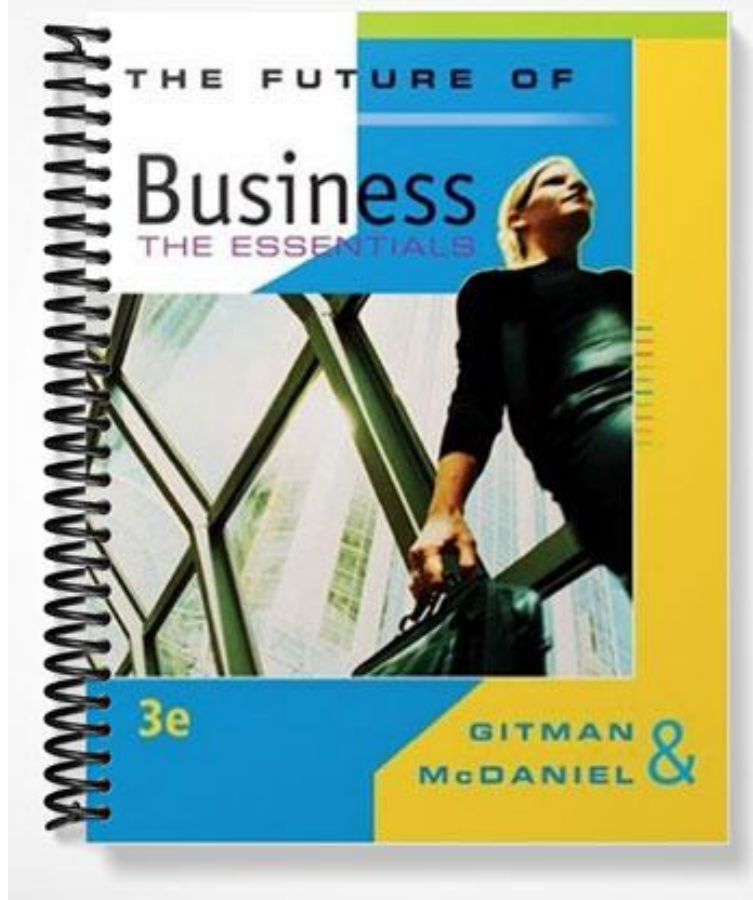


**TEST BANK**



TRUE-FALSE QUESTIONS

1. The philosophy of utilitarianism is used to explain why restaurants, theaters, and hotels should make themselves handicapped accessible.

ANS: F

REF: Understanding Business Ethics

OBJ: 1

Rationale: Utilitarianism is a philosophy that focuses on the consequences of an action to determine whether it's right or wrong; it seeks the best for the majority.

2. Human rights include an individual's right to life, to freedom, and to the pursuit of happiness.

ANS: T

REF: Understanding Business Ethics

OBJ: 1

3. The distributive process by which the burdens and rewards that society has to offer are shared varies from society to society.

ANS: T

REF: Understanding Business Ethics

OBJ: 1

4. Ethical decision making begins in the marketing department.

ANS: F

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Ethical decision making begins with the examples set by managers.

5. Ethics training programs typically teach how to disguise unethical behavior and not how to avoid unethical behavior.

ANS: F

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Ethics training programs teach employees to develop an awareness of questionable business ethics and how to solve ethical dilemmas.

6. If the company wants employees to take ethical training seriously, the training should not include games.

ANS: F

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Organizations find numerous ways to encourage ethical behavior including leading by example and offering ethics training programs.

7. All businesses approach ethics the same way.

ANS: F

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Organizations find numerous ways to encourage ethical behavior including leading by example and offering ethics training programs.

8. To be a useful code of ethics, the code should offer broad policies and procedures rather than detailed rules.

ANS: F

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Codes of ethics can be effective in either format.

9. Social responsibility is a voluntary obligation.

ANS: T

REF: Managing a Socially Responsible Business

OBJ: 3

10. The most basic responsibility of all businesses is its economic responsibility.

ANS: T

REF: Managing a Socially Responsible Business

OBJ: 3

11. Organizations can be evaluated on two basic dimensions with regard to social responsibility--legality and responsibility.

ANS: T

REF: Managing a Socially Responsible Business

OBJ: 3

12. An organization's first responsibility is to provide a job to employees.

ANS: T

REF: Responsibilities to Stakeholders

OBJ: 4

13. Enlightened firms are realizing that empowerment puts too much stress on employees and are eliminating empowerment programs.

ANS: F

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Enlightened firms are realizing the value of empowerment in improving employee satisfaction.

14. It is a firm's responsibility to its customers to deliver what it has promised.

ANS: T

REF: Responsibilities to Stakeholders

OBJ: 4

15. Businesses engage in environmental protection activities to show their responsibility to their general public stakeholders.

ANS: T

REF: Responsibilities to Stakeholders

OBJ: 4

16. Corporate philanthropy excludes any noncash donations.

ANS: F

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Gifts-in-kind can be donated as a part of corporate philanthropy.

17. The only social responsibility that a company has to its investors is an economic responsibility--it must make a profit.

ANS: F

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Organizations also have a social responsibility to customers, employees, and society.

18. Amgen, the largest biotechnology company in the world, donates millions of dollars annually to raise the value of science literacy in the community and attract bright young minds into the field of science. Since Amgen, as an employer would benefit from this philanthropy, it would be characterized as strategic giving.

ANS: T

REF: Trends in Ethics and Social Responsibility

OBJ: 5

19. The one area of business that escapes controversy is philanthropic contributions.

ANS: F

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: Corporate philanthropy is scrutinized because to some stakeholders it seems to offer no value to the company.

20. The majority of companies today view social responsibility as a one-way street that focuses on the obligations of business to society, employees, and other stakeholders.

ANS: F

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: The trend is to view social responsibility as a two-way street.

21. A responsible multinational company develops its ethical guidelines in its home country and relies on those no matter where it does business.

ANS: F

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: A responsible multinational company realizes it must respect local practices and customs.

22. Multinational companies must balance the conflicting interests of stakeholders when making decisions regarding social responsibilities, especially in the area of human rights.

ANS: T

REF: Trends in Ethics and Social Responsibility

OBJ: 5

23. The Uniform Commercial Code (UCC) sets forth the rules that apply to commercial transactions between businesses and between individuals and businesses.

ANS: T

REF: Understanding the Legal and Tax Environment

OBJ: 6

24. To be called a contract, an agreement must be in writing.

ANS: F

REF: Contract Law

OBJ: 7

Rationale: An oral contract is legal.

25. A trademark gives a company exclusive right to use a design, name, or other distinctive mark to identify its products. The federal government protects this right.

ANS: F

REF: Contract Law

OBJ: 7

Rationale: The trademark holder must protect its rights--this is not a task of the federal government.

26. Bankruptcy can be either voluntary or involuntary.

ANS: T

REF: Contract Law

OBJ: 7

27. All taxes collected by the U.S. government are progressive.

ANS: F

REF: Taxation of Business

OBJ: 8

Rationale: Some taxes are categorized as regressive.

#### MULTIPLE-CHOICE QUESTIONS

1. \_\_\_\_\_ is the set of moral standards for judging whether something is right or wrong.

- A. Ethics
- B. Social responsibility
- C. The marketing concept
- D. Consumerism
- E. Legality

ANS: A

REF: Understanding Business Ethics

OBJ: 1

2. Summer Dean was walking through the mall and found a gym bag lying on the ground. The decision Dean must make as to whether to keep the gym bag and its contents for herself or turn it into the mall's lost and found department involves:

- A. consumerism
- B. ethics
- C. the marketing concept
- D. cultural awareness
- E. social reciprocity

ANS: B

REF: Understanding Business Ethics

OBJ: 1

Rationale: Ethics is a set of moral standards for judging whether something is right or wrong.

3. \_\_\_\_\_ is a philosophy that focuses on the consequences of an action to determine whether it is right or wrong. This philosophy holds that an action that affects the majority adversely is morally wrong.

- A. Distributive justice
- B. Preconventional morality
- C. Social responsibility

- D. Utilitarianism
- E. Consumerism

ANS: D

REF: Understanding Business Ethics

OBJ: 1

4. Which of the following statements about utilitarianism is true?

- A. Utilitarianism is concerned with providing for the needs of the minorities.
- B. The concept of utilitarianism supports affirmative action programs.
- C. Utilitarianism holds that an action that affects the majority adversely is morally wrong.
- D. Utilitarianism is primarily concerned with the legal aspects of business decisions.
- E. None of the above statements about utilitarianism is true.

ANS: C

REF: Understanding Business Ethics

OBJ: 1

Rationale: Utilitarianism is a philosophy that focuses on the consequences of an action to determine whether it's right or wrong; it seeks the best for the majority.

5. Which of the following statements about utilitarianism is true?

- A. Utilitarianism is designed to create both winners and losers.
- B. The application of the utilitarianism concept will only produce winners.
- C. There are no negative costs associated with utilitarianism.
- D. Using utilitarianism, a manager can accurately calculate how his or her decision will affect the majority of its stakeholders.
- E. Utilitarianism is a legal concept—not an ethical one.

ANS: A

REF: Understanding Business Ethics

OBJ: 1

Rationale: Utilitarianism is a philosophy that focuses on the consequences of an action to determine whether it's right or wrong; it seeks the best for the majority.

6. Mamma's Diner was a small restaurant that was a popular hangout for many Bedford College students, but because of the owner's inability to make the bathroom stalls handicapped accessible for the one wheelchair student on campus, it was forced to close down. The belief that this it was morally wrong to deprive the majority of the people of this experience is an expression of the philosophy associated with:

- A. distributive justice
- B. preconventional morality
- C. social responsibility
- D. utilitarianism
- E. consumerism

ANS: D

REF: Understanding Business Ethics

OBJ: 1

Rationale: Utilitarianism is a philosophy that focuses on the consequences of an action to determine whether it's right or wrong; it seeks the best for the majority.

7. Criticism of South Africa's postapartheid government contends that the new government has not extended liberties to its black majority population, but has instead concentrated on proving to a white minority that a black-run administration can govern a reasonably sophisticated economy and society. The belief that the new South African government is behaving unethically is an expression of the philosophy associated with:

- A. distributive justice
- B. preconventional morality

- C. social responsibility
- D. utilitarianism
- E. consumerism

ANS: D

REF: Understanding Business Ethics

OBJ: 1

Rationale: Utilitarianism is a philosophy that focuses on the consequences of an action to determine whether it's right or wrong; it seeks the best for the majority.

8. Utilitarianism:

- A. states that any act that jeopardizes the individual's rights is wrong
- B. creates win-win situation
- C. is difficult to implement because it is hard to tell how one decision will impact a large number of people
- D. supports the belief that life should be fair
- E. is easy to implement because of its childlike simplicity

ANS: C

REF: Understanding Business Ethics

OBJ: 1

9. Another factor influencing business ethics is \_\_\_\_\_, or what is fair according to prevailing standards of society.

- A. equity
- B. utilitarianism
- C. validity
- D. righteousness
- E. justice

ANS: E

REF: Understanding Business Ethics

OBJ: 1

10. In the 21<sup>st</sup> century, we define justice as:

- A. an equitable distribution of the burdens and rewards that society has to offer
- B. the creation of a situation in which all involved are winners
- C. support for the development of legal measures to define ethics
- D. a global concept, which is defined the same throughout the world
- E. the avoidance of wrong

ANS: A

REF: Understanding Business Ethics

OBJ: 1

11. Which of the following statements about human rights is true?

- A. Any human right is also a legal right.
- B. Distributive justice is a human right.
- C. There is no time when it is appropriate to deny an individual his or her legal rights.
- D. Human rights are expressed in the U.S. Constitution.
- E. None of the above statements about individual rights is true.

ANS: E

REF: Understanding Business Ethics

OBJ: 1

Rationale: In our society, individuals and groups have certain rights that exist under certain conditions regardless of any external circumstances.

12. Which of the following is an example of an unethical business activity?

- A. The employee uses the company computer to check his results in a network auction.
- B. The employee did not report his supervisor for taking several illegal deductions on his income tax report.
- C. The employee told several jokes that demeaned Polish people.
- D. The salesperson allowed the customer to believe that delivery would be within the next week when the salesperson knew that delivery was at least four weeks away.
- E. All of the above are examples of unethical business activities.

ANS: E

REF: How Organizations Influence Ethical Conduct

OBJ: 2

13. Which of the following is an example of an ethical business activity?

- A. The employee told several jokes that made fun of blonde women.
- B. The employee used the company postage meter to mail letters to her family.
- C. The employee reported to his supervisors that a co-worker had misappropriated company funds.
- D. The employee went to see a movie one afternoon when she was supposed to be making a sales call.
- E. The employee condoned a fellow employee's use of alcohol on the job.

ANS: C

REF: How Organizations Influence Ethical Conduct

OBJ: 2

14. One of the keys to ethical business behavior is:

- A. how many people near retirement age are in the company
- B. how many levels of organization does the business have
- C. the perception of the company by its employees
- D. the number of rules, regulations, and guidelines the company has
- E. how the company's top management conducts themselves

ANS: E

REF: How Organizations Influence Ethical Conduct

OBJ: 2

15. Which of the following statements about ethics training is true?

- A. Ethics training is formal training to develop awareness of inappropriate behavior and to practice appropriate responses.
- B. Ethics training is best done informally to allow employees to feel free to admit their mistakes.
- C. One of the purposes of ethics training is to get employees to admit when and where they have acted unethically.
- D. The most effective ethics training begins with the development of a personal code of ethics.
- E. The most effective ethics training involves new recruits; the ethics of long-time employees cannot be changed.

ANS: A

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Ethics training programs teach employees to develop an awareness of questionable business ethics and how to solve ethical dilemmas.

16. Which of the following statements about ethics training is true?

- A. The most effective ethics training begin with the techniques for solving ethical dilemmas.
- B. Ethics training is formal training to develop an awareness of questionable business behavior and to practice appropriate responses.
- C. Ethical training does not have to be boring.
- D. Fewer than half of all American companies have some type of ethics training programs.



E. All of the above statements about ethics training are true.

ANS: E

REF: How Organizations Influence Ethical Conduct

OBJ: 2

17. A code of ethics:

A. provides employees with the knowledge of what their firm expects in terms of their responsibilities and behavior toward fellow employees, customers, and suppliers

B. can offer a lengthy and detailed set of guidelines to employees

C. is a summary statement of the firm's goals, policies, and priorities

D. is considered by some to be public relations gimmicks

E. is accurately described by all of the above

ANS: E

REF: How Organizations Influence Ethical Conduct

OBJ: 2

18. The \_\_\_\_\_ for the Music Teacher's National Associations establishes a standard of conduct and recommends a set of responsibilities teachers should have toward students, colleagues and the public. These guidelines assist the professional music teacher in gaining the respect of peers and avoiding conflicts and complaints with students and others. It points out to members what are and what are not considered fair, honest and reasonable practice when dealing with students, colleagues and the public, it provides guidance for such aspects as advertising practices, appropriate relationships, and personal and professional integrity.

A. ethical covenant

B. code of ethics

C. moral guidelines

D. ethical oath

E. educational standards

ANS: A

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: Codes of ethics are sets of guidelines prepared by an organization to provide its members or employees with the knowledge of what is expected of them in terms of responsibilities and behavior.

19. Codes of ethics:

A. may be influential in determining a person's decision-making behavior

B. deal only with the employees' relationships with customers and with no other group

C. contain common ethical dilemmas and provide the appropriate resolutions to employees

D. are typically informal information about how to recognize and deal with ethical problems

E. deal only with external ethical issues and not with internal issues

ANS: A

REF: How Organizations Influence Ethical Conduct

OBJ: 2

Rationale: A code of ethics provides employees with the knowledge of what their firm expects in terms of their responsibilities and behavior toward fellow employees, customers, and suppliers.

20. \_\_\_\_\_ is the concern of businesses for the welfare of society as a whole.

- A. Social responsibility
- B. Business ethics
- C. Consumerism
- D. The marketing concept
- E. Business morality

ANS: A

REF: Managing a Socially Responsible Business

OBJ: 3

21. Wal-Mart has announced that it will only sell fresh and frozen fish that come from environmentally sound sources and bear the label of the Marine Stewardship Council. Wal-Mart's size gives it a unique opportunity to improve the fishing industry. This concern for \_\_\_\_\_ is one of many initiatives Wal-Mart is introducing to improve our environment.

- A. social responsibility
- B. consumerism
- C. macroeconomics
- D. organizational culture issues
- E. stakeholder satisfaction

ANS: A

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Social responsibility is the concern of businesses for the welfare of society as a whole

22. U.S. Steel has established an alcoholic rehabilitation program for the city of Pittsburgh. The company provides the facilities and the personnel to operate the program. U.S. Steel is practicing:

- A. macroeconomics
- B. social responsibility
- C. environmental services
- D. the marketing concept
- E. social welfare

ANS: B

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Social responsibility is the concern of businesses for the welfare of society as a whole

23. Wal-Mart ran a series of ads in trade journals with the following headline: "We're Looking for Quality Products That Are Guaranteed Not to Last." What Wal-Mart was in fact doing was asking its suppliers to develop more environmentally friendly products and to use material that could be recycled. This concern about the environment is one way that Wal-Mart practices:

- A. macroeconomics
- B. social responsibility
- C. environmental services
- D. the marketing concept
- E. social welfare

ANS: B

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Social responsibility is the concern of businesses for the welfare of society as a whole

24. Social responsibility goes beyond obligations provided by law or union contract. Two important aspects of social responsibility are that the obligation is both:

- A. voluntary and broad
- B. public and private
- C. state and federal
- D. open and lawful
- E. internal and external

ANS: A

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Social responsibility is the concern of businesses for the welfare of society as a whole

25. At the base of the corporate social responsibility pyramid is:

- A. philanthropic responsibilities
- B. economic responsibilities
- C. legal responsibilities
- D. responsibilities to stakeholders
- E. ethical responsibilities

ANS: B

REF: Managing a Socially Responsible Business

OBJ: 3

26. A company has achieved the level of \_\_\_\_\_ responsibilities when it has met its ethical, legal, and economic responsibilities.

- A. altruistic
- B. societal
- C. global
- D. philanthropic
- E. munificent

ANS: D

REF: Managing a Socially Responsible Business

OBJ: 3

27. A homebuilder who disposes of asbestos shingles by burying them on his own property may please the home owner because it is a less expensive means of disposal but will be punished by various legal agencies if any become aware of his crime. At which stage of the social responsibility pyramid is the builder most likely operating?

- A. ethical
- B. legal
- C. economic
- D. stakeholder
- E. philanthropic

ANS: C

REF: Managing a Socially Responsible Business

OBJ: 3

28. It has been alleged that a Coca-Cola water bottling plant in India has caused illegal water shortages in fifty villages that surround the bottler. If this accusation is true, than Coke was operating at which stage of the social responsibility pyramid?

- A. ethical
- B. legal
- C. economic

- D. stakeholder
- E. philanthropic

ANS: C

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: The company must be profitable to survive. The water had to come from somewhere.

29. Laws have curtailed smoking, and as a result, the sale of cigarettes is down. Rather than fighting the law, the cigarette industry is looking for ways to take their business beyond cigarettes. Many experts believe that the cigarette producers have found a way around the law with the promotion and distribution of smokeless tobacco, which has shown consistent sales gains over the last decade. In terms of the social responsibility pyramid, at which level is the cigarette industry operating?

- A. ethical
- B. legal
- C. economic
- D. stakeholder
- E. philanthropic

ANS: B

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Companies operative at the legal responsibilities level are making a profit and doing so by obeying the law.

30. A company can only be concerned about its \_\_\_\_\_ responsibilities once it has met its economic and legal responsibilities.

- A. stakeholder
- B. societal
- C. cultural
- D. corporate
- E. ethical

ANS: E

REF: Managing a Socially Responsible Business

OBJ: 3

31. In the chocolate market, Green & Black is acting at the \_\_\_\_\_ responsibilities level of the pyramid of corporate social responsibility when it makes a profit, does so by abiding by the laws, and helps cocoa farmers by agreeing to pay above-market prices for cocoa.

- A. stakeholder
- B. societal
- C. cultural
- D. corporate
- E. ethical

ANS: E

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: A company can turn its attention to ethical responsibilities only after it has ensured its legal and economic responsibilities are met.

32. During a two-month period Lladro Comercial, S.A., the manufacturer of handcrafted porcelains, donated ten percent of its retail profits to the Susan G. Komen Breast Cancer Foundation. The action was legal and ethical and allowed the company to still be profitable. According to the pyramid of corporate social responsibility, it was acting at the \_\_\_\_\_ responsibilities level.

- A. philanthropic
- B. societal
- C. cultural
- D. corporate
- E. ethical

ANS: A

REF: Managing a Socially Responsible Business

OBJ: 3

Rationale: Philanthropic responsibilities can only be considered after economic, legal, and ethical responsibilities are met.

33. The highest level of the corporate social responsibility pyramid is:

- A. philanthropic responsibilities
- B. economic responsibilities
- C. legal responsibilities
- D. responsibilities to stakeholders
- E. ethical responsibilities

ANS: A

REF: Managing a Socially Responsible Business

OBJ: 3

34. Peter Drucker, a well-known management scholar, has said that companies should be evaluated on two basic dimensions:

- A. profitability and philanthropy
- B. legality and profitability
- C. customer satisfaction and profitability
- D. legality and responsibility
- E. consumerism and responsibility

ANS: D

REF: Managing a Socially Responsible Business

OBJ: 3

35. Many weight-loss programs advertise that they can help individuals lose a great deal of weight without any changes in the individual's lifestyle. Typically when the person who has lost the weight leaves the program, he or she regains all the lost weight. This yo-yoing is almost as bad for the body as the excess weight. These weight-loss programs are engaged in \_\_\_\_\_ behavior.

- A. legal and irresponsible
- B. legal but irresponsible
- C. illegal but responsible
- D. legal and responsible

ANS: B

REF: Managing a Socially Responsible Business

OBJ: 3

36. Social responsibility should extend beyond the shareholders to include:

- A. employees
- B. suppliers
- C. consumers
- D. community
- E. all of the above

ANS: E

REF: Responsibilities to Stakeholders

OBJ: 4

37. Which of the following statements about social responsibility is true?

- A. Companies that exhibit corporate philanthropy are not acting socially responsible.
- B. The four components of the social responsibility pyramid are of equal importance.
- C. The federal government has written laws that require businesses to act socially responsible.
- D. The obligation that a business has to act socially responsible extends beyond the investors in the company to include workers, suppliers, consumers, and communities.
- E. All of the above statements about social responsibility are true.

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Corporate philanthropy is a form of social responsibility. There are no laws governing when and how a company acts to fulfill its social responsibilities.

38. \_\_\_\_\_ are all the individuals or groups to whom a business has a responsibility.

- A. Stockholders
- B. Consumers
- C. Lobbying bodies
- D. Stakeholders
- E. Investors

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

39. Which of the following would be stakeholders for a manufacturer of agricultural pesticides?

- A. the farmers who buy the products
- B. EPA representatives who inspect the plant
- C. people who live in the community in which the plant is located
- D. employees of the plant
- E. all of the above

ANS: E

REF: Responsibilities to Stakeholders

OBJ: 4

40. For Lladro Comercial, S.A., the manufacturer of handcrafted porcelains, its employees, suppliers of the paints used to decorate its porcelains, retailers of its products, and people who benefit from its philanthropy are all:

- A. investors
- B. shareholders
- C. partners
- D. stakeholders
- E. agents

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Stakeholders are all the individuals or groups to whom a business has a responsibility.

41. \_\_\_\_\_ contributes to an employee's self-worth, which, in turn increases productivity and reduces absenteeism.

- A. Empowerment
- B. Micromanagement
- C. Bureaucratic management
- D. Limited autonomy
- E. Consumerism

ANS: A

REF: Responsibilities to Stakeholders

OBJ: 4

42. A retailer that allowed its employees to handle a customer complaint without having to ask for permission or direction from management would have:

- A. obligated its employees to help customers
- B. ignored the rights of its customers
- C. empowered its employees to help customers
- D. created an ethical dilemma
- E. ignored the rights of its employees

ANS: C

REF: Responsibilities to Stakeholders

OBJ: 4

43. \_\_\_\_\_ is the practice of charitable giving by corporations; includes contributing cash, donating equipment and products, and supporting the volunteers' efforts of company employees.

- A. Economic responsibility
- B. Financial empowerment
- C. Ethical responsibility
- D. Corporate philanthropy
- E. Corporate benevolence

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

44. The Chubb Group, an insurance company, regularly supplies funds for programming on the public television network. Its donations are an example of:

- A. economic responsibility
- B. financial empowerment
- C. ethical responsibility
- D. corporate philanthropy
- E. corporate paternalism

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Corporate philanthropy is the practice of charitable giving by corporations.

45. The Healing Garden is the manufacturer and marketer of organic beauty aids. Its annual \$40,000 donation to The Nature Conservancy in support of the nonprofit organization's pledge to preserve the environment is an example of:

- A. economic responsibility
- B. financial empowerment
- C. ethical responsibility
- D. corporate philanthropy
- E. corporate paternalism

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Corporate philanthropy is the practice of charitable giving by corporations.

46. Corporate philanthropy:

- A. is the practice of limiting investments to companies that behave in accordance with the investors' code of ethics
- B. is defined as the corporation's responsibility to satisfy the needs of its investors
- C. can be either a cash or a noncash donation
- D. is not a way that many companies today express their social responsibilities
- E. is defined by none of the above

ANS: C

REF: Responsibilities to Stakeholders

OBJ: 4

47. \_\_\_\_\_ is the practice of limiting investments to securities in companies that behave in accordance with the investor's beliefs about ethical and social responsibility.

- A. Corporate philanthropy
- B. Investor paternalism
- C. Strategic giving
- D. Social investing
- E. Ethical financing

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

48. Alonzo Dwork will not buy stock in a company that sells bottled water because more than 1.5 million barrels of oil are used annually to make the plastic bottles used for water, and nearly 90 percent of these bottles are disposed of after one use. Dwork is a strong believer in environmental protectionism, and this \_\_\_\_\_ is his way of expressing that belief.

- A. social investing
- B. social paternalism
- C. strategic giving
- D. ethical giving
- E. corporate philanthropy

ANS: A

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Social investing is the practice of limiting investments to companies that have ethical policies that match those of the investor.

49. A group of investors in a retirement fund removed their money from the fund when they learned the fund manager had invested in a gambling casino. The investors' religious beliefs lead them to believe in the fundamental evil of all forms of gambling. These investors were engaging in:

- A. social investing
- B. social paternalism



- C. strategic giving
- D. ethical giving
- E. corporate philanthropy

ANS: A

REF: Responsibilities to Stakeholders

OBJ: 4

Rationale: Social investing is the practice of limiting investments to companies that have ethical policies that match those of the investor.

50. Social investing:

- A. was more popular in the 1960s than it is today
- B. has little impact on whether a company chooses to operate with social responsibility
- C. is a type of corporate philanthropy
- D. is the practice of limiting investments to companies that have ethical policies that match those of the investor
- E. is another name for strategic giving

ANS: D

REF: Responsibilities to Stakeholders

OBJ: 4

51. Strategic giving:

- A. is less popular today that it was in the 1960s
- B. refers to the practice of tying philanthropy closely to the corporation's mission or goals
- C. is a subset of social investing.
- D. reflects the stakeholder's desire to make corporations act with more economic responsibility and less emphasis on social responsibility
- E. is accurately described by all of the above

ANS: B

REF: Trends in Ethics and Social Responsibility

OBJ: 5

52. The Home Depot supplies all the materials and the labor expertise for Habitat Homes in various regions of the country where the retail giant has a store. Its top management believes that this type of philanthropy better reflects the company's commitment to the community than simple donations to the American Cancer Society and similar national charities. The Home Depot is using the practice of:

- A. social philanthropy
- B. social investing
- C. strategic giving
- D. strategic paternalism
- E. consumer-based donating

ANS: C

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: Strategic giving refers to the practice of tying philanthropy closely to the corporation's mission or goals.

53. Kraft Foods Inc. joined with the National Latino Children's Institute to announce Salsa, Sabor y Salud - a first-of-its-kind healthy lifestyles educational program designed by Latinos for Latinos. The program was created by NLCI in partnership with Kraft to support Hispanic families, a population particularly at risk for obesity and accompanying health problems. Kraft donated \$2 million to the program's startup. This donation is an example of:

- A. social philanthropy

- B. social investing
- C. strategic giving
- D. strategic paternalism
- E. consumer-based donating

ANS: C

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: Strategic giving refers to the practice of tying philanthropy closely to the corporation's mission or goals.

54. \_\_\_\_\_ is the practice of tying philanthropy closely to the corporate mission or goals and targeting donations to regions where a company operates.

- A. Social philanthropy
- B. Social investing
- C. Strategic giving
- D. Strategic paternalism
- E. Consumer-based donating

ANS: C

REF: Trends in Ethics and Social Responsibility

OBJ: 5

55. Seeds of Change manufactures and markets certified organic entrees. Its mission reads, "At Seeds of Change, we're committed to making delicious foods that are healthy for you as well as the planet." In support of this mission, the company donates money to support environmental protection activities. In other words, Seeds of Change engages in:

- A. consumerism
- B. social investing
- C. strategic giving
- D. strategic paternalism
- E. consumer-based donating

ANS: C

REF: Trends in Ethics and Social Responsibility

OBJ: 5

Rationale: Strategic giving refers to the practice of tying philanthropy closely to the corporation's mission or goals.

56. Which of the following is an example of a trend in ethics and social responsibility?

- A. strategic giving
- B. the addition of a fifth level to the social responsibility pyramid
- C. limits placed on employee empowerment
- D. decreased concern about international ethics
- E. all of the above

ANS: A

REF: Trends in Ethics and Social Responsibility

OBJ: 5

57. \_\_\_\_\_ law is the body of law created by court decisions rendered by judges.

- A. Administrative
- B. Statutory
- C. Business
- D. Common
- E. Judicial

ANS: D

REF: Understanding the Legal and Tax Environment

OBJ: 6

58. \_\_\_\_\_ law is written law enacted by legislatures at all levels, city, state, and federal governments.

- A. Administrative
- B. Statutory
- A. Government
- B. Common
- E. Court

ANS: B

REF: Understanding the Legal and Tax Environment

OBJ: 6

59. A state law that requires all children weighing less than fifty pounds to ride in a properly secured car seat is an example of \_\_\_\_\_ law.

- A. statutory
- B. administrative
- C. common
- D. government
- E. court

ANS: A

REF: Understanding the Legal and Tax Environment

OBJ: 6

60. \_\_\_\_\_ law refers to the regulations, rules, and orders passed by boards, commissions, and agencies of federal, state, and local governments.

- A. Administrative
- B. Statutory
- C. Common
- D. Government
- E. Court

ANS: A

REF: Understanding the Legal and Tax Environment

OBJ: 6

61. When the Occupational Safety and Health Administration and the National Labor Relations Board issue rulings about work environments, the federal agencies are creating \_\_\_\_\_ laws.

- A. statutory
- B. common
- C. administrative
- D. court
- E. government

ANS: C

REF: Understanding the Legal and Tax Environment

OBJ: 6

62. \_\_\_\_\_ law is the body of law that governs commercial dealings.

- A. Statutory
- B. Business
- C. Court
- D. Administrative

E. Commercial

ANS: B

REF: Understanding the Legal and Tax Environment

OBJ: 6

63. The Uniform Commercial Code is a type of \_\_\_\_\_ law.

A. statutory

B. business

C. court

D. administrative

E. commercial

ANS: B

REF: Understanding the Legal and Tax Environment

OBJ: 6

64. The \_\_\_\_\_ is a set of laws designed to eliminate differences among state laws and to simplify and clarify interstate commerce.

A. Business Common Code

B. Universal Code of Business

C. Interstate Commercial Code

D. Uniform Commercial Code

E. National Business Code

ANS: D

REF: Understanding the Legal and Tax Environment

OBJ: 6

65. The losing party in a court case may appeal the trial court's decision to the next level in the judicial system. This next level is the:

A. U.S. Supreme Court

B. appellate court

C. federal district court

D. circuit court

E. superior court

ANS: B

REF: Understanding the Legal and Tax Environment

OBJ: 6

66. \_\_\_\_\_ occurs when parties agree to present their case to an impartial third party and are required to accept the third party's decision as binding.

A. Collective bargaining

B. Mediation

C. Arbitration

D. Conciliation

E. Litigation

ANS: C

REF: Understanding the Legal and Tax Environment

OBJ: 6

67. \_\_\_\_\_ occurs when parties agree to present their case to an impartial third party but are *not* required to accept the decision as binding.

A. Mediation

B. Litigation

- C. Collective bargaining
- D. Conciliation
- E. Arbitration

ANS: A

REF: Understanding the Legal and Tax Environment

OBJ: 6

68. When the National Pilots Association and AirTran Airways could not agree on the terms of a new contract, a third party was called in to assist in negotiations. This third party could not make a binding decision but could suggest areas of compromise. This process is called:

- A. arbitration
- B. collective bargaining
- C. conciliation
- D. mediation
- E. union umpiring

ANS: D

REF: Understanding the Legal and Tax Environment

OBJ: 6

Rationale: Mediation occurs when parties agree to present their case to an impartial third party but are *not* required to accept the decision as binding

69. Will and Kyla Edmunds have just signed a contract by which they agree to pay \$1,500 to reserve a hall in which to hold their wedding reception and an additional \$1,500 that is due after the event. They have signed a(n):

- A. extended contract
- B. implied contract
- C. unlimited warranty
- D. limited warranty
- E. express contract

ANS: E

REF: Contract Law

OBJ: 7

70. After Keith agree to purchase a boat from his best friend Arnold, an \_\_\_\_\_ existed that said Keith would pay the price that he and Arnold had mutually agreed upon and he would do so in a timely fashion.

- A. implied contract
- B. express contract
- C. extended warranty
- D. limited contract
- E. unlimited contract

ANS: A

REF: Contract Law

OBJ: 7

Rationale: An implied contract depends on the acts and conduct of the parties to show agreement.

71. In order to be a legally valid contract,:

- A. one of the parties must fulfill the contract
- B. both parties agree to the intent of the agreement
- C. both parties must be at least age 21
- D. each party must be represented by an attorney
- E. the contract must be in writing

ANS: B

REF: Contract Law

OBJ: 7

72. When one party to a contract fails to fulfill the terms of the agreement, a breach of \_\_\_\_\_ has occurred.

- A. agency
- B. contract
- C. negligence
- D. principle
- E. conduct

ANS: B

REF: Contract Law

OBJ: 7

73. The three legal remedies for breach of contract are specific performance of the contract, restitution, and:

- A. payment of damages
- B. a federal injunction
- C. downsizing
- D. benchmarking
- E. an increase in the fee structure

ANS: A

REF: Contract Law

OBJ: 7

74. \_\_\_\_\_ is the amount of money awarded to the party who was harmed by a breach of contract.

- A. Severance pay
- B. Liability cost
- C. Damages
- D. Remedial pay
- E. Contractual compensation

ANS: C

REF: Contract Law

OBJ: 7

75. \_\_\_\_\_ is the canceling of a contract and returning to the situation as it existed before the parties entered into the contract.

- A. Nonspecific performance
- B. Breach of contract
- C. Contract cancellation
- D. Restitution
- E. Distributive justice

ANS: D

REF: Contract Law

OBJ: 7

76. When Allie Rodriguez went to buy plants, she saw a sign that said that any plants that failed to thrive could be returned for a complete refund. This sign is a(n)\_\_\_\_\_ warranty.

- A. implied
- B. extended
- C. express
- D. limited
- E. unlimited

ANS: C

REF: Contract Law

OBJ: 7

Rationale: Express warranties are specific statements of facts or promise.

77. Mandie Murtz bought a new DVD player at Wal-Mart. According to the \_\_\_\_\_ warranty, Murtz can assume the DVD player will play the DVD movies she rents from her local video store.

- A. implied
- B. extended
- C. express
- D. limited
- E. unlimited

ANS: A

REF: Contract Law

OBJ: 7

Rationale: Implied warranties are neither written nor oral. They are imposed on sales transactions.

78. A \_\_\_\_\_ gives an inventor the exclusive right to manufacture, use, and sell an invention for seventeen years.

- A. copyright
- B. trademark
- C. patent
- D. registration
- E. servicemark

ANS: C

REF: Contract Law

OBJ: 7

79. A \_\_\_\_\_ is an exclusive right granted by the government to an artist, writer, composer, or playwright to produce and sell his or her creation.

- A. patent
- B. trademark
- C. copyright
- D. servicemark
- E. creation

ANS: C

REF: Contract Law

OBJ: 7

80. The Target bull's-eye used to represent the retail store in all of its advertising is an example of a(n):

- A. implied patent
- B. copyright
- C. emblem
- D. servicemark
- E. express patent

ANS: D

REF: Contract Law

OBJ: 7

Rationale: A servicemark is a trademark that identifies a service.

81. The stylized ram's head used on all Dodge cars and trucks is an example of a(n):

- A. implied patent

- B. copyright
- C. emblem
- D. servicemark
- E. express patent

ANS: D

REF: Contract Law

OBJ: 7

Rationale: A trademark is a design, name, or other distinctive mark that a manufacturer used to identify its goods in the marketplace.

82. The Energy Brands, Inc., the maker of Vitaminwater, has filed a lawsuit against PepsiCo, Inc. claiming that the packaging on Pepsi's new nutrient water, Life Water, looks too much like Vitaminwater's distinctive design. Energy Brands is trying to protect its \_\_\_\_\_ from PepsiCo and to make sure its consumers are not confused by the similarities.

- A. patent
- B. trademark
- C. service patent
- D. emblem
- E. copyright

ANS: B

REF: Contract Law

OBJ: 7

Rationale: A trademark is a design, name, or other distinctive mark that a manufacturer used to identify its goods in the marketplace.

83. A tort is a private act that harms others. Which of the following is an example of a tort?

- A. slander and libel
- B. medical malpractice
- C. fraud
- D. product liability
- E. all of the above

ANS: E

REF: Contract Law

OBJ: 7

84. Under the concept of \_\_\_\_\_, a store owner is responsible for injuries a customer sustained when he climbed on a shelving unit to reach something on the top level and caused the unit, which had been securely fastened to the wall, to fall.

- A. fraudulent claims
- B. bait-and-switch
- C. strict liability
- D. commercial tort
- E. express warranty

ANS: C

REF: Contract Law

OBJ: 7

Rationale: Strict liability is a concept in product-liability law under which a manufacturer or seller is liable for any personal injury or property damage caused by defective products or packaging even though all possible care was used to prevent such defects.

85. The Clayton Act, the Cellar-Kefauver Act, and the Federal Trade Commission Act were all intended to:

- A. protect the environment



- B. ensure safe working conditions
- C. protect trademarks, patents, and copyrights
- D. promote competition
- E. create consumerist groups

ANS: D

REF: Contract Law

OBJ: 7

86. \_\_\_\_\_ regulation keeps companies from entering into agreements to control trade through monopoly.

- A. Antitrust
- B. Regulatory
- C. Restraint of trade
- D. Deregulatory
- E. Commercial

ANS: A

REF: Contract Law

OBJ: 7

87. The organized effort by independent groups of citizens and by groups within government and business to protect consumers is called:

- A. protectionism
- B. consumerism
- C. social auditing
- D. social welfare
- E. business ethics

ANS: B

REF: Contract Law

OBJ: 7

88. According to the Earth Policy Institute, the world's consumption of bottled water has grown by 67 percent during the last five years despite evidence that bottled water is no healthier and costs up to 10,000 times more than water from other sources. This Washington-based group of concerned citizens is trying to convince governments that some control needs to be placed on what it preserves as a wasteful industry. This group is an example of:

- A. protectionism
- B. consumerism
- C. social auditing
- D. social welfare
- E. business ethics

ANS: B

REF: Contract Law

OBJ: 7

Rationale: The organized effort by independent groups of citizens and by groups within government and business to protect consumers is called consumerism.

89. The Equal Credit Opportunity Act, the Magnuson-Moss Warranty Act, and the Pure Food and Drug Act were all intended to:

- A. protect the environment
- B. ensure safe working conditions
- C. protect trademarks, patents, and copyrights
- D. promote competition
- E. protect consumers

ANS: E  
REF: Contract Law  
OBJ: 7

90. Income taxes are progressive. This means that:
- A. rates increase as income increases
  - B. the fair market value of the income is taxed
  - C. only those who can afford to pay the tax actually pay
  - D. only homeowners pay income taxes
  - E. rates remain the same as income increases

ANS: A  
REF: Taxation of Business  
OBJ: 8

91. The four main types of business taxes are:
- A. income taxes, property taxes, sales taxes, and license fees
  - B. license fees, interest, amortization, and income taxes
  - C. property, sales, payroll, and tort taxes
  - D. income, property, excise, and sales taxes
  - E. property, payroll, sales, and excise taxes

ANS: E  
REF: Taxation of Business  
OBJ: 8

92. \_\_\_\_\_ taxes are placed on specific items, such as gasoline, alcoholic beverages, cigarettes, and guns to raise additional revenues.

- A. Economic
- B. Excise
- C. Sales
- D. Capital
- E. Progressive

ANS: B  
REF: Taxation of Business  
OBJ: 8

#### FILL-IN-THE-BLANK QUESTIONS

1. \_\_\_\_\_ is a set of moral standards for judging whether something is right or wrong.

ANS: Ethics  
REF: Understanding Business Ethics  
OBJ: 1

2. The philosophy of \_\_\_\_\_ can be used to explain the idea that “people should act so as to greatest good for the greatest number of people.”

ANS: utilitarianism  
REF: Understanding Business Ethics  
OBJ: 1

3. \_\_\_\_\_ is defined as whatever is considered fair according to the prevailing standards of society.

ANS: Justice  
REF: Understanding Business Ethics

OBJ: 1

4. A \_\_\_\_\_ provides employees with the knowledge of what their firm expects in terms of their responsibilities and behaviors toward their fellow employees, customers, and suppliers.

ANS: code of ethics

REF: How Organizations Influence Ethical Conduct

OBJ: 2

5. \_\_\_\_\_ is the concern of businesses for the welfare of society as a whole.

ANS: Social responsibility

REF: Managing a Socially Responsible Business

OBJ: 3

6. The highest level on the pyramid of social responsibility has to do with a business's \_\_\_\_\_ responsibilities.

ANS: philanthropic

REF: Managing a Socially Responsible Business

OBJ: 3

7. The lowest level on the pyramid of social responsibility has to do with a business's \_\_\_\_\_ responsibilities.

ANS: economic

REF: Managing a Socially Responsible Business

OBJ: 3

8. \_\_\_\_\_ are the individuals or groups to whom a business has a responsibility.

ANS: Stakeholders

REF: Responsibilities to Stakeholders

OBJ: 4

9. In an act of \_\_\_\_\_, Amgen, the largest biotechnology company in the world, has donated more than \$70 million to advance science education, improve quality of care and access for patients, and support resources that create sound communities where Amgen staff members live and work.

ANS: corporate philanthropy

REF: Responsibilities to Stakeholders

OBJ: 4

10. With \_\_\_\_\_, a business ties its philanthropy closely to the corporate mission or goals.

ANS: strategic giving

REF: Trends in Ethics and Social Responsibility

OBJ: 5

11. \_\_\_\_\_ law is the body of unwritten law that has evolved out of judicial (court) decisions rather than being enacted by legislatures.

ANS: Common

REF: Understanding the Legal and Tax Environment

OBJ: 6

12. With \_\_\_\_\_, the parties agree to present the case to an impartial third party and are required by law to accept the decision of the third party.

ANS: arbitration

REF: Understanding the Legal and Tax Environment

OBJ: 6

13. The \_\_\_\_\_ warranty for the bread maker that Petra Knijoz purchased let her know that the machine would knead the bread ingredients and then cook it for her.

ANS: implied

REF: Contract Law

OBJ: 7

14. \_\_\_\_\_ is a social movement that seeks to increase the rights and powers of buyers vis-à-vis sellers.

ANS: Consumerism

REF: Contract Law

OBJ: 7

15. \_\_\_\_\_ taxes are placed on specific items, such as gasoline, alcoholic beverages, cigarettes, airline tickets, and guns.

ANS: Excise

REF: Taxation of Business

OBJ: 8

#### SHORT ANSWER QUESTIONS

1. What are ethics?

ANS: a set of moral standards for judging whether something is right or wrong

REF: Understanding Business Ethics

OBJ: 1

2. Briefly describe the relationship between ethics and justice.

ANS: By combining justice with ethics, what is right or wrong is determined according to prevailing standards of what society considers to be fair.

REF: Understanding Business Ethics

OBJ: 1

3. What action can be taken to encourage employees to abide by their company's code of ethics?

ANS: When senior management abides by the code of ethics and regularly emphasizes the code to employees, it will more than likely have a positive influence on behavior.

REF: How Organizations Influence Ethical Conduct

OBJ: 2

4. List the four layers of the pyramid of social responsibilities.

ANS: economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility

REF: Managing a Socially Responsible Business

OBJ: 3

5. According to Peter Drucker, what are the basic dimensions of social responsibility?

ANS: legality and responsibility

REF: Managing a Socially Responsible Business

OBJ: 3

6. What collective term would be used to describe the employees, investors, suppliers, and customers of a manufacturer of laboratory equipment?

ANS: stakeholders

REF: Responsibilities to Stakeholders

OBJ: 4

7. What is social investing?

ANS: Social investing is the practice of limiting investments to securities of companies that behave in acceptance with the investor's beliefs about ethical and social responsibility.

REF: Responsibilities to Stakeholders

OBJ: 4

8. How does strategic giving differ from corporate philanthropy?

ANS: Corporate philanthropy typically involves seeking out needy groups and then giving them money or company products. Strategic giving is the practice of tying philanthropy closely to the corporate mission or goals and targeting donations to regions where a company operates.

REF: Trends in Ethics and Social Responsibility

OBJ: 5

9. What is the chief source of new laws in the United States?

ANS: statutory law

REF: Understanding the Legal and Tax Environment

OBJ: 6

10. How does arbitration differ from mediation?

ANS: With arbitration, the parties agree to accept the arbiter's decision. With mediation, the parties are not bound by the mediator's decision.

REF: Understanding the Legal and Tax Environment

OBJ: 6

11. What kind of warranty does Bill Fischer have when he assumes the new lawn mower he has purchased will cut the grass in his front yard?

ANS: implied

REF: Contract Law

OBJ: 7

12. List the three legal remedies for breach of contract.

ANS: (1) payment of damages, (2) specific performance of the contract, and (3) restitution

REF: Contract Law

OBJ: 7

13. What is the difference between a patent and a copyright?

ANS: A patent gives an inventor the exclusive right to manufacture, use, and sell an invention for 17 years. A copyright is an exclusive right given to the creators of intellectual property allowing them to use, produce, or sell the work. A copyright lasts for the life of the creator plus 50 years. (The primary difference is the length of time covered by each.)

REF: Contract Law

OBJ: 7

14. List the four main types of taxes paid by individuals and businesses.

ANS: property tax, income tax, sales tax, and excise tax

REF: Taxation of Business

OBJ: 8