virtual analysis
- C. Cost-benefit analysis
- D. Fundamentalist approach
- E.** Categorical imperative

AACSB standard: 2, 7
Blooms taxonomy: Application
Difficulty: Hard
Learning Objective: 2

40. (p. 37) Which of the following helps explain why the principle of deontology may be difficult to apply?

- A.** People disagree about what duties we owe to one another
- B. People disagree about whether consequences are positive or negative
- C. People disagree about the ethics of care
- D. People disagree about what duties we owe to one another and also people disagree about whether consequences are positive or negative
- E. People disagree about what duties we owe to one another, people disagree about whether consequences are positive or negative, and also people disagree about the ethics of care

AACSB standard: 2, 7
Blooms taxonomy: Analysis
Difficulty: Hard
Learning Objective: 2

41. (p. 37) The ethical system in which the development of virtues, or positive character traits such as courage, justice, and truthfulness, is the basis for morality is called _____.

- A. Absolutism decision
- B. Virtual analysis
- C. Virtue ethics**
- D. Fundamentalist approach
- E. Categorical imperative

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

42. (p. 38) The _____ holds that the right course of action is the option most consistent with the building and maintaining of human relationships.

- A. Ethics of Care**
- B. Principle of virtue ethics
- C. Deontology
- D. Act utilitarianism
- E. Rule utilitarianism

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

43. (p. 29) Which of the following does the Public Company Accounting Oversight Board do?

- A. Ensure that auditors and public accounting firms compile accurate and truthful financial reports for the companies they audit
- B. Require that companies devise a system that allows employees to report suspicions of unethical behavior
- C. Require that the universalization test be used as the primary ethical guideline
- D. It ensure that auditors and public accounting firms compile accurate and truthful financial reports for the companies they audit and also requires that companies devise a system that allows employees to report suspicions of unethical behavior**
- E. None of the above there is no such board

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

44. (p. 23-24) What do the letters "WPH" mean in reference to the "WPH Framework for Business Ethics" discussed in the text?

- A.** Who, Purpose, and How
- B. When, Plan, and How
- C. Why, Procedure, and Hope
- D. Where, Plan, and Hope
- E. Where, Procedure, and How

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3

45. (p. 24) Which of the following are stakeholders of a business?

- A. Shareholders
- B. Employees
- C. Customers
- D. Management
- E.** All the above

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3

46. (p. 24) Which of the following is true under the WPH process of ethical decision making?

- A. The interest of management is ranked higher than that of employees when decisions are made
- B. The interest of owners is ranked higher than that of both employees and management when decisions are made
- C. When decisions are made, the interest of the community as a whole is considered last
- D. The interest of management is ranked higher than that of employees when decisions are made, but the interest of owners is ranked higher than the interest of any group
- E.** None of the above are true

AACSB standard: 2, 7
Blooms taxonomy: Analysis
Difficulty: Medium
Learning Objective: 3

47. (p. 24) What are some examples of purpose in the WPH process of ethical decision making?

- A. Freedom
- B. Security
- C. Efficiency
- D. Freedom and security, but not efficiency
- E. Freedom, security and efficiency**

AACSB standard: 2, 7
Blooms taxonomy: Analysis
Difficulty: Medium
Learning Objective: 3

48. (p. 24) Which of the following may be a part of the "how" in the WPH process of decision making?

- A. Public disclosure**
- B. Customer satisfaction
- C. Profit maximization
- D. Whistle-blowing
- E. All the above

AACSB standard: 2, 7
Blooms taxonomy: Analysis
Difficulty: Medium
Learning Objective: 3

49. (p. 26) Positive abstractions that capture our sense of what is good or desirable are called _____.

- A. Ethical ideas
- B. Values**
- C. Conscience demands
- D. Desirable principles
- E. Action goals

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3

50. (p. 27) The idea that we should interact with other people in a manner consistent with the manner in which we would like for them to interact with us is called _____.

- A. The Equalization Rule
- B. The Ethical Realization Rule
- C. The Silver Rule
- D. The Golden Rule**
- E. The Ten Commandments Rule

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3

51. (p. 29) The "public disclosure" test for ethical behavior is sometimes referred to as the _____ test.

- A. Television**
- B. Powell
- C. Self-conscious
- D. Golden
- E. Primary

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3

52. (p. 29) The _____ for ethical behavior seeks consideration of what the world would be like if a decision is copied by everyone else.

- A. Golden Rule
- B. Universalization test**
- C. Public Disclosure
- D. Relevant Disclosure
- E. World Rule

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3

53. (p. 29) Which of the following is true regarding the universalization test for ethical behavior?

- A. It is the same as the public disclosure test
- B. It has been discredited
- C. It is the same as the golden rule test
- D. It has been enacted into law by the Sarbanes-Oxley Act
- E.** None of the above

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 3

Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and has now felt compelled to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in the nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper produce and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics.

54. (p. 20) Which of the following is the minimal standard that a business must meet in a consideration of business ethics suggested by Brooke?

- A.** Decisions must be legal
- B. Decisions must meet the criteria of a follower of deontology
- C. Decisions must meet the criteria of a follower of utilitarianism
- D. Decisions must receive a majority vote of acceptance by employees
- E. Both that decisions must be legal and that decisions receive a majority vote of acceptance by employees

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 2

55. (p. 24) Which of the following would be a stakeholder in the above company?

- A. The community only
- B. The shareholders only
- C. Future generations only
- D. The community and shareholders only
- E.** The community, shareholders, and future generations

AACSB standard: 2, 7

Blooms taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 2

56. (p. 27) Connie decides to go forward with her plan to clean things up under the theory that she wants to treat others in the same manner that she wants to be treated. Under Connie's theory, if she did not understand the importance of the environmental improvements, she would want them to be thrust upon her. Connie's idea is best referred to as _____.

- A.** The Golden Rule
- B. The Disclosure Principle
- C. The Help Peers Test
- D. The Sarbanes-Oxley Rule
- E. The Greenhouse Rule

AACSB standard: 2, 7

Blooms taxonomy: Application

Difficulty: Medium

Learning Objective: 2

Brad, a newly hired Certified Public Accountant, who barely passed his boards was asked by a business client, a chief executive officer, about the effect of the Sarbanes-Oxley Act on an accounting issue. Brad assured the client that the client should not be concerned about the act because is very vague, unspecific, and difficult to understand. Brad told the CEO that in any event, the CEO could not be held personally responsible regardless of what happened because only company business was involved. Brad also told the CEO that there is no oversight involved with the act. Later that same day, a coworker of Brad discovered that the CEO involved had been involved in misstating some financial reports and had also destroyed financial documents to cover up fraud. An employee at the company, Laura, had informed the coworker. When the issue was mentioned to the CEO, he immediately fired Laura.

57. (p. 29) Which of the following is true regarding Brad's statement that the CEO could not be held liable for violations of the act?

- A. Brad is correct. Under no circumstances can a CEO be held personally responsible for violations under the act. Any fines would be imposed upon the business entity
- B. Brad is incorrect. The act provides for harsh penalties, and a CEO who knows that the company's financial reports are incorrect but claims that they are truthful, can be heavily fined. There are no penalties, however, for destruction of financial documents
- C. Brad is incorrect. The act provides for harsh penalties, and a CEO who destroys or changes financial documents to mislead can be heavily fined. There are no penalties, however, for misstatements of a company's financial reports because the company is solely responsible for its statements
- D. Brad is incorrect, but any fine against a CEO under the act cannot exceed a nominal amount of \$1,000
- E.** Brad is incorrect. The act provides for harsh penalties, and a CEO who knows that the company's financial reports are incorrect but claims that they are truthful, can be heavily fined. Additionally, a CEO who destroys or changes financial documents to mislead can be heavily fined

AACSB standard: 2, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

58. (p. 29) Which of the following is true regarding the act and Laura's firing?
- A. The act does not provide protection for whistle-blowers such as Laura
 - B. The act provides protection for whistle-blowers only if it can be shown that a significant amount of money, in excess of \$5,000, was involved in any misstatement
 - C. The act provides protection for whistle-blowers only if it can be shown that a significant amount of money, in excess of \$10,000, was involved in any misstatement
 - D. The act provides protection for whistle-blowers who work for an accounting firm, but not for any other employees
 - E.** Laura's whistle-blowing would be protected under the act, and her firing was illegal

AACSB standard: 2, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

59. (p. 29) Contrary to Brad's statement, does the Sarbanes-Oxley Act create a board of oversight; and, if so, what is its name?
- A. Brad is correct. No oversight board was created
 - B.** A board called the Public Company Accounting Oversight Board was created by the act
 - C. A board called the Public Accountability Commission was created by the act
 - D. A board called the CPA Oversight Commission was created by the act
 - E. A board called the Federal Accountability Commission was created by the act

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

Richard, who just started at his new job as an assistant manager at a fast-food restaurant, wants to make a good impression. He thinks that things are going great. On only the second day on the job, however, he sees his boss Jill, the manager, slink out of the restaurant with a big box of hamburger that she puts in her car and then speeds away. Richard is fairly certain that she did not pay for the hamburger. Richard asks advice of his best friend, Bruce; his girlfriend, Sally; his sister, Jenny; and his dad, Frank. Bruce says that there are no real objective standards and that Richard should just decide what is best for himself. Sally says that Richard should focus on the consequences. She believes that it will do no real harm for Richard to keep his mouth shut because the fast-food restaurant is making plenty of money and probably does not pay the Jill enough anyway. Plus, getting in trouble with Jill could cause problems at work, and if Richard loses his job, Richard and Sally might have to put off their marriage. Jenny says that on balance the greatest good would be to tell on Jill because stealing does not generally produce the greatest satisfaction. Richard's dad says that as a matter of principle, of course, Richard should tell on Jill because stealing is simply wrong.

60. (p. 35) Which of the following theories most accurately fits the advice given by Bruce?

- A. Deontology
- B. Act utilitarianism
- C. Rule utilitarianism
- D. Ethical relativism**
- E. Virtue ethics

AACSB standard: 2, 3, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

61. (p. 36) Which of the following theories most accurately fits the advice given by Sally?

- A. Deontology
- B. Act utilitarianism**
- C. Rule utilitarianism
- D. Ethical relativism
- E. Virtue ethics

AACSB standard: 2, 3, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

62. (p. 36) Which of the following theories most accurately fits the advice given by Jenny?

- A. Deontology
- B. Act utilitarianism
- C. Rule utilitarianism**
- D. Ethical relativism
- E. Virtue ethics

AACSB standard: 2, 3, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

63. (p. 36) Which of the following theories most accurately fits the advice given by Frank?

- A. Deontology**
- B. Act utilitarianism
- C. Rule utilitarianism
- D. Ethical relativism
- E. Virtue ethics

AACSB standard: 2, 3, 7
Blooms taxonomy: Application
Difficulty: Medium
Learning Objective: 2

Essay Questions

64. (p. 21-22) Assume you are hired as the president of a new company. Write a code of ethics for the firm

Student responses may vary. The General Motors' Code of Business Conduct may serve as a guide.

AACSB standard: 2, 7
Blooms taxonomy: Synthesis and Evaluation
Difficulty: Hard
Learning Objective: 2

65. (p. 39) Describe and explain the following ethical principles:

- (a). Ethical relativism
- (b). Situational ethics
- (c). Consequentialiam
- (d). Deontology
- (e). Virtue ethics
- (f). Ethics of care

- (a). Ethical relativism - Asserts that morality is relative.
- (b). Situational ethics - Requires that when we evaluate whether an action is ethical, we imagine ourselves in the position of the person facing an ethical dilemma.
- (c). Consequentialiam - Considers the consequences (i.e., harms and benefits) of making a particular decision.
- (d). Deontology - Recognizes certain actions as right or wrong regardless of the consequences.
- (e). Virtue ethics - encourages individuals to develop virtues (e.g. courage and truthfulness) that guide behavior.
- (f). Ethics of care - Holds that ethical behavior is determined by actions that care for and maintain human relationships.

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2

66. (p. 23-24) Sally is the president of AAA Components, a company that makes small parts for the automotive industry. Customers of AAA components are primarily auto manufacturers. Sally's cousin, Frank, works at the company as a sales representative. A promotion to sales manager is open. Frank has applied and so has Susan, another sales representative. While both Frank and Susan are good employees, they are skilled in different areas. Susan is excellent with technology, with placing orders, and she does an excellent job in following through with order deficiencies. Frank, on the other hand, is better with customer relations, and customers seem to like him better. Sally would like to promote Frank but she has two concerns. Her first concern is that she does not want it to be perceived that she is being unfair because Frank is family. Her second concern is that she has a suspicion that some customers are somewhat prejudiced against Susan because she is female. Most customers with whom the sales representatives deal are male, and Sally suspects that they may give Frank more consideration than Sally. Define and discuss the WPH framework for business ethics, and within that framework propose a solution. Be sure to fully address the populations, purposes, and guidelines included within "W," "P," and "H."

Students should reference the WPH process of decision making by identifying stakeholders, values, and guidelines. Students should also propose a solution. Solutions may vary.

AACSB standard: 2, 3, 7
Blooms taxonomy: Synthesis and Evaluation
Difficulty: Hard
Learning Objective: 3

67. (p. 36-37) Milly's best friend and roommate, Sarah, is getting ready for a big date. Sarah had her hair and nails done, bought a new dress, and spent two hours getting ready. Just as Milly sees Sarah's date coming down the street, Sarah comes out and asks Milly how she looks. Unfortunately, the stylist did a terrible job, the nails are an odd shade of purple, and the new dress is extremely unflattering. Sarah has no time in which to change. Discuss what Milly would say and why under the following principles:

- (a). Deontology
- (b). Act utilitarianism
- (c). Rule utilitarianism
- (d). Virtue ethics

Student answers will likely vary based upon the application of the facts to the ethical principles involved. Following are suggestions:

- (a). Under the principle of deontology, which consists of acting on the basis of the recognition that certain actions are right or wrong regardless of consequences, students will likely say that Sarah should be told the truth.
- (b). Act utilitarianism says that the action that yields the greatest amount of pleasure over pain for all involved should be chosen. Under this principle, Sarah would likely be told that she looks fine.
- (c). Rule utilitarianism holds that general rules that on balance produce the greatest amount of pleasure for all involved should be followed in each situation. Students may say that deception does not generally produce the greatest satisfaction.
- (d). Virtue ethics is an ethical system in which the development of virtues or positive character traits is the basis for morality. Students may say that it is virtuous to tell the truth, or some may say that it is more virtuous to spare Sarah's feelings.

AACSB standard: 2, 3, 7
Blooms taxonomy: Synthesis and Evaluation
Difficulty: Hard
Learning Objective: 2

68. (p. 37-38) Define virtue ethics and the ethics of care, and contrast virtue ethics with the ethics of care

Virtue ethics is an ethical system in which the development of virtues, or positive character traits, is the basis for morality. Under this theory, the development of virtues occurs through practice. The ethics of care holds that the right course of action is the option most consistent with the building and maintaining of human relationships. According to this theory, when one person cares for another person, the first person is acting morally.

AACSB standard: 2, 7
Blooms taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2