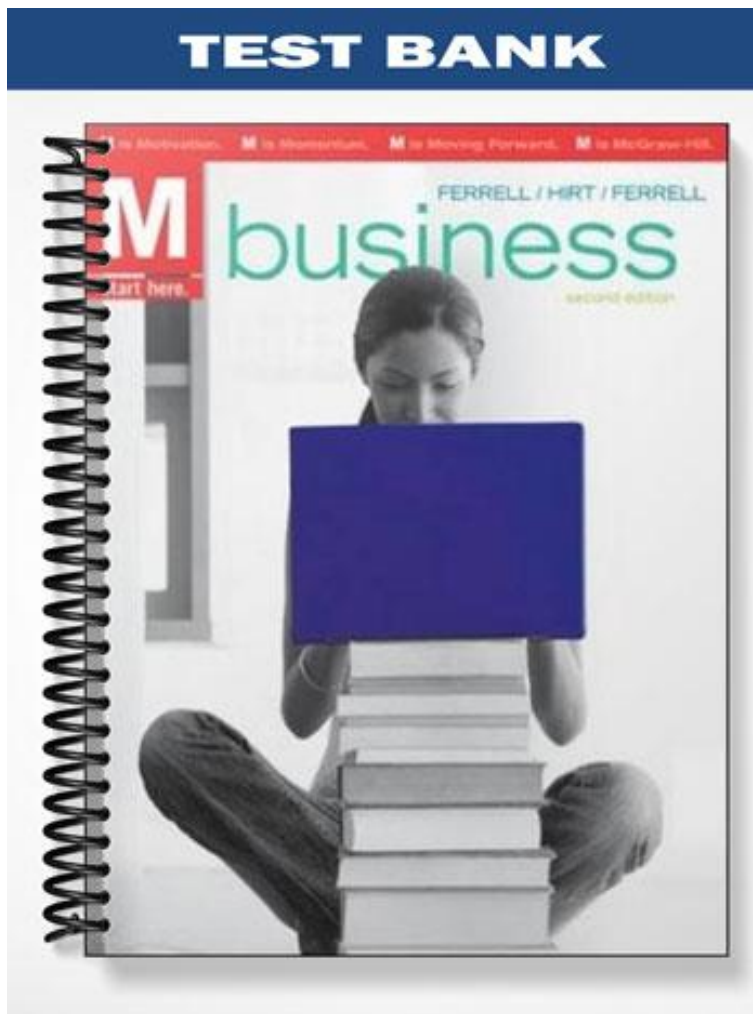


TEST BANK



Chapter 02 **Business Ethics and Social Responsibility**

True / False Questions

1. Business ethics refers to principles and standards that define acceptable conduct in business organizations.

True False

2. Ethics and social responsibility mean the same thing.

True False

3. Nearly all business decisions may be judged as right or wrong, ethical or unethical.

True False

4. The most basic ethical concerns have been formalized through laws and regulations that encourage conformity to society's values and norms.

True False

5. Business ethics are the same as legal issues.

True False

6. Only corporations have to worry about ethics scandals and social responsibility issues

True False

Multiple Choice Questions

7. Which of the following statements about business ethics is *false*?

- A. It concerns the impact of a business's activities on society.
- B. It refers to principles and standards that define acceptable behavior in business organizations.
- C. It relates to an individual's values and moral standards and the resulting business decisions he or she makes.
- D. What is ethical is determined by the public, government regulators, interest groups, competitors, and each individual's personal moral values.
- E. Studying it can help you recognize ethical issues and understand how others make unethical decisions.

8. Studying business ethics will not necessarily

- A. help you recognize ethical issues.
- B. help you understand the importance of ethical decisions.
- C. inform you concerning the impact of the work group on ethical decisions.
- D. describe the ethical decision-making process.
- E. tell you what you ought to do.

9. Ethical violations destroy

- A. nothing.
- B. jobs.
- C. trust.
- D. profits.
- E. morale.

10. The Sarbanes-Oxley Act was passed to

- A. punish those who committed accounting fraud in the late 1990s.
- B. improve corporate profits.
- C. help laid-off employees get their jobs back.
- D. help investors recoup their losses.
- E. help restore confidence in Corporate America.

11. Which of the following have been cited as incidents of unethical business activity recently?

- A. Unfair competitive practices in the computer industry
- B. Deceptive advertising of medicines and toys
- C. Accounting fraud
- D. Deceptive advertising of food products
- E. All of the above

12. Which of the following statements is *false*?

- A. Ethical issues are limited to for-profit organizations.
- B. Business ethics goes beyond legal issues.
- C. Ethical conduct builds trust among individuals and in business relationships.
- D. Ethical conflicts may evolve into legal disputes.
- E. Regardless of what an individual feels about a particular action, if society judges it to be unethical, that judgment affects the organization's ability to achieve its objectives.

Essay Questions

13. What is business ethics?

True / False Questions

14. An ethical issue is an identifiable problem, situation, or opportunity that requires a person or organization to choose from among several actions that may be evaluated as ethical or unethical.

True False

15. The best way to judge the ethics of a decision is to look at it from a manager's or employee's point of view.

True False

16. The size of the transaction, the history of personal relationships within the particular company, and many other factors may determine whether a customer gift will be judged as ethical.

True False

17. Conflicts of interest are payments, gifts, or special favors intended to influence the outcome of a decision.

True False

18. Ethics is related to the culture in which a business operates.

True False

19. Workplace bullying is an increasing problem.

True False

Multiple Choice Questions

20. Which of the following is *not* considered unethical behavior in the workplace?

A. Taking notebooks and pens home for personal use

B. Using on the job time to write emails to your friends and family

C. Using your cell phone to make a doctor's appointment during your lunch break

D. Looking the other way when you notice a superior doing something that is against company policy

E. Shopping for clothes online while at work

21. In the United States, if a businessperson brought an elaborately wrapped gift to a prospective client on their first meeting, it might be viewed as
- A. appropriate.
 - B. expected.
 - C. a bribe.
 - D. a gift.
 - E. normal.
22. If a corporate manager makes a decision that results in personal financial benefit while the company's owners lose financially, this is an ethical issue related to
- A. conflicts of interest.
 - B. communication problems.
 - C. illegal actions.
 - D. dishonesty.
 - E. inequality.
23. If the owner of a toy store seeking a price reduction gives the manager of a toy manufacturing company a new personal computer, the toy-store owner is using which approach to influence the manufacturer's decision making?
- A. High technology
 - B. Computer impacting
 - C. Discounting
 - D. Bribery
 - E. Tipping
24. A supplier of a component part has offered Karen's family a free two-week cruise if his firm gets a very large order from Karen's company. The most ethical course of action for Karen to take would be to
- A. politely turn it down and discuss the offer with her boss.
 - B. accept it if the part in question meets quality standards.
 - C. ask around and see how her boss handled such offers previously.
 - D. accept the offer.
 - E. call the police.

25. That businesspeople are expected not to harm customers, clients, and competitors knowingly through deception, misrepresentation, coercion, or discrimination is part of

- A. fairness and honesty.
- B. communications.
- C. conflict of interest.
- D. business relationships.
- E. consumerism.

26. When the video game marketer Nintendo was investigated for allegedly raising prices excessively during the Christmas buying season and thereby manipulating the supply of games available at that time, this was an ethical issue concerned primarily with

- A. conflict of interest.
- B. communications.
- C. fairness and honesty.
- D. cost control.
- E. game rules.

27. When Kellogg changed the name of its Heartwise cereal to Fiberwise, it was in response to growing concern from the public and the government about unsubstantiated health claims. The primary area of ethical concern in this case was questionable

- A. conflict of interest.
- B. communications.
- C. product design.
- D. business relationships.
- E. financing.

28. The Surgeon General's warning on cigarette packages about the health implications of smoking is an example of which of the following ethical issues?

- A. Conflict of interest
- B. Fairness and honesty
- C. Communications
- D. Relationships within a business
- E. Environmental issues

29. The following behavior is an example of ethical consideration within business relationships:

- A. keeping company secrets.
- B. avoiding obligations.
- C. shirking responsibilities.
- D. setting a poor example for others.
- E. offering a bribe.

30. If a manager pressures a subordinate to engage in activities that he or she may otherwise view as unethical, such as accounting fraud or stealing a competitor's secrets, there exists an ethical issue related to

- A. plagiarism.
- B. business relationships.
- C. communications.
- D. fairness and honesty.
- E. conflicts of interest.

31. If an employee learned of a significant cost-saving idea from a coworker and then informed management of the idea without revealing its true source, then the employee would be involved in

- A. keeping a secret.
- B. career advancement.
- C. plagiarism.
- D. socialism.
- E. egalitarianism.

Essay Questions

32. What are some of the general ethical issues in business?

True / False Questions

33. Establishing and enforcing ethical standards and policies within business can help reduce unethical behavior by prescribing which activities are acceptable and which are not and by removing the opportunity to act unethically.

True False

34. Without a code of ethics or formal policy on ethics, employees are likely to base their decisions on how their peers and superiors behave.

True False

35. Codes of ethics foster ethical behavior because they expand the opportunity to behave unethically.

True False

36. Ethical decisions in an organization are influenced by three key factors.

True False

37. Codes of ethics are formalized rules and standards that describe what the company expects of its employees.

True False

Multiple Choice Questions

38. A set of formalized rules and standards that describe what a company expects of its employees is called a(n)

- A. code of ethics.
- B. opportunity.
- C. moral philosophy.
- D. guideline.
- E. law.

39. What occurs when an employee exposes an employer's wrongdoing to outsiders?

- A. Fraud
- B. Whistleblowing
- C. Plagiarism
- D. Mayhem
- E. A criminal lawsuit

40. Codes of ethics foster ethical behavior by

- A. expanding the opportunity to behave ethically by providing rewards for following the rules.
- B. limiting the opportunity to behave unethically by providing punishments for violations of the rules and standards.
- C. limiting the opportunity to behave unethically by providing rewards for violations of the rules and standards.
- D. expanding the opportunity to behave ethically by providing punishments for following the rules.
- E. all of the above.

41. Unethical behavior in business can be reduced if management does all of the following *except*

- A. establish clear policies on unethical behavior.
- B. limit opportunities for unethical behavior.
- C. establish formal rules and procedures.
- D. punish unethical behavior firmly.
- E. depend totally on employees' personal ethics.

42. According to the text, ethical decisions in an organization are influenced by (1) individual moral standards, (2) the influence of managers and co-workers, and (3)

- A. religious values.
- B. informal ethical policies or rules.
- C. opportunity codes and compliance requirements.
- D. family influence.
- E. the founder's values.

43. Which of the following should help reduce the incidence of unethical behavior in an organization?

- A. Understanding that individual moral standards, the influence of managers and coworkers, and opportunity influence ethical behavior
- B. Maximizing ethical conflict in work groups
- C. Expanding opportunity by providing punishments for violations of the rules
- D. Overlooking violations of codes of ethics
- E. All of the above

Essay Questions

44. How can an organization improve ethical behavior?

True / False Questions

45. The concept of social responsibility is universally accepted.

True False

46. The dimensions of social responsibility include economic, legal, ethical, and voluntary responsibilities.

True False

47. Increasingly, consumers are choosing not to patronize businesses that receive negative publicity concerning misconduct.

True False

48. Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their owners.

True False

49. Voluntary responsibilities are optional activities that promote human welfare or goodwill.

True False

Multiple Choice Questions

50. Being profitable relates to which social responsibility dimension?

- A. Economic
- B. Voluntary
- C. Ethical
- D. Legal
- E. Corporate citizenship

51. Which of the following is *not* one of the dimensions of social responsibility?

- A. Voluntary
- B. Economic
- C. Legal
- D. Ethical
- E. Altruistic

52. Philanthropic contributions made by a business to a charitable organization represent which dimension of social responsibility?

- A. Corporate citizenship
- B. Economic
- C. Legal
- D. Ethical
- E. Voluntary

53. Consumers vote against firms they view as socially irresponsible by not
- A. boycotting the company's products.
 - B. expressing dissatisfaction by protesting.
 - C. writing their representatives in Congress.
 - D. buying the company's products.
 - E. filing complaints with the company.
54. Studies have found a direct link between social responsibility and _____ in business.
- A. Profitability
 - B. Ethics
 - C. Declining stock prices
 - D. Happiness of stakeholders
 - E. Global Warming

Essay Questions

55. What are the four dimensions of social responsibility?

True / False Questions

56. Managers consider social responsibility on an annual basis.
True False
57. Recycling is a business response to employee issues.
True False

58. The right to safety requires that businesses provide a safe place for consumers to shop.
True False

59. A major social responsibility for business is providing equal opportunities for all employees.
True False

60. One way companies are helping consumers contribute to social causes is through offering some products at higher prices, the extra money going to global charities.
True False

Multiple Choice Questions

61. In addressing social responsibility, managers must consider their firms' relations with
A. employees.
B. owners.
C. customers.
D. the community.
E. all of the above.

62. Managers consider social responsibility
A. on a weekly basis.
B. on a daily basis.
C. at annual planning meetings.
D. during budget planning sessions.
E. infrequently.

63. All of the following are arguments against social responsibility *except*

- A. it sidetracks managers from their primary objective.
- B. it gives businesses more power.
- C. businesses may not have the necessary expertise.
- D. the government should bear the responsibility.
- E. businesses have the financial resources to help society.

64. All of the following are arguments in favor of social responsibility *except*

- A. businesses created many of the problems, so they should participate in finding solutions.
- B. businesses may lose their focus on profit-making.
- C. businesses that are socially responsible prevent more government regulation.
- D. the survival of a healthy economy depends on businesses being socially responsible.
- E. as members of society, businesses should do their fair share.

65. Businesses must first be responsible to

- A. employees.
- B. customers.
- C. owners.
- D. bankers.
- E. managers.

66. A business's responsibilities to its owners and investors include

- A. protecting the owners' rights and investments.
- B. maintaining proper accounting procedures.
- C. providing all relevant information about current and projected performance of the firm.
- D. maximizing their investment in the firm.
- E. all of the above.

67. Many of the laws regulating safety in the workplace are enforced by

- A. the FTC.
- B. the Department of Commerce.
- C. NAFTA.
- D. OSHA.
- E. the ADA.

68. The activities that independent individuals, groups, and organizations undertake to protect their rights as consumers are known as

- A. social responsibility.
- B. consumerism.
- C. ethics.
- D. welfare.
- E. morals.

69. Writing letters to companies, making public service announcements, lobbying government agencies, and boycotting irresponsible companies are activities involved with which social responsibility issue?

- A. Employee relations
- B. Environmental issues
- C. Community relations
- D. Consumer relations
- E. Relations with owners

70. Which right assures the fair treatment of consumers who voice complaints about a purchased product?

- A. The right to choose
- B. The right to safety
- C. The right to be heard
- D. The right to be informed
- E. The right to complain

71. The assurance of satisfactory quality and service at a fair price is part of a consumer's right to

- A. choose.
- B. be heard.
- C. be informed.
- D. safety.
- E. freedom of speech.

72. Which of the following is *not* highlighted in John F. Kennedy's 1962 consumer bill of rights?

- A. The right to be heard
- B. The right to choose
- C. The right to minimum prices
- D. The right to safety
- E. The right to be informed

73. One of the most important things companies can do to curb global warming is reduce greenhouse gas emissions. Of the options below, which is NOT a good way to reduce daily carbon and greenhouse gas output?

- A. Riding a bike to work
- B. Recycling bottles, cans, and paper products
- C. Taking measures to streamline operations and reduce waste
- D. Keeping the air conditioner running all summer long
- E. Buying a more fuel-efficient car

74. Cosmetic and drug testing on animals is a primary concern under which social responsibility issue?

- A. Consumer relations
- B. Environmental issues
- C. Community relations
- D. Employee relations
- E. Relations with stockholders

75. Which of the following is *not* an area of environmental concern in society today?

- A. Animal rights
- B. Land pollution
- C. Waste disposal
- D. The hard-core unemployed
- E. Business practices that harm endangered wildlife

Essay Questions

76. Discuss the environmental issues managers must confront in dealing with social responsibility issues.

Chapter 02 Business Ethics and Social Responsibility **Answer Key**

True / False Questions

1. (p. 24) Business ethics refers to principles and standards that define acceptable conduct in business organizations.

TRUE

Business ethics are principles and standards that define acceptable behavior for individuals within an organization as well as the organization at large.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 1

Topic: Business Ethics and Social Responsibility

2. (p. 24) Ethics and social responsibility mean the same thing.

FALSE

Social responsibility is a broad concept that considers the impact of an entire business's activities on society and ethics refers to an individual's or work group's decisions that society evaluates as right or wrong.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 1

Topic: Business Ethics and Social Responsibility

3. (p. 26) Nearly all business decisions may be judged as right or wrong, ethical or unethical.

TRUE

Business decisions, either by law or by society, will be deemed an acceptable practice or not.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 1

Topic: The Role of Ethics in Business

4. (p. 24) The most basic ethical concerns have been formalized through laws and regulations that encourage conformity to society's values and norms.

TRUE

The Sarbanes-Oxley Act was passed in 2002 by Congress to criminalize securities fraud as well as stiffen corporate fraud. This was a response to public outcry regarding accounting scandals in the early 2000s and to restore confidence in Corporate America.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 1

Topic: Business Ethics and Social Responsibility

5. (p. 25) Business ethics are the same as legal issues.

FALSE

Business ethics goes beyond legal issues by building trust among individuals and in business relationships which validates and promotes confidence among those relationships.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 1

Topic: The Role of Ethics in Business

6. (p. 25-26) Only corporations have to worry about ethics scandals and social responsibility issues

FALSE

Ethical issues are not limited to for-profit corporations but include government, non-profits such as universities, sports and individuals.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 2

Topic: The Role of Ethics in Business

Multiple Choice Questions

7. (p. 24) Which of the following statements about business ethics is *false*?

- A.** It concerns the impact of a business's activities on society.
- B. It refers to principles and standards that define acceptable behavior in business organizations.
- C. It relates to an individual's values and moral standards and the resulting business decisions he or she makes.
- D. What is ethical is determined by the public, government regulators, interest groups, competitors, and each individual's personal moral values.
- E. Studying it can help you recognize ethical issues and understand how others make unethical decisions.

Social responsibility concerns the impact of a business's activities on society.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 1
Topic: Business Ethics and Social Responsibility

8. (p. 26) Studying business ethics will not necessarily

- A. help you recognize ethical issues.
- B. help you understand the importance of ethical decisions.
- C. inform you concerning the impact of the work group on ethical decisions.
- D. describe the ethical decision-making process.
- E.** tell you what you ought to do.

Others such as your peers, family, and co-workers will judge your actions and decisions to be ethical or unethical.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 1
Topic: The Role of Ethics in Business

9. (p. 25) Ethical violations destroy

- A. nothing.
- B. jobs.
- C. trust.**
- D. profits.
- E. morale.

Ethical conduct builds trust and credibility therefore when ethical violations are committed. It is very difficult to restore trust and confidence.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 1
Topic: The Role of Ethics in Business

10. (p. 24) The Sarbanes-Oxley Act was passed to

- A. punish those who committed accounting fraud in the late 1990s.
- B. improve corporate profits.
- C. help laid-off employees get their jobs back.
- D. help investors recoup their losses.
- E. help restore confidence in Corporate America.**

The Sarbanes-Oxley Act was passed in 2002 by Congress to criminalize securities fraud as well as stiffen corporate fraud. This was a response to public outcry regarding accounting scandals in the early 2000s and to restore confidence in Corporate America.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1
Topic: Business Ethics and Social Responsibility

11. (p. 25) Which of the following have been cited as incidents of unethical business activity recently?

- A. Unfair competitive practices in the computer industry
- B. Deceptive advertising of medicines and toys
- C. Accounting fraud
- D. Deceptive advertising of food products
- E.** All of the above

In the Wall Street Journal or USA Today, there are regular examples of ethical issues across industries.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1
Topic: The Role of Ethics in Business

12. (p. 25-26) Which of the following statements is *false*?

- A.** Ethical issues are limited to for-profit organizations.
- B. Business ethics goes beyond legal issues.
- C. Ethical conduct builds trust among individuals and in business relationships.
- D. Ethical conflicts may evolve into legal disputes.
- E. Regardless of what an individual feels about a particular action, if society judges it to be unethical, that judgment affects the organization's ability to achieve its objectives.

Ethical issues are not limited to for-profit corporations but include government, non-profits such as universities, sports and individuals.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 1
Topic: The Role of Ethics in Business

Essay Questions

13. (p. 24) What is business ethics?

Business ethics refers to principles and standards that define acceptable behavior in business organizations. Within the context of an organization, ethics relates to an individual's or work group's decisions that society evaluates as right or wrong.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 1
Topic: Business Ethics and Social Responsibility

True / False Questions

14. (p. 26) An ethical issue is an identifiable problem, situation, or opportunity that requires a person or organization to choose from among several actions that may be evaluated as ethical or unethical.

TRUE

In business, this choice usually involves weighing monetary gain against what a person considers appropriate conduct.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

15. (p. 26) The best way to judge the ethics of a decision is to look at it from a manager's or employee's point of view.

FALSE

The best way to judge the ethics of a decision is to look at it from a customer's or competitor's point of view.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

16. (p. 26) The size of the transaction, the history of personal relationships within the particular company, and many other factors may determine whether a customer gift will be judged as ethical.

TRUE

This explains why a person needs several years experience in identifying what constitutes an ethical and unethical decision due to its complex nature.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2
Topic: The Role of Ethics in Business

17. (p. 28) Conflicts of interest are payments, gifts, or special favors intended to influence the outcome of a decision.

FALSE

Conflicts of interest exist when a person must choose between advancing his or her own personal interests or those of others. Bribes are payments, gifts, or special favors intended to influence the outcome of a decision.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

18. (p. 26) Ethics is related to the culture in which a business operates.

TRUE

Different cultures adhere to different ethical standards such as in the U.S. it could be viewed as a bribe to bring a gift to a business meeting but in Japan it is considered impolite to not bring a gift to a business meeting.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

19. (p. 27) Workplace bullying is an increasing problem.

TRUE

The Workplace Bullying Institute's latest survey found that "37% of U.S. workers have been bullied, that is 54 million Americans." Another 12% of employees have witnessed bullying.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 2

Topic: The Role of Ethics in Business

Multiple Choice Questions

20. (p. 26-7) Which of the following is *not* considered unethical behavior in the workplace?

A. Taking notebooks and pens home for personal use

B. Using on the job time to write emails to your friends and family

C. Using your cell phone to make a doctor's appointment during your lunch break

D. Looking the other way when you notice a superior doing something that is against company policy

E. Shopping for clothes online while at work

An employee's lunch break is his or her personal time to take care of personal needs whether it is eating lunch, running errands or using a personal phone to make calls.

AACSB: Ethics

Bloom's Taxonomy: Comprehension

Difficulty: Easy

Learning Objective: 2

Topic: The Role of Ethics in Business

21. (p. 26) In the United States, if a businessperson brought an elaborately wrapped gift to a prospective client on their first meeting, it might be viewed as

- A. appropriate.
- B. expected.
- C. a bribe.**
- D. a gift.
- E. normal.

Different cultures adhere to different ethical standards such as in the U.S. it could be viewed as a bribe to bring a gift to a business meeting but in Japan it is considered impolite to not bring a gift to a business meeting.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2
Topic: The Role of Ethics in Business

22. (p. 28) If a corporate manager makes a decision that results in personal financial benefit while the company's owners lose financially, this is an ethical issue related to

- A. conflicts of interest.**
- B. communication problems.
- C. illegal actions.
- D. dishonesty.
- E. inequality.

The manager is acting to benefit him or herself at the expense of the company and he or she is not fulfilling his or her responsibilities to ensure that the company stays profitable which is a conflict of interest.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2
Topic: The Role of Ethics in Business

23. (p. 28) If the owner of a toy store seeking a price reduction gives the manager of a toy manufacturing company a new personal computer, the toy-store owner is using which approach to influence the manufacturer's decision making?

- A. High technology
- B. Computer impacting
- C. Discounting
- D. Bribery**
- E. Tipping

Bribery uses payments, gifts or special favors to influence the outcome of a decision.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

24. (p. 28) A supplier of a component part has offered Karen's family a free two-week cruise if his firm gets a very large order from Karen's company. The most ethical course of action for Karen to take would be to

- A. politely turn it down and discuss the offer with her boss.**
- B. accept it if the part in question meets quality standards.
- C. ask around and see how her boss handled such offers previously.
- D. accept the offer.
- E. call the police.

This is an example of bribery that would inhibit competition if Karen opted to accept the offer.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Hard
Learning Objective: 2
Topic: The Role of Ethics in Business

25. (p. 28) That businesspeople are expected not to harm customers, clients, and competitors knowingly through deception, misrepresentation, coercion, or discrimination is part of A. fairness and honesty.
- B. communications.
 - C. conflict of interest.
 - D. business relationships.
 - E. consumerism.

Fairness and honesty are at the heart of ethics and relate to values of decision makers such as not pilfering office supplies or engaging in collusive behavior.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2
Topic: The Role of Ethics in Business

26. (p. 28) When the video game marketer Nintendo was investigated for allegedly raising prices excessively during the Christmas buying season and thereby manipulating the supply of games available at that time, this was an ethical issue concerned primarily with C. fairness and honesty.
- A. conflict of interest.
 - B. communications.
 - D. cost control.
 - E. game rules.

One aspect of fairness related to competition and sometimes a company can gain control over markets, such as manipulating the supply of products, by using questionable practices that harm competition.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Hard
Learning Objective: 2
Topic: The Role of Ethics in Business

27. (p. 30) When Kellogg changed the name of its Heartwise cereal to Fiberwise, it was in response to growing concern from the public and the government about unsubstantiated health claims. The primary area of ethical concern in this case was questionable

- A. conflict of interest.
- B. communications.**
- C. product design.
- D. business relationships.
- E. financing.

Truthfulness about product quality is important to consumers therefore if the cereal is high in fiber, Fiberwise is a more truthful representation of the cereal's benefits rather than Heartwise which may or may not be beneficial for a person's heart.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Hard
Learning Objective: 2
Topic: The Role of Ethics in Business

28. (p. 30) The Surgeon General's warning on cigarette packages about the health implications of smoking is an example of which of the following ethical issues?

- A. Conflict of interest
- B. Fairness and honesty
- C. Communications**
- D. Relationships within a business
- E. Environmental issues

An important aspect of communications regarding an ethical issue is product labeling such as the Surgeon General's warning on cigarette packages.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 2
Topic: The Role of Ethics in Business

29. (p. 30) The following behavior is an example of ethical consideration within business relationships:

- A.** keeping company secrets.
- B. avoiding obligations.
- C. shirking responsibilities.
- D. setting a poor example for others.
- E. offering a bribe.

Ethical behavior within in a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

30. (p. 30-31) If a manager pressures a subordinate to engage in activities that he or she may otherwise view as unethical, such as accounting fraud or stealing a competitor's secrets, there exists an ethical issue related to

- A. plagiarism.
- B.** business relationships.
- C. communications.
- D. fairness and honesty.
- E. conflicts of interest.

Ethical issues related to business relationships include the responsibility of managers to help an organization achieve its goals without compromising employee rights.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

31. (p. 31) If an employee learned of a significant cost-saving idea from a coworker and then informed management of the idea without revealing its true source, then the employee would be involved in
- A. keeping a secret.
 - B. career advancement.
 - C. plagiarism.**
 - D. socialism.
 - E. egalitarianism.

Plagiarism is taking someone else's work or idea and presenting it as your own without mentioning its source.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 2
Topic: The Role of Ethics in Business

Essay Questions

32. (p. 26-31) What are some of the general ethical issues in business?

General ethical issues include conflicts of interest that exist when people must choose whether to advance their own interest or those of others. Fairness and honesty relate to the general values of decision makers. Communication is another area in which ethical concerns may arise. Businesspeople's behavior toward customers, suppliers, and others in their workplaces may also generate ethical concerns.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 2
Topic: The Role of Ethics in Business

True / False Questions

33. (p. 32) Establishing and enforcing ethical standards and policies within business can help reduce unethical behavior by prescribing which activities are acceptable and which are not and by removing the opportunity to act unethically.

TRUE

Ethics codes and compliance requirements reduce the opportunity to act unethically and consistently enforcing repercussions for unethical behavior reduces unethical acts by individuals within an organization.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3
Topic: The Role of Ethics in Business

34. (p. 32) Without a code of ethics or formal policy on ethics, employees are likely to base their decisions on how their peers and superiors behave.

TRUE

A code of ethics ensures all employees, including senior level executives, are clear on what ethical standards are expected of them.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3
Topic: The Role of Ethics in Business

35. (p. 32) Codes of ethics foster ethical behavior because they expand the opportunity to behave unethically.

FALSE

Codes of ethics foster ethical behavior because they reduce the opportunity to behave unethically.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: The Role of Ethics in Business

36. (p. 31) Ethical decisions in an organization are influenced by three key factors.

TRUE

Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and co-workers, and the opportunity to engage in misconduct.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 3

Topic: The Role of Ethics in Business

37. (p. 32) Codes of ethics are formalized rules and standards that describe what the company expects of its employees.

TRUE

Codes of ethics do not take into consideration every situation but it should provide a clear means of appropriate behavior and steps to take in addresses ethical issues and/or concerns.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 3

Topic: The Role of Ethics in Business

Multiple Choice Questions

38. (p. 32) A set of formalized rules and standards that describe what a company expects of its employees is called a(n)

- A.** code of ethics.
- B. opportunity.
- C. moral philosophy.
- D. guideline.
- E. law.

Codes of ethics are formalized rules and standards that describe what the company expects of its employees.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: The Role of Ethics in Business

39. (p. 32) What occurs when an employee exposes an employer's wrongdoing to outsiders?

- A. Fraud
- B.** Whistleblowing
- C. Plagiarism
- D. Mayhem
- E. A criminal lawsuit

Whistleblowing occurs when a lack of anonymous reporting mechanisms exists in a company and therefore an employee may expose an employer's wrongdoing to the government or media.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: The Role of Ethics in Business

40. (p. 32) Codes of ethics foster ethical behavior by

- A. expanding the opportunity to behave ethically by providing rewards for following the rules.
- B.** limiting the opportunity to behave unethically by providing punishments for violations of the rules and standards.
- C. limiting the opportunity to behave unethically by providing rewards for violations of the rules and standards.
- D. expanding the opportunity to behave ethically by providing punishments for following the rules.
- E. all of the above.

Codes of ethics sets clear guidelines for employees regarding what ethical behavior is expected of them. It also creates a formal procedure for infractions committed by employees related to ethical issues.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3
Topic: The Role of Ethics in Business

41. (p. 31-32) Unethical behavior in business can be reduced if management does all of the following *except*

- A. establish clear policies on unethical behavior.
- B. limit opportunities for unethical behavior.
- C. establish formal rules and procedures.
- D. punish unethical behavior firmly.
- E.** depend totally on employees' personal ethics.

A company should never rely on an employees' personal ethics to guide ethical standards due to the wide array or lack thereof moral standards that an individual maintains.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3
Topic: The Role of Ethics in Business

42. (p. 31-32) According to the text, ethical decisions in an organization are influenced by (1) individual moral standards, (2) the influence of managers and co-workers, and (3)

- A. religious values.
- B. informal ethical policies or rules.
- C.** opportunity codes and compliance requirements.
- D. family influence.
- E. the founder's values.

Three factors that influence business ethics are individual moral standards, the influence of managers and co-workers and the opportunity to engage in misconduct which is determined by ethics codes and compliance requirements.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 3
Topic: The Role of Ethics in Business

43. (p. 31-32) Which of the following should help reduce the incidence of unethical behavior in an organization?

- A.** Understanding that individual moral standards, the influence of managers and coworkers, and opportunity influence ethical behavior
- B. Maximizing ethical conflict in work groups
- C. Expanding opportunity by providing punishments for violations of the rules
- D. Overlooking violations of codes of ethics
- E. All of the above

Understanding the influences of business ethics leads to establishing codes of ethics and compliance requirements that reduce unethical behavior in an organization.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 3
Topic: The Role of Ethics in Business

Essay Questions

44. (p. 31-33) How can an organization improve ethical behavior?

Understanding how people choose their ethical standards and what prompts them to engage in unethical behavior may reverse the current trend toward unethical behavior in business. Establishing and enforcing ethical standards and policies within a business can reduce unethical behavior by describing which activities are acceptable and which are not and removing the opportunity to act unethically. Codes of ethics and training programs can help the business create a corporate culture that encourages ethical behavior.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 3
Topic: The Role of Ethics in Business

True / False Questions

45. (p. 34) The concept of social responsibility is universally accepted.

FALSE

Even though the concept of social responsibility is receiving more and more attention, it is still not universally accepted.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: The Nature of Social Responsibility

46. (p. 33) The dimensions of social responsibility include economic, legal, ethical, and voluntary responsibilities.

TRUE

The economic responsibilities include earning a profit, the legal responsibilities include abiding by laws, the ethical responsibilities include doing what is right and the voluntary responsibilities include promoting goodwill.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: The Nature of Social Responsibility

47. (p. 34) Increasingly, consumers are choosing not to patronize businesses that receive negative publicity concerning misconduct.

TRUE

Some studies have found a direct link to social responsibility and employee commitment and customer loyalty.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: The Nature of Social Responsibility

48. (p. 33) Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their owners.

FALSE

Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by various stakeholders.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: The Nature of Social Responsibility

49. (p. 33) Voluntary responsibilities are optional activities that promote human welfare or goodwill.

TRUE

Voluntary responsibilities are not required but contribute to the community and quality of life.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: The Nature of Social Responsibility

Multiple Choice Questions

50. (p. 33) Being profitable relates to which social responsibility dimension?

- A.** Economic
- B. Voluntary
- C. Ethical
- D. Legal
- E. Corporate citizenship

Economic responsibility refers to earning a profit which is the foundation of a company.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: The Nature of Social Responsibility

51. (p. 33) Which of the following is *not* one of the dimensions of social responsibility?

- A. Voluntary
- B. Economic
- C. Legal
- D. Ethical
- E.** Altruistic

Although altruism may be a part of voluntary responsibility, it is not a dimension of social responsibility by itself.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 4

Topic: The Nature of Social Responsibility

52. (p. 33) Philanthropic contributions made by a business to a charitable organization represent which dimension of social responsibility?

- A. Corporate citizenship
- B. Economic
- C. Legal
- D. Ethical
- E.** Voluntary

Voluntary responsibilities include philanthropic contributions.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 4

Topic: The Nature of Social Responsibility

53. (p. 37) Consumers vote against firms they view as socially irresponsible by not
- A. boycotting the company's products.
 - B. expressing dissatisfaction by protesting.
 - C. writing their representatives in Congress.
 - D.** buying the company's products.
 - E. filing complaints with the company.

Consumerism is the act of protecting consumer rights and boycotting companies based on socially irresponsible behavior is one way to protect consumer rights.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Medium
Learning Objective: 4
Topic: The Nature of Social Responsibility

54. (p. 34) Studies have found a direct link between social responsibility and _____ in business.
- A.** Profitability
 - B. Ethics
 - C. Declining stock prices
 - D. Happiness of stakeholders
 - E. Global Warming

Studies have found a direct link between social responsibility and profitability in business as well as employee commitment and consumer loyalty.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 4
Topic: The Nature of Social Responsibility

Essay Questions

55. (p. 33) What are the four dimensions of social responsibility?

Economic, legal, ethical, and voluntary concerns represent the four dimensions of social responsibility. Earning profits is the foundation of these dimensions and complying with the law is the next step. A business whose sole objective is to maximize profits is not likely to consider its social responsibility, although its activities will probably be legal. Voluntary responsibilities are additional activities that may not be required, but they promote human welfare or goodwill.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 4
Topic: The Nature of Social Responsibility

True / False Questions

56. (p. 34) Managers consider social responsibility on an annual basis.

FALSE

Managers consider social responsibility on a daily basis as with ethical concerns.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

57. (p. 39) Recycling is a business response to employee issues.

FALSE

Recycling is a business response to environmental issues.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

58. (p. 37) The right to safety requires that businesses provide a safe place for consumers to shop.

TRUE

Many large retailers have been under pressure to increase safety in their warehouse type stores such as Home Depot.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: The Nature of Social Responsibility

59. (p. 36) A major social responsibility for business is providing equal opportunities for all employees.

TRUE

A major legal and social responsibility for business is providing equal opportunities for all employees regardless of their sex, age, race, religion or nationality.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

60. (p. 40) One way companies are helping consumers contribute to social causes is through offering some products at higher prices, the extra money going to global charities.

TRUE

Dell and Microsoft created the Product Red line in which red colored products profits go to fight AIDS, tuberculosis and malaria.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

Multiple Choice Questions

61. (p. 34) In addressing social responsibility, managers must consider their firms' relations with

- A. employees.
- B. owners.
- C. customers.
- D. the community.
- E.** all of the above.

Among the many social issues that managers must consider are the firms' relations with owners and stockholders, employees, consumers, the environment and the community.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

62. (p. 34) Managers consider social responsibility

- A. on a weekly basis.
- B.** on a daily basis.
- C. at annual planning meetings.
- D. during budget planning sessions.
- E. infrequently.

As with ethics, managers must consider social responsibility on a daily basis.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

Chapter 02 - Business Ethics and Social Responsibility

63. (p. 35) All of the following are arguments against social responsibility *except*

- A. it sidetracks managers from their primary objective.
- B. it gives businesses more power.
- C. businesses may not have the necessary expertise.
- D. the government should bear the responsibility.
- E. businesses have the financial resources to help society.**

See Table 2.8 for a comprehensive list of arguments for and against social responsibility.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 5

Topic: Table 2.8

64. (p. 35) All of the following are arguments in favor of social responsibility *except*

- A. businesses created many of the problems, so they should participate in finding solutions.
- B. businesses may lose their focus on profit-making.**
- C. businesses that are socially responsible prevent more government regulation.
- D. the survival of a healthy economy depends on businesses being socially responsible.
- E. as members of society, businesses should do their fair share.

See Table 2.8 for a comprehensive list of arguments for and against social responsibility.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 5

Topic: Table 2.8

65. (p. 54) Businesses must first be responsible to

- A. employees.
- B. customers.
- C.** owners.
- D. bankers.
- E. managers.

Businesses must first be responsible to their owners, who are primarily concern with a return on their investment in a company.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 5

Topic: The Nature of Social Responsibility

66. (p. 35) A business's responsibilities to its owners and investors include

- A. protecting the owners' rights and investments.
- B. maintaining proper accounting procedures.
- C. providing all relevant information about current and projected performance of the firm.
- D. maximizing their investment in the firm.
- E.** all of the above.

A business' responsibilities to its owners and investors, including the financial community at large, include maintaining proper accounting procedures, providing all relevant information to investors about the current and projected performance of the firm, and protecting the owner's rights and investments.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 5

Topic: The Nature of Social Responsibility

67. (p. 36) Many of the laws regulating safety in the workplace are enforced by

- A. the FTC.
- B. the Department of Commerce.
- C. NAFTA.
- D.** OSHA.
- E. the ADA.

Congress has passed several laws regarding safety in the workplace, many of which are regulated by OSHA.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Medium

Learning Objective: 5

Topic: The Nature of Social Responsibility

68. (p. 37) The activities that independent individuals, groups, and organizations undertake to protect their rights as consumers are known as

- A. social responsibility.
- B.** consumerism.
- C. ethics.
- D. welfare.
- E. morals.

Consumerism is the promotion of consumer rights and protection.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 5

Topic: The Nature of Social Responsibility

69. (p. 37) Writing letters to companies, making public service announcements, lobbying government agencies, and boycotting irresponsible companies are activities involved with which social responsibility issue?

- A. Employee relations
- B. Environmental issues
- C. Community relations
- D. Consumer relations**
- E. Relations with owners

Consumerism is the activities that individuals and organizations take to ensure consumer rights and protection which is a consumer relations issue.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: The Nature of Social Responsibility

70. (p. 37) Which right assures the fair treatment of consumers who voice complaints about a purchased product?

- A. The right to choose
- B. The right to safety
- C. The right to be heard**
- D. The right to be informed
- E. The right to complain

The right to be heard assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Hard
Learning Objective: 5
Topic: The Nature of Social Responsibility

71. (p. 37) The assurance of satisfactory quality and service at a fair price is part of a consumer's right to

- A. choose.
- B. be heard.
- C. be informed.
- D. safety.
- E. freedom of speech.

The right to choose ensures that consumers have access to a variety of services and products at competitive prices.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: The Nature of Social Responsibility

72. (p. 37) Which of the following is *not* highlighted in John F. Kennedy's 1962 consumer bill of rights?

- A. The right to be heard
- B. The right to choose
- C. The right to minimum prices
- D. The right to safety
- E. The right to be informed

The consumer bill of rights includes the right to be heard, to choose, to safety and to be informed.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: The Nature of Social Responsibility

73. (p. 38-39) One of the most important things companies can do to curb global warming is reduce greenhouse gas emissions. Of the options below, which is NOT a good way to reduce daily carbon and greenhouse gas output?

- A. Riding a bike to work
- B. Recycling bottles, cans, and paper products
- C. Taking measures to streamline operations and reduce waste
- D. Keeping the air conditioner running all summer long**
- E. Buying a more fuel-efficient car

Keeping the air conditioner running twenty-four hours a day, seven days a week for three months would increase daily carbon and greenhouse gas output.

AACSB: Ethics
Bloom's Taxonomy: Comprehension
Difficulty: Easy
Learning Objective: 5
Topic: The Nature of Social Responsibility

74. (p. 38) Cosmetic and drug testing on animals is a primary concern under which social responsibility issue?

- A. Consumer relations
- B. Environmental issues**
- C. Community relations
- D. Employee relations
- E. Relations with stockholders

One area of environmental concern is animal rights.

AACSB: Ethics
Bloom's Taxonomy: Knowledge
Difficulty: Medium
Learning Objective: 5
Topic: The Nature of Social Responsibility

75. (p. 40) Which of the following is *not* an area of environmental concern in society today?

- A. Animal rights
- B. Land pollution
- C. Waste disposal
- D. The hard-core unemployed**
- E. Business practices that harm endangered wildlife

The hard-core unemployed is an area of community relations in society today.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Easy

Learning Objective: 5

Topic: The Nature of Social Responsibility

Essay Questions

76. (p. 38-42) Discuss the environmental issues managers must confront in dealing with social responsibility issues.

Managers today must consider the consequences of their actions on the environment as a part of their social responsibility. One area of concern is the controversial business practice of animal testing for cosmetics and drugs. Business practices that harm endangered wildlife and their habitats are another environmental issue. Businesses must also be concerned with their contributions to air, water, and land pollution as a result of their operations. In response to these concerns, many firms are trying to eliminate wasteful practices, the emission of pollutants, and/or the use of harmful chemicals from their manufacturing processes.

AACSB: Ethics

Bloom's Taxonomy: Knowledge

Difficulty: Hard

Learning Objective: 5

Topic: The Nature of Social Responsibility