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***Essentials of Business Law, 10e* (Liuzzo)**
Chapter 2 Ethics and the Law

1) The development of technology has introduced a burgeoning array of ethical questions.

Answer: TRUE
Explanation: The development of technology has introduced a burgeoning array of ethical questions.
Difficulty: 1 Easy
Topic: Unethical Behavior in our World
Learning Objective: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

2) Morals are the standards and principles that society has adopted as a guide for the behavior of the individual within society.

Answer: FALSE
Explanation: Ethics is about the standards and principles that society has adopted as a guide for the behavior of the individual within society.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Reflective Thinking
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3) Legal and moral beliefs and standards are derived from values.

Answer: FALSE
Explanation: Ethical and moral beliefs and standards are derived from values – that is, the beliefs or standards considered worthwhile.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
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4) Ethics concern behavior of society within the world.

Answer: FALSE
Explanation: Ethics are the standards and principles for the behavior of individuals within a society.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Reflective Thinking
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5) There is only one kind of value — individual value.

Answer: FALSE
Explanation: There are group values and individual values, both influenced by religion, traditions, and customs.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Ethics
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6) Values held by a subculture may never differ from those of the larger culture.

Answer: FALSE
Explanation: Values held by a subculture – for example, employees of a corporation, or a department within a company – may differ from those of the larger culture.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
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7) An individual's values are not influenced at all by those held in the groups to which he or she belongs.

Answer: FALSE
Explanation: An individual's values are significantly influenced by those held by the groups to which he or she belongs.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Reflective Thinking
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8) Ethical issues are multifaceted, unlike laws which typically require specific behavior.

Answer: TRUE
Explanation: Ethical issues may be multifaceted. A legal mandate typically is more precise than an ethical consideration.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

9) Businesses acting on their ethical considerations usually do not focus on corporate responsibility and the development of codes of conduct.

Answer: FALSE
Explanation: Businesses concerned with ethics usually focus on their corporate responsibility and the development of codes of conduct.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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10) *Credo* is a Latin term that is used to describe corporate codes of ethics that employees are expected to follow.

Answer: TRUE
Explanation: Some firms or industries establish a code of ethics, sometimes called a *credo* or a values statement, that sets down the principles of ethical behavior expected of personnel in various situations.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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11) A corporate code of ethics is a set of guidelines limited in compliance and enforcement to the most senior management of a corporation.

Answer: FALSE
Explanation: Many firms expect all employees to strictly follow codes of ethics.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
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12) It is possible for a corporation's code of ethics to make it clear what a company expects of its personnel in terms of the ethical dimensions of corporate policies and actions.

Answer: TRUE
Explanation: A corporation's code of ethics makes clear that the company expects its personnel to recognize the ethical dimensions of corporate policies and actions.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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13) Educational institutions that teach business leaders have responded to the increased need to examine ethics by ignoring the subject area of ethics and allowing business leader to develop their own personal knowledge on the subject.

Answer: FALSE
Explanation: Educational institutions have responded to the increased need to examine ethics by adding courses, workshops, and programs, and have expanded the study of ethics in existing courses.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
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14) Trade associations are a source of ethical business practices since they typically develop industry guidelines.

Answer: TRUE
Explanation: Trade associations develop guidelines for ethical business practices for their diverse memberships.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
AACSB: Ethics
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15) A defendant is an individual who calls attention to illegal actions in the workplace by notifying their employer or the government.

Answer: FALSE
Explanation: A whistleblower is an employee who discloses to the government, media, or upper management that the company is involved in wrongful or illegal activities.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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16) The fact that the *Enron* and *Arthur Anderson* cases dominated the media and resulted in numerous congressional investigations showed the widespread concern with:
A) the role of educational institutions in the field of ethics.
B) the overregulation of corporations.
C) the power of the government.
D) ethical behavior in business.

Answer: D
Explanation: The fact that the *Enron* and *Arthur Anderson* cases dominated the media and resulted in numerous congressional investigations showed the widespread concern with ethical behavior in business.
Difficulty: 1 Easy
Topic: Unethical Behavior in our World
Learning Objective: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.
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17) The 2002 Sarbanes-Oxley statute established a board to oversee accounting practices in (the):
A) Canada.
B) Netherlands.
C) United Kingdom.
D) United States.

Answer: D
Explanation: The Sarbanes-Oxley statute placed an onus on upper management to closely monitor the financial dealings and disclosures of their firms and established a board to oversee accounting practices in the United States.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
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18) Ethical issues involving the Internet and computer technology have prompted people to consider ethical issues such as:
A) easements.
B) false imprisonment.
C) discrimination.
D) privacy.

Answer: D
Explanation: Ethical issues involving the Internet and computer technology have prompted people to consider ethical issues such as privacy and free speech.
Difficulty: 1 Easy
Topic: Unethical Behavior in our World
Learning Objective: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.
Bloom's: Remember
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19) Today's business professionals involved in global markets are sometimes faced with ethical predicaments because of different:
A) global standards of ethics.
B) languages.
C) modes of transport.
D) values of money.

Answer: A
Explanation: The expansion of global markets has presented today's business professionals with ethical predicaments as they have to cope with different standards of ethics in other countries and cultures.
Difficulty: 1 Easy
Topic: Unethical Behavior in our World
Learning Objective: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.
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20) Beliefs and standards that are considered to be worthwhile are known as:
A) discretions.
B) morals.
C) ethics.
D) values.

Answer: D
Explanation: Values are beliefs or standards considered worthwhile, and from which a society derives its moral rules.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Ethics
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21) _____ are beliefs as to what an individual or society believes is right or wrong.
A) discretions.
B) morals.
C) ethics.
D) values.

Answer: B
Explanation: Morals are individual and societal beliefs as to what is right and wrong.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
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22) The standards and principles that govern an individual within society is called:
A) ethics.
B) religion.
C) values.
D) morals.

Answer: A
Explanation: Ethics consist of the standards and principles of behavior of individuals within a society.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
Bloom's: Remember
AACSB: Ethics
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23) All of the following are influencing factors on both group values and individual values EXCEPT:
A) wealth.
B) customs.
C) religion.
D) traditions.

Answer: A
Explanation: There are group values and individual values, and both are influenced by religion, traditions, and customs.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
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24) A larger culture has a certain genre of values that are different from the values held by employees of a corporation or by a department within a company. This may be known as a:
A) counter-culture.
B) para-culture.
C) cross-culture.
D) subculture.

Answer: D
Explanation: The values held by a subculture, such as employees of a corporation or a department within a company, may differ from those of the larger culture.
Difficulty: 1 Easy
Topic: Morals, Ethics, and Values
Learning Objective: 02-02 Distinguish among ethics, morals, and values. Cite several influences on group and individual values.
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25) Ethical Considerations come from:
A) authorities.
B) government.
C) elected leaders.
D) individuals/organizations.

Answer: D
Explanation: Ethical considerations generally spring from within the individual or organization.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
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26) As a result of cases like Enron, Congress passed the _____ Act which requires upper management of corporations to more closely supervise the accounting practices of their corporations.
A) Sarbanes-Oxley
B) Hatch-Williams
C) Burr-Collins
D) Obama-Clinton

Answer: A
Explanation: As a result of cases like Enron, Congress passed the Sarbanes-Oxley Act which placed greater responsibility on upper management to closely monitor the financial dealings and disclosures of firms in the United States.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
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27) Governments may impose on individuals or groups a set of duties through laws or regulations known as:
A) corporate bylaws.
B) ethical considerations.
C) societal norms.
D) legal mandates.

Answer: D
Explanation: Legal mandates are imposed on individuals or groups by authorities or governments.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
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28) A distinction between law and ethics is that legal mandates issued by a government are usually more _____ than ethical considerations.
A) precise
B) flexible
C) vague
D) flawed

Answer: A
Explanation: A distinction between law and ethics is that legal mandates are usually more precise.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
Bloom's: Remember
AACSB: Ethics
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29) The actions of corporations that are intended to demonstrate the corporate wish to behave in a compliant fashion take many forms and are conducted under the banner of:
A) corporate responsibility.
B) national mandate.
C) patriotic duties.
D) corporate governance.

Answer: A
Explanation: The actions of corporations that are intended to demonstrate the corporate wish to behave responsibly take many forms and are conducted under the banner of corporate responsibility.
Difficulty: 1 Easy
Topic: Responses to Ethical Issues
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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30) A code of ethics is also known as a(n):
A) covenant.
B) epilogue.
C) credo.
D) quantum.

Answer: C
Explanation: Some firms or industries establish a code of ethics, sometimes called a credo or a values statement, that sets down the principles of ethical behavior expected of personnel in various situations.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
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31) A(n) _____ makes clear that the company expects all of its personnel to recognize the ethical expectations of corporate policies and actions.
A) articles of organization
B) regulation
C) articles of incorporation
D) code of ethics

Answer: D
Explanation: A code of ethics makes clear that the company expects its personnel to recognize the ethical dimensions of corporate policies and actions.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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32) Some firms or industries have established a code of ethics, sometimes called a *credo*. The objective of a code of ethics is to:
A) establish guidelines in dealing with suppliers.
B) define the corporate tax rate that the corporation will be subject to.
C) specify the principles of ethical behavior expected of its employees.
D) establish rules for management to follow in dealing with employee grievances.

Answer: C
Explanation: A code of ethics is a set of rules that a company or other group adopts to express principles of ethical behavior that are expected from all of its personnel.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
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33) The U.S. Office of Government Ethics is concerned with all of the following topics, except:
A) conflicting financial interests.
B) consumer protection.
C) financial disclosure.
D) misuse of position.

Answer: B
Explanation: The U.S. Office of Government Ethics is concerned with the following topics: conflicting financial interests, misuse of position, financial disclosure, and impartiality in performing official duties.
Difficulty: 2 Medium
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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34) Incentives for corporations to act more ethically and reduce their legal liability are provided by the:
A) Uniform Commercial Code.
B) Foreign Corrupt Practices Act.
C) Federal Sentencing Guidelines.
D) Federal Indictments Act.

Answer: C
Explanation: The Federal Sentencing Guidelines provide an incentive for corporations to act more ethically.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
AACSB: Ethics
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35) American firms are prohibited from bribing foreign officials under the:
A) Federal Indictments Act.
B) Foreign Corrupt Practices Act.
C) Federal Sentencing Guidelines.
D) Uniform Commercial Code (UCC).

Answer: B
Explanation: The Foreign Corrupt Practices Act prohibits American firms from bribing foreign officials.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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36) All of the following are examples of self-regulatory standards of conduct created by trade associations, EXCEPT:
A) telephone marketing.
B) sweepstakes.
C) marketing to children.
D) billboard marketing.

Answer: D
Explanation: The Direct Marketing Association (DMA) provides self-regulatory standards of conduct for some of the following activities: telephone marketing, sweepstakes, fund-raising, marketing to children, and the collection and use of marketing data.
Difficulty: 2 Medium
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Understand
AACSB: Ethics
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37) The threat of legal prosecution and penalties against a corporation or employee:
A) creates a basis to withhold information from shareholders or owners.
B) helps to eliminate all unethical corporate practices.
C) has caused an increase in unethical practices.
D) does not eliminate all unethical corporate practices.

Answer: D
Explanation: The threat of legal prosecution and penalties does not eliminate all unethical practices.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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38) Sometimes, the driving force for ethics reform of a corporation may be a(n):
A) ethics guru.
B) master salesperson.
C) shareholder or owner of a corporation.
D) whistleblower.

Answer: D
Explanation: The threat of legal prosecution and penalties does not eliminate all unethical practices. Sometimes the driving force for reform may be the individual whistleblower.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

39) A person who reveals to a governmental authority, or to news media, information regarding some illegal wrongdoing or conduct that he or she regards as unethical is called a(n):
A) ethics guru.
B) whistleblower.
C) quality assuror.
D) shareholder.

Answer: B
Explanation: A whistleblower is a person who reveals to a governmental authority, or to news media, confidential information concerning some wrongdoing or conduct that he or she regards as unethical and/or illegal.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
Bloom's: Remember
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40) Being a whistleblower is difficult and may require an individual to be confronted with an ethical _____ when considering reporting things.
A) statute
B) regulation
C) dilemma
D) quantum

Answer: C
Explanation: The whistleblower, too, may be confronted with an ethical dilemma. Often the choice is between remaining silent or revealing information that could result in adverse effects on the firm that may cause many coworkers to lose their jobs.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
Bloom's: Remember
AACSB: Ethics
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41) The federal government and many states have statutes that protect whistleblowers from:
A) profiting.
B) retaliation.
C) appraisal.
D) indictments.

Answer: B
Explanation: The federal government and many states have statutes that protect whistleblowers from retaliation.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
Bloom's: Remember
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42) The usual motivation behind an individual becoming a whistleblower is the outrage to a person's sense of:
A) knowledge.
B) self-esteem.
C) ethics.
D) confidence.

Answer: C
Explanation: With the possible exception of certain individuals who may have a personal grudge, the usual motivation behind whistleblowing is the outrage to a person's sense of ethics.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

43) Ethical beliefs are the foundation of many of our government's:
A) laws.
B) reports.
C) books.
D) religious practices.

Answer: A
Explanation: Ethical principles have been the foundation of many of our laws.
Difficulty: 1 Easy
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

44) Explain what the term whistleblower means. Give an example of a federal agency that has created incentives for whistleblowers.

Answer: A whistleblower is a person who reveals to a governmental authority, or to news media, confidential information concerning some wrongdoing or conduct that he or she regards as unethical and/or illegal. The information may have come to him or her in the course of employment or in other ways. The Securities and Exchange Commission ("SEC") and the Internal Revenue Service ("IRS") have programs to reward the reporting of illegal activities.
Difficulty: 2 Medium
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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45) YumBurger is an example of a corporation that dealt with a particular ethical issue, livable wages for its employees, and despite a legal mandate from the government, took what action?

Answer: YumBurger was required under the law to pay a minimum wage. After ethical consideration YumBurger chose to pay their workers more since they considered that the legal mandate did not solve the ethical problem.
Difficulty: 2 Medium
Topic: The Relationship Between Law and Ethics
Learning Objective: 02-03 Discuss the relationship between law and ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

46) Companies establish ethical compliance by doing what?

Answer: Firms or industries establish a code of ethics, sometimes called a *credo*, that sets down the principles of ethical behavior expected of its personnel in various situations.
Difficulty: 2 Medium
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

47) What is the importance of the Federal Sentencing Guidelines?

Answer: The Federal Sentencing Guidelines provide an incentive for corporations to act more ethically. Under this mandate, when an employee violates a law in the course of his or her employment, a firm can reduce its possible liability if it can show that it took action to develop moral guidelines for its employees.
Difficulty: 2 Medium
Topic: Responses to Ethical Issues
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
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48) What are the basic functions of the U.S. Office of Government Ethics?

Answer: The U.S. Office of Government Ethics is concerned with conflicting financial interests, misuse of position, financial disclosure, impartiality in performing official duties, and other areas of concern.
Explanation: The U.S. Office of Government Ethics is a federal agency that oversees ethics within the corporate world, including misuse of position and proper financial disclosures.
Difficulty: 1 Easy
Topic: Ethical Reasoning and Responses
Learning Objective: 02-04 Discuss the different types of ethical reasoning and provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

49) What are some non-legal penalties experienced by firms that engage in unethical practices?

Answer: Results may include unfavorable public relations, loss of consumer goodwill and confidence, and poor employee morale.
Explanation: Results of engaging in unethical behavior by a corporation may include unfavorable public relations, loss of consumer goodwill and confidence, and poor employee morale.
Difficulty: 1 Easy
Topic: Ways to Ensure Ethical Practices
Learning Objective: 02-05 Discuss some ways businesses can ensure ethical practices.
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