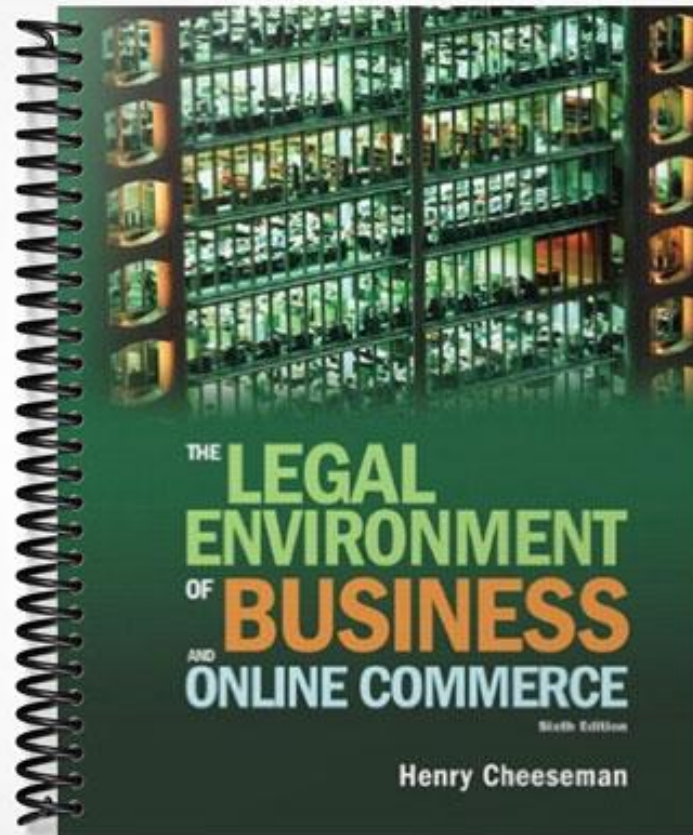


**TEST BANK**



THE **LEGAL ENVIRONMENT**  
OF **BUSINESS**  
AND **ONLINE COMMERCE**

Sixth Edition

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**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 1) Law and ethics are essentially the same thing. 1) \_\_\_\_\_
- 2) Under ethical fundamentalism, a person looks to an inside source for ethical rules or commands. 2) \_\_\_\_\_
- 3) Kantian Ethics focuses on the "greatest good to society." 3) \_\_\_\_\_
- 4) Kant believed that people owe moral duties based upon universal rules. 4) \_\_\_\_\_
- 5) Most philosophers adhere to ethical relativism as the most acceptable moral theory. 5) \_\_\_\_\_
- 6) The traditional view of the social responsibility of business is that a business should not focus on maximizing profits for shareholders. 6) \_\_\_\_\_
- 7) Under the theory of Moral Minimum, as long as business avoids or corrects the social injury it causes, it has met its duty of social responsibility. 7) \_\_\_\_\_
- 8) The legislative and judicial branches of government has established laws that enforce the moral minimum of social responsibility on corporations. 8) \_\_\_\_\_
- 9) Under the stakeholder interest theory, business must consider the effects of its actions on individuals and entities other than stakeholders. 9) \_\_\_\_\_
- 10) Corporate citizenship theory contends that corporations owe a duty to promote the same social goals as individual members of society. 10) \_\_\_\_\_
- 11) The law establishes a minimum degree of conduct expected by persons and businesses in society. 11) \_\_\_\_\_
- 12) Utilitarian ethics can be encompassed in the statement, "Do unto others as you would have them do unto you." 12) \_\_\_\_\_
- 13) A criticism of Kantian ethics is that it is difficult to reach consensus as to what the universal rules should be. 13) \_\_\_\_\_
- 14) The leading proponent of social justice theory was Milton Friedman. 14) \_\_\_\_\_
- 15) Under Rawl's social justice theory, the principle of equal opportunity in employment would be promulgated by people who would not yet know if they were in a favored class. 15) \_\_\_\_\_
- 16) Under Rawls's social justice theory, fairness is considered the essence of justice. 16) \_\_\_\_\_
- 17) Rawls poposed that the most advantaged in society must receive special assistance to ensure that they will realize their potential. 17) \_\_\_\_\_

- 18) Under the theory of ethical relativism, if a person meets his own moral standard of making a decision, no one can criticize him for it. 18) \_\_\_\_\_
- 19) Ethical duties demand more than legal duties. 19) \_\_\_\_\_
- 20) Utilitarian theory means that people must choose actions or follow rules that mean the greatest good for the greatest number of people. 20) \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 21) A theory of ethics which says that a person looks to an outside source for ethical rules is: 21) \_\_\_\_\_  
 A) Ethical relativism B) Utilitarianism  
 C) Kantian ethics D) Ethical fundamentalism
- 22) A moral theory which dictates that people must choose the action of follow the rule that provides the greatest good to society is: 22) \_\_\_\_\_  
 A) Ethical relativism. B) Kantian ethics.  
 C) Rawls's social justice theory. D) Utilitariansim.
- 23) \_\_\_\_\_ is a moral theory which says that people owe moral duties that are based on universal rules, such as the categorical imperative "do unto others as you would have them do unto you." 23) \_\_\_\_\_  
 A) Ethical relativism B) Kantian ethics  
 C) Ethical fundamentalism D) Utilitarianism
- 24) John Locke and Jean-Jacques Rousseau are associated with: 24) \_\_\_\_\_  
 A) Ethical relativism. B) Social contract theory.  
 C) Ethical fundamentalism. D) Utilitarianism.
- 25) Under \_\_\_\_\_, fairness is considered the essence of justice. 25) \_\_\_\_\_  
 A) utilitarianism B) Kantian ethics  
 C) Rawls's social justice theory D) ethical fundamentalism
- 26) \_\_\_\_\_ is a moral theory which holds that individuals must decide what is ethical based on their own feelings about what is right and wrong. 26) \_\_\_\_\_  
 A) Ethical fundamentalism B) Ethical relativism  
 C) Utilitarianism D) Social justice theory
- 27) \_\_\_\_\_ advocated the theory of maximizing profits for shareholders. 27) \_\_\_\_\_  
 A) John Locke B) Milton Friedman  
 C) John Rawls D) Immanuel Kant
- 28) \_\_\_\_\_ is a theory of social responsibility which says that a corporation's duty is to make profit while avoiding causing harm to others. 28) \_\_\_\_\_  
 A) Ethical relativism B) Maximizing profits  
 C) Moral minimum D) Stakeholder interest theory
- 29) \_\_\_\_\_ is a theory of social responsibility which says that a corporation must consider the effects its actions have on persons other than its stockholders. 29) \_\_\_\_\_

29)

- \_\_\_\_\_
- A) Utilitarianism
  - B) Stakeholder interest theory
  - C) Maximizing profits
  - D) Moral minimum

30) Which of the following is an important principle of Kantian ethics? 30) \_\_\_\_\_

- A) Consistency
- B) Reversibility
- C) Fairness
- D) Both A and B

31) \_\_\_\_\_ is a theory of responsibility which says that a business has a responsibility to do good. 31) \_\_\_\_\_

- A) Corporate citizenship theory
- B) Moral minimum
- C) Stakeholder interest theory
- D) Maximizing profits

32) Which of the following is NOT a proper procedure when conducting a social audit? 32) \_\_\_\_\_

- A) Personnel should cooperate fully during the auditing process
- B) Findings should be reported directly to the company's board of directors
- C) The audit should be conducted by in-house personnel
- D) The board of directors should review the results of the audit

33) \_\_\_\_\_ are a set of moral principles or values that governs the conduct of an individual or a group. 33) \_\_\_\_\_

- A) Contracts
- B) Laws
- C) Ethics
- D) Statutes

34) A company that has paid multiple large judgments for violations of wage and hour laws based upon meal break violations is: 34) \_\_\_\_\_

- A) Pizza Hut.
- B) Papa John's.
- C) Wal-Mart.
- D) The Bayer Corporation.

35) The False Claims Act is also known as: 35) \_\_\_\_\_

- A) Sarbanes-Oxley Act.
- B) The Whistleblower Statute.
- C) The Liar's Safe Harbor.
- D) The Best Price Rule.

36) \_\_\_\_\_ is a moral theory with origins in the works of Jeremy Bentham and John Stuart. 36) \_\_\_\_\_

- A) Social justice theory
- B) Ethical relativism
- C) Utilitarianism
- D) Ethical fundamentalism

37) Under \_\_\_\_\_, there are no universal rules to guide a person's conduct. 37) \_\_\_\_\_

- A) Ethical relativism
- B) Ethical fundamentalism
- C) Social justice theory
- D) Utilitarianism

38) The case in which the company founder was sued by shareholders for introducing a plan to reduce prices of product to increase employment and affordability, was the case of: 38) \_\_\_\_\_

- A) *Pizza Hut, Inc. v. Papa John's International, Inc.*
- B) *Wal-Mart Stores, Inc. v. S.C. (Savaglio).*

- C) *Dodge v. Ford Motor Company.*
- D) *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*

- 39) In which case was the company accused of unlawfully knocking off another company's product design? 39) \_\_\_\_\_
- A) *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*
  - B) *Dodge v. Ford Motor Company*
  - C) *Wal-Mart Stores, Inc. v. S.C. (Savaglio)*
  - D) *Pizza Hut, Inc. v. Papa John's International, Inc.*
- 40) Section \_\_\_\_\_ of the Sarbanes-Oxley Act requires a public company to disclose whether it has adopted a code of ethics for senior financial officers. 40) \_\_\_\_\_
- A) 64                      B) 604                      C) 406                      D) 46
- 41) Corporation Z has determined that it owes a duty to subsidize schools and assist in educating children. The company subscribes to which theory of social responsibility? 41) \_\_\_\_\_
- A) Moral minimum                      B) Stakeholder interest theory
  - C) Maximizing profits                      D) Corporate citizenship

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 42) What are the key procedures that a company should institute when conducting a social audit?
- 43) What are the four main theories of social responsibility?

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

- 44) \_\_\_\_\_ is a theory of ethics in which a person looks to an outside source or a central figure for ethical guidelines. 44) \_\_\_\_\_
- 45) \_\_\_\_\_ is a theory of ethics in which a person chooses the alternative that would provide the greatest good to society. 45) \_\_\_\_\_
- 46) \_\_\_\_\_ is a theory of ethics in which individuals decide what is ethical based upon their own feelings as to what is right or wrong. 46) \_\_\_\_\_
- 47) \_\_\_\_\_ is a set of moral principles or values that governs the conduct of an individual or a group. 47) \_\_\_\_\_
- 48) \_\_\_\_\_ is a theory of responsibility which says that a business has responsibility to do good. 48) \_\_\_\_\_

- 1) FALSE
- 2) FALSE
- 3) FALSE
- 4) TRUE
- 5) FALSE
- 6) FALSE
- 7) TRUE
- 8) TRUE
- 9) TRUE
- 10) TRUE
- 11) TRUE
- 12) FALSE
- 13) TRUE
- 14) FALSE
- 15) TRUE
- 16) TRUE
- 17) FALSE
- 18) TRUE
- 19) TRUE
- 20) FALSE
- 21) D
- 22) D
- 23) B
- 24) B
- 25) C
- 26) B
- 27) B
- 28) C
- 29) B
- 30) D
- 31) A
- 32) C
- 33) C
- 34) C
- 35) B
- 36) C
- 37) A
- 38) C
- 39) A
- 40) C
- 41) D
- 42) 1. An independent outside firm should be hired to conduct the audit; 2. the company's personnel should cooperate fully with the auditing firm while the audit is being conducted; 3. the auditing firm should report its findings directly to the company's board of directors; 4. the board of directors should review the results of the audit.
- 43) Maximizing profits (to maximize profits for shareholders); Moral minimum (to avoid causing harm and to compensate for harm caused); Stakeholder interest (To consider the interest of all stakeholders, including stockholders, employees, customers, suppliers, creditors, and the local community); Corporate citizenship (To do well and solve social problems).
- 44) Ethical fundamentalism

- 45) Utilitarianism
- 46) Ethical relativism
- 47) Ethics
- 48) Corporate citizenship theory