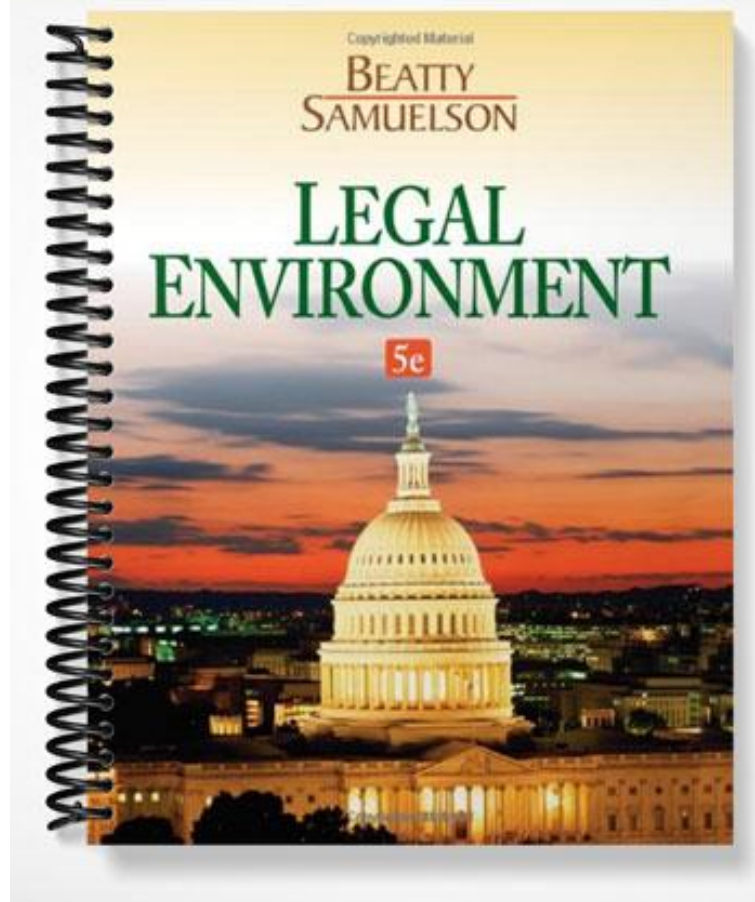


TEST BANK



CHAPTER 2 - BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

TRUE/FALSE

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

ANS: T PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Introduction KEY: Bloom's: Comprehension

2. Life Principles are set by your parents and do not change over time.

ANS: F PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Introduction KEY: Bloom's: Analysis

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

ANS: F PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

4. Unethical behavior is a barrier to financial success.

ANS: F PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

5. John Akers, former chairman of IBM, argues that ethics are not important to economic competitiveness.

ANS: F PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

6. Society is hurt when business managers behave ethically.

ANS: F PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

7. Researchers who study happiness find that people expect money to make them happier than it actually does.

ANS: T PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Ethical Traps KEY: Bloom's: Application

8. Generally, ethical managers have happier, more satisfying lives.

ANS: T PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis

TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

9. The behavior of top executives regarding ethical issues has little effect on the behavior of the employees of the organization.

ANS: F PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Chapter Conclusion KEY: Bloom's: Analysis

10. A company that engages in unethical behavior may suffer severe consequences.

ANS: T PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

11. Wever, Inc. is considering relocating a facility to Mexico. The interests of the various stakeholders affected by this decision may conflict.

ANS: T PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Application

12. Utilitarian ethics holds that decisions should be made on the basis of practicality, and whatever action is most convenient should be favored.

ANS: F PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Theories of Ethics KEY: Bloom's: Application

13. Lying is always considered unethical, even if it seems to be justified by the ends.

ANS: F PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: When, If Ever, Is Lying Acceptable? KEY: Bloom's: Evaluation

14. Deontologists would agree that the increasing medical concern over obesity in the United States justifies federal regulation of high fat, high sugar, low nutrition food advertising during children's television programs.

ANS: T PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Theories of Ethics KEY: Bloom's: Evaluation

15. Immanuel Kant was a German philosopher who was a proponent of utilitarian ethics.

ANS: F PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Analytic STA: AICPA: BB-Critical Thinking
TOP: A-Head: Theories of Ethics KEY: Bloom's: Knowledge

MULTIPLE CHOICE

1. In analyzing a situation to determine how to act ethically, a business manager should:
- gather background information by either talking firsthand with the people involved or by

- talking to those who gained information informally through the company “grapevine.”
- b. narrowly focus on a single issue.
 - c. determine whether an alternative violates important values.
 - d. All of the answers are correct.

ANS: C PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Decision Making
TOP: A-Head: Introduction | A-Head: Applying Personal Ethics in the Workplace
KEY: Bloom’s: Application

2. 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 DIF: Difficulty: Easy
NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Critical Thinking
TOP: A-Head: Stakeholder Ethics KEY: Bloom’s: Application

3. Ethics is the study of:
- a. sovereign immunity.
 - b. how people should act.
 - c. *respondeat superior*.
 - d. victimization.

ANS: B PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Introduction KEY: Bloom’s: Comprehension

4. 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. Although there is no guarantee that ethical behavior pays in the short or long run, there is evidence that the ethical company is more likely to win financially.
 - d. There is strong evidence that ethical behavior pays financially in the long run, but not in the short run.

ANS: C PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom’s: Analysis

5. 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 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Decision Making
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom’s: Evaluation

6. Warren Buffet is quoted as saying, “The five most dangerous words in business may be:
- a. ‘Everyone else is doing it.’”

- b. 'It's none of your business.'
- c. 'We have always done this.'
- d. 'Nobody will ever find out.'

ANS: A PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Ethical Traps KEY: Bloom's: Knowledge

7. In 1919, Henry Ford was sued by the Dodge brothers for:
- a. supporting humanitarian projects instead of paying dividends with profits.
 - b. theft of a design of a new automobile.
 - c. luring a valuable employee away from Dodge to work for Ford.
 - d. embezzlement of union dues.

ANS: A PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Comprehension

8. A manager making a decision based on an idea such as, "I'm not really hurting anyone by this action..." is engaging in:
- a. euphemisms.
 - b. conformity.
 - c. rationalization.
 - d. embezzlement.

ANS: C PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: FN-Decision Making
TOP: A-Head: Ethical Traps KEY: Bloom's: Comprehension

9. 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 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Comprehension

10. Why do many major corporations actively encourage ethical behavior?
- a. Unethical behavior always damages a business.
 - b. Unethical behavior can quickly destroy a business.
 - c. Unethical acts are always illegal.
 - d. All of the above are reasons that corporations actively encourage ethical behavior.

ANS: B PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Comprehension

11. Unethical behavior in an organization can create:
- a. a cynical workforce.
 - b. a resentful workforce.
 - c. an unproductive workforce.
 - d. All of the above.

ANS: D PTS: 1 DIF: Difficulty: Moderate

- d. All of the above.
- e. Both (a) and (b).

ANS: E PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Comprehension

17. Chelvam is the director of quality control. Chelvam rejected some parts as non-conforming to the specifications. Chelvam's supervisor directs him to accept the parts. Which value might give Chelvam the strength to oppose his supervisor?
- a. Consideration.
 - b. Courage.
 - c. Fairness.
 - d. Ambition.

ANS: B PTS: 1 DIF: Difficulty: Easy
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Applying Personal Ethics in the Workplace KEY: Bloom's: Application

18. Paul decided he did not want the new jeans he had purchased from a large discount department store. He had worn them three times and decided he just did not want them because his friends said they weren't "cool." The jeans fit him fine and there is nothing wrong with them. He took the jeans back to the store and requested a full refund of his money. Which statement is correct?
- a. Paul's conduct was ethical as long as he was within the time frame for returns.
 - b. Paul's conduct was unethical unless the store's policy included "satisfaction guaranteed" and allowed returns for any reason.
 - c. This is not an issue of ethics since people do this all the time.
 - d. Paul's conduct was ethical since the store has a legal duty to return his money when he returned the jeans.

ANS: B PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Ethical Traps KEY: Bloom's: Analysis

19. The Chief Executive Officer of Ticor, 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 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Risk Analysis
TOP: A-Head: Why Bother to Act Ethically at All? KEY: Bloom's: Analysis

20. Don runs a construction company. He hires people to work on his projects and tells them they are all "independent contractors." Legally, they are not 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 rather than with a check. Also, 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 DIF: Difficulty: Challenging
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Analysis

21. Which of the following is NOT a stakeholder?
- a business competitor.
 - shareholders.
 - employees.
 - the environment.

ANS: A PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Comprehension

22. Nortron Corporation wants to be ethical and profitable. What arguments might it use to justify using sweatshop factories in China?
- Sweatshops provide products at a very low cost to consumers.
 - Sweatshop employees often ask for more hours, even though the work is hard.
 - Countries that allow sweatshops have found that the increased output is the stepping stone out of poverty.
 - All of the above arguments are valid arguments in favor of sweatshops.

ANS: D PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: FN-Decision Making
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Analysis

23. Lois is running for political office. She trails the incumbent and decides to start running a series of "attack ads." The attack ads are very effective and one week before the election it appears that she has drawn even with her opponent. Lois admits that the attack ads were exaggerations and contained some distortions. Which statement is correct?
- Lois has engaged in unethical behavior.
 - Lois has engaged in ethical behavior since she has an obligation to her supporters to run a campaign that will help her get elected.
 - It is not possible to determine whether Lois's attack ads were ethical or unethical.
 - Assuming Lois's attack ads were unethical, her conduct is justified and proper if she gets elected.

ANS: A PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: When, If Ever, Is Lying Acceptable? KEY: Bloom's: Analysis

24. Which of the following was true of public policy after the Dodge Brothers' 1919 suit against Henry Ford and up to World War II?
- Companies were legally required to follow the "shareholder model."
 - Companies were legally required to follow the "stakeholder model."
 - Companies were allowed to choose to follow either the "shareholder model" or the "stakeholder model."
 - Companies were allowed to make charitable contributions only after paying at least a 10% dividend to shareholders.

ANS: A PTS: 1 DIF: Difficulty: Moderate
NAT: BUSPROG: Ethics STA: AICPA: BB-Critical Thinking
TOP: A-Head: Stakeholder Ethics KEY: Bloom's: Analysis

25. John discovered his company's accountant was "skimming" money from the business. The accountant agreed to pay John a one-time payment of \$25,000 not to report the skimming to company officials. The accountant promised she would pay the money back when she could. John accepted the money and never reported what he knew. A year later the accountant was fired when the embezzlement was discovered. She was also prosecuted for theft. The payment to John was never discovered. Which statement is correct?
- John's act was unethical and illegal.
 - John's act was unethical but not necessarily illegal.
 - John's act was ethical since he believed the accountant would return the money; however, it was illegal.
 - Based on the facts, John's conduct was both ethical and legal given the special circumstances of this case.

ANS: A PTS: 1
NAT: BUSPROG: Ethics
TOP: A-Head: Ethical Traps

DIF: Difficulty: Moderate
STA: AICPA: BB-Critical Thinking
KEY: Bloom's: Analysis

ESSAY

1. Oxtron, Inc. arranged for two employees, Kaiya and Gary, to attend "The Business Ethics 2008 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. Using ethical standards, describe what Kaiya should do about Gary's failure to participate in the conference.

ANS:

Kaiya has to decide what to do based on her Life Principles. She might ask herself some questions such as the following in order to apply her Life Principles. She must also avoid the ethical traps of rationalization, conformity, and using euphemisms.

- Is there an issue of dishonesty in this case?
- Who, if anyone, is hurt by Gary's action?
- Who, if anyone, would be hurt if I reported Gary's action?
- What are my alternatives?
- What is my responsibility to my company?
- Which action matches my Life Principles?

PTS: 1 DIF: Difficulty: Challenging
NAT: BUSPROG: Ethics | BUSPROG: Communication
STA: AICPA: FN-Decision Making TOP: A-Head: Introduction
KEY: Bloom's: Evaluation

2. Tianhui was recently hired as a sales representative by Oxtron, 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 utilitarian ethics to decide what Tianhui should do about the expense report he submits to Oxtron.

ANS:

Utilitarian ethics focuses on making choices that maximize overall happiness and minimize overall pain. According to utilitarian ethics, Tianhui could use excuses such as the following to justify padding his report:

- It will increase his overall happiness.
- Increase in pay will help him feel better about going on trips, and make him more successful.

- Help him “fit in” with the other sales staff, increasing morale for all.
- The end result will be better because he will more likely stay with this job, decreasing employee turnover costs.

PTS: 1 DIF: Difficulty: Challenging NAT: BUSPROG: Ethics
 STA: AICPA: BB-Critical Thinking TOP: A-Head: Theories of Ethics
 KEY: Bloom’s: Evaluation

3. Many of America’s largest consumer product companies, such as Wal-Mart, Nike, and Land’s End, buy fabric produced in China by Fountain Set Holdings Ltd. Chinese government investigators recently discovered that Fountain Set has contaminated a local river by dumping dye waste into it. What responsibility do U.S. companies have to ensure safe environmental practices by overseas suppliers?

ANS:

The answer to this problem is not a simple as it might seem. Most Americans would support taking measures to force the Chinese company to be more environmentally responsible, but few recognize what the cost for that would be. Americans are too used to having low prices and many choices in consumer goods, and would protest if that were to change. Most Americans also do not realize that modernization and financial wealth for a society often begins with industries that have less than admirable practices, such as sweatshop conditions and environmental disrespect.

PTS: 1 DIF: Difficulty: Challenging NAT: BUSPROG: Ethics
 STA: AICPA: BB-Critical Thinking TOP: A-Head: Stakeholder Ethics
 KEY: Bloom’s: Evaluation

4. Li is the vice president of marketing for Felson, Inc., a manufacturer of children’s clothing Felson is considering building a factory in a developing country, where there are few restrictions on working conditions, wages, or maximum work hours. Which viewpoint: utilitarian or deontological would support this move? Why?

ANS:

A utilitarian viewpoint would support building a factory in a developing country because:

- Felson would save money, enabling them to lower their prices to consumers.
- Workers in developing countries are willing to work, even under harsh conditions, because they need the money.
- Industrialization, even with sweatshops, leads to economic growth for a society.
- Without the factory, the workers in this country may even starve.

PTS: 1 DIF: Difficulty: Challenging NAT: BUSPROG: Ethics
 STA: AICPA: BB-Critical Thinking TOP: A-Head: Theories of Ethics
 KEY: Bloom’s: Evaluation

5. Oxtron, Inc. is considering establishing a program that actively encourages ethical behavior. What reasons would support Oxtron'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 (4) ethical behavior is more likely to pay off with a better reputation, more creative and cooperative employees, and higher returns than companies that engage in wrong-doing.

PTS: 1 DIF: Difficulty: Moderate NAT: BUSPROG: Ethics

STA: AICPA: BB-Critical Thinking
KEY: Bloom's: Analysis

TOP: A-Head: Why Bother to Act Ethically at All?