Test Bank for Dynamic Business Law 5th Kubasek

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***Dynamic Business Law, 5e* (Kubasek)**
Chapter 2 Business Ethics

1) Ethical conversation is primarily about finding the one and only right thing to do.

Answer: FALSE
Explanation: Ethical conversation is less about finding the one and only right thing to do than it is about finding the better thing to do.
Difficulty: 1 Easy Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

2) Business ethics is the application of ethics to the special problems and opportunities experienced by business people.

Answer: TRUE
Explanation: Ethics is the study and practice of decisions about what is good or right. Ethics guides us when we are wondering what we should be doing in a particular situation. Business ethics is the application of ethics to the special problems and opportunities experienced by business people.
Difficulty: 2 Medium Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

3) Business ethics and regular ethics are the exact same.

Answer: FALSE
Explanation: The definition of ethics is the study and practice of decisions about right and wrong while business ethics refers to the application of ethics to special problems and opportunities that business people face.
Difficulty: 2 Medium
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

4) Social responsibility of business deals with the expectations that a community would impose

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on a firm doing business in their community.

Answer: TRUE
Explanation: The social responsibility of business consists of the expectations that the community imposes on firms doing business inside its borders.
Difficulty: 2 Medium Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

5) Insurer American International Group (AIG) is well known in the insurance industry for its ethical business practices.

Answer: FALSE
Explanation: Because of risky bets it made insuring mortgage-backed securities, the company collapsed and received the largest federal bailout in U.S. history. AIG became the source of widespread public outrage when it paid out millions in bonuses two days before its bailout.
Difficulty: 2 Medium Page Ref: 17-18
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

6) The Foreign Corrupt Practices Act makes it unlawful for a U.S. person to make payments to a foreign official to obtain or retain business with any person.

Answer: TRUE
Explanation: The Foreign Corrupt Practices Act makes it unlawful for a U.S. person to make payments to a foreign official for the purposes of obtaining or retaining business with any person.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Diversity
Accessibility: Keyboard Navigation

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7) In some countries, businesses must pay bribes to receive supplies they need to stay in business.

Answer: TRUE
Explanation: In some countries, businesses must pay bribes to receive legitimate supplies. Although the business person may be morally opposed to paying bribes, the supplies are necessary to stay in business, so companies face an ethical dilemma.
Difficulty: 2 Medium Page Ref: 18
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Diversity
Accessibility: Keyboard Navigation

8) In an ethical analysis using the WH Framework referenced in the text, owners are the most important stakeholders and should receive the greatest consideration in decision making regardless of the type of problem addressed.

Answer: FALSE
Explanation: The WH framework considers whom the decision would affect, purpose for why we make decisions (values), and how to make ethical decisions.
Difficulty: 2 Medium Page Ref: 22
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

9) Under the WH framework the "W" stands for Who and the "H" stands for help.

Answer: FALSE
Explanation: The WH in the WH Framework stands for "Who" and "How".
Difficulty: 1 Easy
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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10) The terms shareholder and stakeholder have the same meaning.

Answer: FALSE
Explanation: The stakeholders of a firm are the many groups of people affected by the firm's decisions. Shareholders are the owners of the company, and are among many other stakeholders.
Difficulty: 1 Easy Page Ref: 23
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

11) The community in which a firm operates would not be considered a stakeholder of the firm.

Answer: FALSE
Explanation: The general community where a firm operates is a stakeholder of the firm.
Difficulty: 1 Easy Page Ref: 23
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

12) Ethical relativism is a theory of ethics that denies the existence of objective moral standards and teaches that individuals must evaluate actions on the basis of what they feel is best for themselves.

Answer: TRUE
Explanation: Ethical relativism is a theory of ethics that denies the existence of objective moral standards. According to ethical relativism, individuals must evaluate actions on the basis of what they feel is best for themselves.
Difficulty: 1 Easy
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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13) Consequentialism provides a rigid set of rules to follow regardless of the situation.

Answer: FALSE
Explanation: In contrast to absolutism, consequentialism does not provide a rigid set of rules to follow regardless of the situation. Rather, this ethical approach depends on the consequences.
Difficulty: 1 Easy Page Ref: 33
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

14) One form of consequentialism is utilitarianism.

Answer: TRUE
Explanation: Utilitarianism is one form of consequentialism that business managers may find useful.
Difficulty: 2 Medium Page Ref: 34
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

15) Law and business ethics serve as an interactive system that informs and assesses each other.

Answer: TRUE
Explanation: Business ethics guides decisions within firms and ethics help guide the law. Law and business ethics serve as an interactive system informing and assessing each other.
Difficulty: 2 Medium Page Ref: 21
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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16) In the Case Opener, a defendant sought to dismiss a plaintiff's case against Accutane arising from allegations that Accutane caused ulcerative colitis and irritable bowel syndrome. Which of the following court rulings was the result of the defendant's motion to dismiss based on statute of limitation grounds?
A) That because the plaintiff was not warned by her doctor of specific risks caused by the medication, the statute of limitations did not begin to run until she became aware of an advertisement discussing the risk.
B) That because the plaintiff was warned by her doctor of specific risks caused by the medication, the statute of limitations began to run prior to the time she became aware of an advertisement discussing the risk; and the statute of limitations barred her claim.
C) That the statute of limitations began to run on the plaintiff's claim when the risk of the drug was discovered by the manufacturer, not on the date on which the plaintiff became aware of the risk and that the statute of limitations, therefore, barred her claim.
D) That in lawsuits involving this type of drug, there is no statute of limitations because each day the plaintiff suffers from pain results in the beginning of a new cause of action.
E) That the defendant committed fraud preventing it from relying on the statute of limitations.

Answer: A
Explanation: The court found that given that Kendall's dermatologist was unaware of, and therefore did not warn her of, the risk of her condition resulting from Accutane, a reasonable person in the plaintiff's situation would not have been aware of the potential for the medication to cause her illness. Therefore, given that the plaintiff was not made aware of the connection between her illness and the medication until she saw the lawyer's advertisement, her lawsuit was timely.
Difficulty: 2 Medium Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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17) Which of the following presents a problem when considering the theory of ethics known as absolutism?
A) The questionable nature of the rules in most absolutist repositories seems overly flexible when applied to different situations.
B) The unquestionable nature of the rules in most absolutist repositories seems overly inflexible when applied to different situations.
C) The lack of objectivity.
D) The fact that most individuals associated with this theory have been proven to have acted to the detriment of their followers in one way or another.
E) The allegation that an excessive number of followers actually follow consequentialism.

Answer: B
Explanation: The unquestionable nature of the rules in most absolutist repositories seems overly inflexible when applied to different situations.
Difficulty: 2 Medium Page Ref: 33
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

18) Which of the following is the application of ethics to special problems and opportunities experienced by those in business?
A) Situational ethics
B) Consequentialism
C) Business ethics
D) Sarbanes-Oxley principles
E) Business utilitarianism

Answer: C
Explanation: Business ethics is the application of ethics to special problems and opportunities experienced by business people.
Difficulty: 1 Easy Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
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19) Economist Milton Friedman argued that the only social responsibility of business is:
A) to increase profits
B) to do right by others
C) to follow the law
D) to increase shareholder values
E) to not harm the environment

Answer: A
Explanation: Economist Milton Friedman believed that the only social responsibility of a business is to increase profits, effectively meaning that businesses have no social responsibility.
Difficulty: 1 Easy
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

20) A large company is about to lay off several people due to a struggling economy. The company must make some difficult decisions about laying off older workers who cost the company more money, or laying off the younger workers who cost the company less money but have the technical skills the company will ultimately need. The company is faced with a(n):
A) Ethical misfortune
B) Social responsibility
C) Ethical dilemma
D) Legal responsibility
E) Unfortunate dilemma

Answer: C
Explanation: Firms must sometimes deal with ethical dilemmas, those situations where there is no clear or right decision available.
Difficulty: 1 Easy
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
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21) An electrician working in a small town is the only electrician within a 100-mile radius. He knows that people who have medical equipment at home have the highest need for power, so he charges them double to fix problems with their electricity, compared with the average customer. The community is angry about this choice. This business practice is most likely:
A) Ethical because owners should focus only on the impact of decisions on the firm.
B) Ethical because it is not illegal for a company to set its prices based on maximizing profits.
C) Unethical because businesses operate in a community and communities have expectations for behavior of individuals, groups, and businesses.
D) Unethical because it is against the law for a company to charge one customer more than another.
E) Unethical because there is only one morally proper thing to do in any situation.

Answer: C
Explanation: Businesses operate in a community. Communities have expectations for behavior of individuals, groups, and businesses.
Difficulty: 3 Hard
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

22) A local Chamber of Commerce plans a seminar on "the social responsibility of business in our community." What does that term reference?
A) The responsibility of business to make profit for shareholders.
B) The responsibility of business to have annual meetings.
C) The expectations that the community imposes on firms doing business inside its borders.
D) The expectations of employees regarding wage rates.
E) The expectations of management in regard to adequate utility resources.

Answer: C
Explanation: The social responsibility of business consists of the expectations that the community imposes on firms doing business inside its borders.
Difficulty: 3 Hard Page Ref: 16
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Evaluate
AACSB: Ethics
Accessibility: Keyboard Navigation

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23) If a business decides to act outside of the prevailing ethical norms of that community:
A) It risks damage to its reputation and ill will.
B) There really is no risk to businesses since the community really needs the business to survive.
C) It only has to worry about the legal implications of its actions.
D) It takes the chance the law will impose fines against it.
E) There should be no concerns because the business can move to another community if it needs to.

Answer: A
Explanation: If businesses decide to go against established community norms, they take the chance that they risk damage to their reputation that is associated with being identified as unethical and may cease to exist.
Difficulty: 2 Medium
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Evaluate
AACSB: Ethics
Accessibility: Keyboard Navigation

24) The Economist published an interview of 500 top American business executives, who listed four factors they believe are essential for profits and corporate citizenship to function as partners. These four factors are:
A) Compliance with community standards at all levels, focus on profit above ethics, community engagement, and a focus on fairness.
B) Ethics at all levels, leadership at all levels, community engagement at all levels, and a focus on profit as the ultimate goal for all levels.
C) Leadership at all levels, ethics at the upper level, community engagement at all levels, and positive employee/employer feedback.
D) Ethics at all levels, leadership at all levels, community engagement at all levels, and private ownership.
E) Leadership at all levels, employee engagement, rigorous measurement of achievement, and public-private partnerships.

Answer: E
Explanation: A report published by the Economist lists the results of interviews with 500 CEOs who identified four factors that executives believe are essential for profits and corporate citizenship to function as partners: leadership at all levels, employee engagement, rigorous measurement of achievements and public-private partnerships.
Difficulty: 3 Hard
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Evaluate
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25) Which of the following is a consideration in meeting the minimal standard for a firm to be considered an ethical business?
A) Meeting the requirements of deontology.
B) Meeting the requirement of the public disclosure test.
C) Meeting the requirement of utilitarianism.
D) Satisfying the company's board of directors.
E) Considering the legality of a decision when choosing the means of production.

Answer: E
Explanation: The legality of the decision in choosing a method of production, how to compete with competing firms, and the social responsibilities of the firm is the minimal standard that must be met for the firm to be an ethical business.
Difficulty: 1 Easy Page Ref: 18
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

26) In China, the practice of using *guanxi* is an integral part of doing business both to those firms already in the country and those working to get their firms into the country. *Guanxi* is built on reciprocity meaning:
A) You pay for another person's business debts to help them get back on their feet.
B) That certain parts of businesses must be registered first with the government.
C) Paying a bribe to an official is acceptable as part of the company's first obligation to enter the country.
D) If someone does a favor for you, you will be expected to return that favor in the future including access to partnerships, contracts and government officials.
E) Not paying a bribe and convincing a local company to illegally sell materials to them, since demanding bribes is unethical behavior.

Answer: D
Explanation: *Guanxi* is the Chinese practice that refers to a sort of relationship building and is intricate system of interpersonal networks woven together by social ties. The *guanxi* system is built on reciprocity and if someone does a favor for you, you are expected to return that favor including access to partnerships, contacts, and government officials to special considerations.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

27) A company pays bribes in foreign countries in order to conduct operations there. What legal consequences can the company face?

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A) No legal consequences as long as the bribe was legal in the country where it was paid.
B) No legal consequences as long as the company was acting in the best interests of shareholders.
C) No legal consequences as long as the company had no choice but to pay the bribe if it wished to do business in the foreign country.
D) Legal consequences under the Foreign Corrupt Practices Act.
E) Legal consequences under Glass-Steagall.

Answer: D
Explanation: In December 2008, multinational giant Siemens AG was ordered to pay the largest Foreign Corrupt Practices Act (FCPA) fine in history after admitting to acts of bribery worldwide.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

28) Which of the following is true regarding business ethics?
A) Business ethics refers to standards of business conduct but does not result in a set of correct decisions.
B) Business ethics results in a set of correct decisions and does not simply refer to standards of business conduct.
C) Business ethics produces a list of correct business decisions that all ethical businesses will make so long as the theory of deontology is followed.
D) Business ethics produces a list of correct business decisions that all ethical businesses will make so long as the theory of rule utilitarianism is followed.
E) Business ethics produces a list of correct business decisions that all ethical businesses will make so long as the theory of virtue ethics is followed.

Answer: A
Explanation: The definition of business ethics refers to standards of business conduct and does not result in a set of correct decisions.
Difficulty: 1 Easy
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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29) How do law and business ethics relate to each other?
A) Ethics is unrelated to the law because ethics answers only moral questions.
B) Ethics entirely determines what the laws will be, as ethics is focused on finding one right answer to every question.
C) The law establishes what is ethical, as anything which is legal is automatically ethical.
D) The law establishes ethical rules and boundaries, because laws take multiple stakeholders into consideration.
E) Law and business ethics serve as an interactive system, informing and assessing each other.

Answer: E
Explanation: Law and business ethics serve as an interactive system—informing and assessing each other. For example, our ethical inclination to encourage trust, dependability, and efficiency in market exchanges shapes many of our business laws.
Difficulty: 2 Medium Page Ref: 18-20
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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30) Which of the following is an example of how ethics shapes business laws?
A) Contract laws require parties to live up to promises because keeping promises is part of our ethical inclination to encourage trust.
B) Bribery is legal for U.S. companies doing business in foreign countries because respecting foreign cultures is part of our community ethics.
C) Business law requires companies to put profits above all else, because protecting the rights of shareholders is the ethically proper course of action.
D) Contract laws require parties to obey even unenforceable agreements because of our ethical belief that every promise must be kept at all times.
E) Bribery is legal for U.S. companies doing business in foreign countries because foreign businesses can pay bribes and our ethical inclination is to level the playing field for American businesses.

Answer: A
Explanation: Law and business ethics serve as an interactive system—informing and assessing each other. For example, our ethical inclination to encourage trust, dependability, and efficiency in market exchanges shapes many of our business laws. The principles of contract law facilitate market exchanges and trade because the parties to an exchange can count on the enforceability of agreements. Legal rules that govern the exchange have been shaped in large part by our sense of commercial ethics.
Difficulty: 3 Hard
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Evaluate
AACSB: Ethics
Accessibility: Keyboard Navigation

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31) Which of the following is true about how ethical conceptions shape business law and business relationships in different countries?
A) Ethics does not shape business law or business relationships because law and ethics are separate and not interrelated.
B) Business law and business relationships should be the same in all countries because ethics provides one correct answer to all questions.
C) Business law should be the same in all countries because protecting the rights of shareholders is always the ethically proper course of action.
D) Different ethical understandings exist in different countries, but fairness is the highest ethical standard so countries must create uniform laws.
E) Different ethical understandings prevail in different countries, so ethical conceptions shape business law and business relationships uniquely in each country.

Answer: E
Explanation: Different ethical understandings prevail in different countries. Thus, ethical conceptions shape business law and business relationships uniquely in each country.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

32) In the past 20 years there have been major accounting scandals that have impacted many companies resulting in the illustration that the business world cannot be allowed to regulate itself ethically and produced the Sarbanes-Oxley Act. Who were two of the major violators?
A) Ford Motor Company and WorldCom
B) WorldCom and Enron
C) Shell Corporation and Amazon
D) Enron and the SEC
E) Chrysler Corporation and WorldCom

Answer: B
Explanation: In Exhibit 2-1 the stories of Enron and WorldCom's downfall are laid out. Ethical violations were uncovered in the accounting practices of both of these companies who failed to report billions of dollars in lost profits which resulted in stockholders believing they were in a much better financial state than was actually the case.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

33) Which of the following is asserted by the principle of rights?

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A) That whether a business decision is ethical depends on how the decision affects the rights of all involved.
B) That whether a business decision is ethical depends on how the decision affects the rights of stockholders without consideration of other stakeholders.
C) That whether a business decision is ethical depends on how the decision affects the rights of employees without consideration of other stakeholders.
D) That whether a business decision is ethical depends on how the decision affects the overall economy.
E) That whether a business decision is ethical depends on how the decision affects the rights of organized labor without consideration of other stakeholders.

Answer: A
Explanation: The principle of rights asserts that whether a business decision is ethical depends on how the decision affects the rights of all involved, a principle that is foundational to Western culture.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

34) What is the system of "guanxi" used in China?
A) It refers to a system of relationship building woven together by social ties.
B) It refers to a system of strict ethical rules.
C) It refers to a prohibition against criticism of government rules and regulations.
D) It refers to a system by which business people attempt to avoid strict Chinese regulations.
E) It refers to a system of smuggling.

Answer: A
Explanation: "Guanxi" refers to a sort of relationship building and is an intricate system of interpersonal networks woven together by social ties.
Difficulty: 2 Medium
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Understand
AACSB: Diversity
Accessibility: Keyboard Navigation

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35) What do the letters "WH" mean in reference to the "WH Framework for Business Ethics" discussed in the text?
A) Who and How
B) When and How
C) Why and Hope
D) Who and Hope
E) Where and How

Answer: A
Explanation: The WH framework addresses whom a decision would affect and the guidelines on how to make ethical decisions.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

36) Which of the following is true under the WH process of ethical decision making?
A) The interest of consumers should always be put before employees and management.
B) The interest of owners and partners rank the highest because they put the capital into the business.
C) Community is always the last stakeholder to be evaluated in any ethical decision.
D) Though owners always have the highest level interest in any ethical business decision, managers and employees should be valued equally, then shareholders and the community.
E) One stakeholder should not be valued above another under the WH framework for business ethics.

Answer: E
Explanation: There is no ranking of stakeholders under the WH framework when ethical business decisions are being made by companies.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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37) Which of the following are stakeholders of a business?
A) Shareholders but not employees
B) Employees but not shareholders
C) Customers but not employees or shareholders
D) Management but not employees
E) Shareholders, employees, customers, and management

Answer: E
Explanation: The stakeholders of a firm are the many groups of people affected by the firm's decisions.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

[Environmental Concerns] Sana, the president of a company that makes paper, has an interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and has now felt compelled to change things at work. Sana had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited because it employs a very large number of people in the community, including the mayor's husband and the chief-of-police's brother. On her mission to clean things up, Sana has decided to go even further than the law requires and implement the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Jessica, had a meeting with Sana. Jessica told Sana to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Jessica told Sana that installing all the new equipment would result in higher prices for the company's paper product and could bankrupt the company because of foreign competition. Jessica hinted that Sana could be fired if she persisted. Jessica suggested that Sana should just be concerned with a minimal standard of ethics. Sana decides to go forward with her plan to clean things up under the theory that she wants to treat others in the same manner that she wants to be treated. Under Sana's theory, if she did not understand the importance of the environmental improvements, she would want them to be thrust upon her.

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38) Which statement is true regarding meeting the minimal standard of business ethics suggested by Jessica?
A) Decisions must be legal.
B) Decisions must meet the criteria of a follower of deontology.
C) Decisions must meet the criteria of a follower of utilitarianism.
D) Decisions must receive a majority vote of acceptance by employees.
E) Decisions must be legal and decisions must also receive a majority vote of acceptance by employees.

Answer: A
Explanation: The legality of the decision in choosing a method of production, how to compete with competing firms, and the social responsibilities of the firm is the minimal standard that must be met for the firm to be an ethical business.
Difficulty: 2 Medium Page Ref: 18
Topic: Business Law and Business Ethics
Learning Objective: 02-02 Recognize the relationship between business law and business ethics.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

39) Which of these would be a stakeholder in the above company?
A) The community only
B) The shareholders only
C) Future generations only
D) The community and shareholders only
E) The community, shareholders, and future generations

Answer: E
Explanation: The stakeholders of a firm are the many groups of people affected by the firm's decisions.
Difficulty: 3 Hard Page Ref: 23
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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40) Sana's idea is best referred to as _____.
A) The Golden Rule
B) The Disclosure Principle
C) The Help Peers Test
D) The Sarbanes-Oxley Rule
E) The Greenhouse Rule

Answer: A
Explanation: The Golden Rule is referenced as the idea that we should interact with other people in a manner consistent with the way we would like them to interact with us.
Difficulty: 3 Hard Page Ref: 26
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

41) Positive abstractions that capture our sense of what is good or desirable are called _____.
A) Ethical ideas
B) Values
C) Conscience demands
D) Desirable principles
E) Action goals

Answer: B
Explanation: Positive abstractions that capture our sense of what is good or desirable are called values.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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42) Ethical decision making has which of the following values?
A) Maximization of profits
B) Justice and profit maximization
C) Freedom, profit maximization, security
D) Freedom, security, justice, and efficiency
E) Freedom, security, and profit maximization

Answer: D
Explanation: Exhibit 2-3 "Primary Values and Business Ethics" outlines the primary value and business ethics which includes: freedom, security, justice, and efficiency.
Difficulty: 2 Medium Page Ref: 25
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

43) The idea that we should interact with other people in a manner consistent with the manner in which we would like them to interact with us is called the _____.
A) Equalization Rule
B) Ethical Realization Rule
C) Silver Rule
D) Golden Rule
E) Ten Commandments Rule

Answer: D
Explanation: The idea that we should interact with other people in a manner consistent with the manner in which we would like them to interact with us is called the Golden Rule.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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44) The Sarbanes-Oxley Act was signed into law by:
A) President Bill Clinton
B) President Barack Obama
C) President George Bush
D) President Richard Nixon
E) President Gerald Ford

Answer: C
Explanation: President George Bush signed into law in 2002 the Sarbanes-Oxley Act also known as The Corporate and Criminal Fraud Accountability Act.
Difficulty: 1 Easy
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

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45) Which of the following is true regarding activities of the Public Company Accounting Oversight Board?
A) The Board ensures that auditors and public accounting firms compile accurate and truthful financial reports for the companies they audit, but it has no responsibility in regard to whistle-blowing protection.
B) The Board requires that companies devise a system that allows employees to report suspicions of unethical behavior, but it does not address financial reports prepared by auditors and public accounting firms.
C) The Board requires that the universalization test be used as the primary ethical guideline and also mandates protection for whistle-blowers who report suspicious activity involving financial reports.
D) The Board ensures that auditors and public accounting firms compile accurate and truthful financial reports for the companies they audit and also requires that companies devise a system that allows employees to report suspicions of unethical behavior.
E) The Public Company Accounting Oversight Board was abolished during the Obama administration and no longer exists.

Answer: D
Explanation: As set forth in Exhibit 2-5, the Public Company Accounting Oversight Board is responsible for ensuring that auditors and public accounting firms compile accurate and truthful financial reports for the companies they audit. The act also requires that companies devise a system that allows employees to report suspicions of unethical behavior within the company. The act also protects these whistle-blowers from being fired or from retaliation by their employer for reporting a possible problem within the company.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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46) According to the text, which of the following may be a part of the "how" in the WH process of decision making?
A) Public disclosure, universalization, security, and the Golden Rule
B) Values, public disclosure, and security
C) Profit maximization, security, and public disclosure
D) Whistle-blowing, the Golden Rule, values, and public disclosure
E) Public disclosure, universalization, and the Golden Rule

Answer: E
Explanation: Exhibit 2-2, The WH Process of Ethical Decision Making, reflects that "public disclosure," "universalization," and the "Golden Rule" are all part of the *How* process in the WH Framework.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

47) According to the text, which of the following would not be considered in the "WHO" in the WH process of decision making?
A) Consumers and community
B) Employees and management
C) State and federal governments
D) Communities and future generations
E) Employees and owners

Answer: C
Explanation: Exhibit 2-2, The WH Process of Ethical Decision Making, does not contemplate state or federal governments as stakeholders in the process of ethical decision making.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
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48) The _____ of a firm are the many groups of people who are affected by the firm's decision?
A) State governmental entities
B) Federal governmental entities
C) Stakeholders
D) Corporate legal counsel
E) Accountants

Answer: C
Explanation: Stakeholders of a firm are the many groups of people who are affected by the firm's decision. Stakeholders include: owners or shareholders, employees, customers, management, community where the firm operates, and future generations.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

49) The "public disclosure" test for ethical behavior is sometimes referred to as the _____ test.
A) Television
B) Powell
C) Self-conscious
D) Golden
E) Primary

Answer: A
Explanation: The "public disclosure" test for ethical behavior is sometimes referred to as the television test because it requires us to imagine that our actions are being broadcast on national television.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
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50) A company has to dispose of bio-hazardous waste products. Dropping them in the landfill anonymously would be the cheapest solution, but the company does not do this because it is frightened of the bad publicity which could result if it was found out. In considering the possible complicity, the company's decision was shaped by the:
A) Public disclosure test
B) Profit motive
C) Golden rule
D) WPH Method
E) Universalization

Answer: A
Explanation: The public disclosure test refers to the fact that we tend to care what others think of us. Walgreens failed the public disclosure test when it illegally dumped waste products. Walgreens likely would have behaved differently had it considered the public disclosure test.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

51) A company has to dispose of bio-hazardous waste products. Dropping them in the landfill anonymously would be the cheapest solution, but the company does not do this because it is frightened that other companies might do the same and its workers would end up breathing in or drinking pollutants. In considering the possible complicity, the company's decision was shaped by the:
A) Public disclosure test
B) Profit motive
C) Golden Rule
D) WPH Method
E) Universalization test

Answer: E
Explanation: The universalization test causes companies to wonder: "Is what I am about to do the kind of action that, were others to follow my example, makes the world a better place for me and those I love?"
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Ethics
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52) Under the _____ test people are asked to consider what the world would be like were our decision copied by everyone else.
A) Propositions values
B) Profit motive
C) Globalization
D) Golden Rule
E) Universalization

Answer: E
Explanation: When stakeholders use the universalization test, the test asks stakeholders to consider what the world would be like were our decisions copied by everyone else.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

53) What does the value of freedom mean?
A) To possess a large enough supply of goods and services to meet basic demands
B) To possess the capacity or resources to act as one wishes
C) To treat all humans identically, regardless of race, class, gender, age and sexual preference
D) To possess anything that someone is willing to grant you
E) To maximize the amount of wealth in society

Answer: B
Explanation: In Exhibit 2-3, the value of freedom was also defined as "To Possess the capacity or resources to act as one wishes."
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
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54) What does the value of security mean?
A) To possess a large enough supply of goods and services to meet basic needs
B) To possess the capacity or resources to act as one wishes
C) To treat all humans identically, regardless of race, class, gender, age and sexual preference
D) To possess anything that someone is willing to grant you
E) To maximize the amount of wealth in society

Answer: A
Explanation: In Exhibit 2-3, the value of security was also defined as "To possess a large-enough supply of goods and services to meet basic needs".
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

55) What does the value of justice mean?
A) To possess a large enough supply of goods and services to meet basic demands
B) To possess the capacity or resources to act as one wishes
C) To treat all humans identically, regardless of race, class, gender, age and sexual preference
D) To be safe from those wishing to interfere with your property rights
E) To maximize the amount of wealth in society

Answer: C
Explanation: In Exhibit 2-3, the value of justice was also defined as "To treat all humans identically, regardless of race, class, gender, age, and sexual preference".
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
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56) What does the value of efficiency mean?
A) To possess a large enough supply of goods and services to meet basic demands
B) To possess the capacity or resources to act as one wishes
C) To treat all humans identically, regardless of race, class, gender, age and sexual preference
D) To be safe from those wishing to interfere with your property rights
E) To maximize the amount of wealth in society

Answer: E
Explanation: In Exhibit 2-3, the value of efficiency was also defined as "To maximize the amount of wealth in society".
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

57) The _____ for ethical behavior seeks consideration of what the world would be like if a decision is copied by everyone else.
A) Golden rule
B) Universalization test
C) Public disclosure
D) Relevant disclosure
E) World rule

Answer: B
Explanation: The universalization test for ethical behavior seeks consideration of what the world would be like if a decision is copied by everyone else.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Ethics
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58) Which is a true statement regarding actions taken by news corporations to protect confidential records?
A) News corporations are putting numerous security barriers and encryptions around their records so that nobody can gain access to them.
B) News corporations are attempting to protect information written by their own employees, but efforts are not made to protect confidential sources because constitutional protection does not extend to confidential sources.
C) News corporations are not bothering with security barriers to the extent as in previous decades because government regulation requires that information be turned over, and there is no point in taking drastic measures to protect such information.
D) New regulations make significant privacy barriers illegal in regard to news corporations, so many barriers have been or are being removed.
E) Because of the respect given to confidential records by the U.S. government and its enforcement agencies, news corporations see little need to enhance protection of confidential records.

Answer: A
Explanation: Now news corporations are putting numerous security barriers and encryptions around their records so that nobody can gain access to them.
Difficulty: 2 Medium
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Understand
AACSB: Technology
Accessibility: Keyboard Navigation

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[Accounting Advice] Chris, a newly hired Certified Public Accountant, was asked by a business client, a chief executive officer, about the effect of the Sarbanes-Oxley Act on an accounting issue. Chris assured the client that the client should not be concerned about the act because it is very vague, unspecific, and difficult to understand. Chris also told the CEO that the CEO could not be held personally responsible, regardless of what happened, because only company business was involved. Finally, Chris told the CEO that there is no oversight involved with the act. Later that same day, Chris's coworker discovered that the CEO had been involved in misstating some financial reports and had also destroyed financial documents to cover up fraud. An employee at the company, Olivia, had informed the coworker as well as the SEC. When the issue was mentioned to the CEO, he immediately fired Olivia.

59) Which statement is true regarding Chris's statement that the CEO could not be held liable for violations of the act?
A) Chris is correct. Under no circumstances can a CEO be held personally responsible for violations under the act. Any fines would be imposed upon the business entity.
B) Chris is incorrect. The act provides for harsh penalties, and a CEO who knows that the company's financial reports are incorrect but claims that they are truthful, can be heavily fined. There are no penalties, however, for destruction of financial documents.
C) Chris is incorrect. The act provides for harsh penalties, and a CEO who destroys or changes financial documents to mislead can be heavily fined. There are no penalties, however, for misstatements of a company's financial reports because the company is solely responsible for its statements.
D) Chris is incorrect, but any fine against a CEO under the act cannot exceed a nominal amount of $1,000.
E) Chris is incorrect. The act provides for harsh penalties, and a CEO who knows that the company's financial reports are incorrect, but who claims that they are truthful, can be heavily fined. Additionally, a CEO who destroys or changes financial documents to mislead can be heavily fined.

Answer: E
Explanation: As set forth in Exhibit 2-5, if the CEO or CFO knows that the company's financial reports are incorrect but claims they are truthful, or if he or she destroys or changes financial documents, the imposed fine can run into millions of dollars.
Difficulty: 3 Hard
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Reflective Thinking
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60) Which statement is true regarding the act and Olivia's firing?
A) The act does not provide protection for whistle-blowers such as Olivia.
B) The act provides protection for whistle-blowers only if it can be shown that a significant amount of money, in excess of $5,000, was involved in the incident involved.
C) The act provides protection for whistle-blowers only if it can be shown that a significant amount of money, in excess of $10,000, was involved in the incident involved.
D) The act provides protection for whistle-blowers who work for an accounting firm, but not for any other employees.
E) Olivia's whistle-blowing would be protected under the act, and her firing was illegal.

Answer: E
Explanation: As set forth in Exhibit 2-5, the Sarbanes-Oxley Act protects whistle-blowers from being fired or from retaliation by their employer for reporting a possible problem within the company.
Difficulty: 3 Hard
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

61) Does the Sarbanes-Oxley act create a board of oversight; and, if so, what is it called?
A) Chris is correct. No oversight board was created by the act.
B) Yes, a board called the Public Company Accounting Oversight Board was created by the act.
C) Yes, a board called the Public Accountability Commission was created by the act.
D) Yes, a board called the CPA Oversight Commission was created by the act.
E) Yes, a board called the Federal Accountability Commission was created by the act.

Answer: B
Explanation: As set forth in Exhibit 2-5, the Sarbanes-Oxley act created the Public Company Accounting Oversight Board.
Difficulty: 1 Easy
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

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62) _____ requires that we evaluate the morality of an action by putting ourselves in the position of the person that is facing the ethical dilemma.
A) Positive realism
B) Ethical relativism
C) Situational ethics
D) Kantian ethics
E) Relativity ethics

Answer: C
Explanation: Situational ethics requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

63) How is absolutism different from ethical relativism and situational ethics?
A) It applies utilitarianism.
B) It holds that a cost-benefit analysis should be applied.
C) It holds that whether an action is moral does not depend on the perspective of the person facing the ethical dilemma.
D) It applies virtue ethics and concentrates on the accepted values of the person at issue as well as those of the community involved.
E) It applies corporate ethics principles.

Answer: C
Explanation: Unlike ethical relativism and situational ethics, absolutism holds that whether an action is moral does not depend on the perspective of the person facing the ethical dilemma.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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64) Which statement is true concerning the relationship between ethical relativism and situational ethics?
A) Like ethical relativism, situational ethics requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma; but unlike ethical relativism, situational ethics allows us to judge other people's actions.
B) Like ethical relativism, situational ethics requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma and also like ethical relativism, situational ethics allows us to judge the actions of others.
C) While the two theories are similar, ethical relativism upholds the existence of objective moral standards whereas situational ethics refuses to recognize the existence of objective moral standards.
D) Ethical relativism and situational ethics are the same theory.
E) There is no relationship between ethical relativism and situational ethics because the theories are fundamentally opposed to each other.

Answer: A
Explanation: Like ethical relativism, situational ethics requires that we evaluate the morality of an action by imagining ourselves in the position of the person facing the ethical dilemma; but unlike ethical relativism, situational ethics allows us to judge other people's actions.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

65) _____ would see murder in the realm of self-defense as a moral action as long as the murderer believes that the action is justified for his self-preservation.
A) Ethical relativism
B) Deontology
C) Categorical imperative
D) Absolutism
E) Kantian

Answer: A
Explanation: Ethical relativism denies the existence of objective moral standards. For example, ethical relativism requires that we see murder as a moral action as long as the murderer believes that the action is best for himself or herself through self defense.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Ethics
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66) Unlike ethical relativism and situational ethics, _____ holds that whether an action is moral does not depend on the perspective of the person facing the ethical dilemma.
A) Ethical positivism
B) Moral responsibility
C) Social responsibility
D) Ethical absolutism
E) Absolutism

Answer: E
Explanation: Absolutism, or ethical fundamentalism, requires that individuals defer to a set of rules to guide them in the ethical decision-making process.
Difficulty: 1 Easy
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
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[Fast Food Dilemma] Aiden, who just started at his new job as an assistant manager at a fast-food restaurant, wants to make a good impression. He thinks that things are going well. On only the second day on the job, however, he sees his manager, Debbie, slink out of the restaurant with a big box of hamburgers. She puts them in her car and speeds away. Aiden is fairly certain that Debbie did not pay for the hamburgers. Aiden asks advice of his best friend, Kyle; his girlfriend, Mia; his sister, Katie; and his dad, Joe. Kyle says that there are no real objective standards and that Aiden should just decide to do what is best for himself. Mia says that Aiden should think about the consequences and focus on the greatest benefit to all involved. She believes that it will do no real harm for Aiden to keep his mouth shut because the fast-food restaurant is making plenty of money and probably does not pay Debbie enough anyway. Plus, getting in trouble with Debbie could cause problems at work, and if Aiden loses his job, Aiden and Mia might have to put off their impending marriage. Katie says that on balance, following the rule of producing the greatest good would mean that he should report Debbie to her boss because stealing does not generally produce the greatest satisfaction. Aiden's dad says that as a matter of principle, Aiden should report Debbie to her boss because stealing is simply wrong.

67) Which theory most accurately fits the advice given by Kyle?
A) Deontology
B) Act utilitarianism
C) Rule utilitarianism
D) Ethical relativism
E) Virtue ethics

Answer: D
Explanation: According to ethical relativism, individuals must evaluate actions on the basis of what they feel is best for them.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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68) Which theory most accurately fits the advice given by Mia?
A) Deontology
B) Act utilitarianism
C) Rule utilitarianism
D) Ethical relativism
E) Virtue ethics

Answer: B
Explanation: Act utilitarianism advises examining all the potential actions in each situation and choosing the action that yields the greatest amount of pleasure over pain for all involved.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

69) Which theory most accurately fits the advice given by Katie?
A) Deontology
B) Act utilitarianism
C) Rule utilitarianism
D) Ethical relativism
E) Virtue ethics

Answer: C
Explanation: Rule utilitarianism holds that general rules that *on balance* produce the greatest amount of pleasure for all involved should be established and followed in each situation.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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70) The advice given by Joe most accurately fits which theory?
A) Deontology
B) Act utilitarianism
C) Rule utilitarianism
D) Ethical relativism
E) Virtue ethics

Answer: A
Explanation: Deontology consists of acting on the basis of the recognition that certain actions are right or wrong, regardless of their consequences.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

71) _____ is one type of consequentialism.
A) Deontology
B) Categorical imperatives
C) Utilitarianism
D) Relativism
E) Activism

Answer: C
Explanation: Utilitarianism is one form of consequentialism that requires that we inquire about the consequences to relevant people of our making a particular decision.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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72) Kantian ethics is associated with which of the following ethical theories?
A) Deontology
B) Act utilitarianism
C) Rule utilitarianism
D) Absolutism
E) Situational ethics

Answer: A
Explanation: When you see references to Kantian ethics, the analysis that follows the reference will be a discussion of the most famous of the deontological approaches to business ethics.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

73) An ethical theory that urges managers to take those actions that provide the greatest pleasure after having subtracted the pain or harm associated with the action in question is called _____.
A) Deontology
B) Utilitarianism
C) Kantian ethics
D) Absolutism
E) Ethical relativism

Answer: B
Explanation: Like many consequentialist theories of ethics, utilitarianism urges managers to take those actions that provide the greatest pleasure after having subtracted the pain or harm associated with the action in question.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
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74) A manager who deceives employees because he believes that the deception maximizes pleasure over pain is acting consistently with which ethical theory?
A) Act deontology
B) Ethical relativism
C) Act utilitarianism
D) Ethical fundamentalism
E) Rule utilitarianism

Answer: C
Explanation: According to act utilitarianism, a manager who deceives an employee may be acting morally if the act of deception maximizes pleasure over pain for everyone involved.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Evaluate
AACSB: Ethics
Accessibility: Keyboard Navigation

75) A manager may think it is wrong to terminate a person whose spouse has a terminal illness because a company has an absolute obligation to support its employees when they are vulnerable. With which ethical theory is the business manager acting consistently?
A) Deontology
B) Ethical relativism
C) Act utilitarianism
D) Ethical fundamentalism
E) Rule utilitarianism

Answer: A
Explanation: Deontology consists of acting on the basis of the recognition that certain actions are right or wrong, regardless of their consequences.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Evaluate
AACSB: Ethics
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76) An employer who cheats on his payroll and federal withholding tax because he believes that everyone has a right to cheat on their payroll tax would believe in a(n) _____.
A) Utilitarianism
B) Ethical relativism
C) Categorical imperative
D) Fundamentalist approach
E) Deontology

Answer: C
Explanation: According to the categorical imperative, an action is moral only if it would be consistent for everyone in society to act in the same way.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Evaluate
AACSB: Ethics
Accessibility: Keyboard Navigation

77) What is a reason why the principle of deontology may be difficult to apply?
A) People disagree about what duties we owe to one another and which duties are more important.
B) People disagree about whether consequences are positive or negative.
C) People disagree about the ethics of care.
D) People disagree about what duties we owe to one another and also whether consequences are positive or negative.
E) People disagree about what duties we owe to one another, whether consequences are positive or negative, and about the ethics of care.

Answer: A
Explanation: Deontology is difficult to apply because people disagree about what duties we owe to one another and which duties are more important than others when they conflict.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
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78) The ethical system in which the development of virtues, or positive character traits such as courage, justice, and truthfulness, is the basis for morality is called _____.
A) Absolutism decision
B) Virtual analysis
C) Virtue ethics
D) Fundamentalist approach
E) Categorical imperative

Answer: C
Explanation: Virtue ethics is an ethical system in which the development of virtues, or positive character traits such as courage, justice, and truthfulness, is the basis for morality.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

79) The duties we owe others imply that humans have fundamental rights. This _____ is foundational to Western culture and asserts that whether a business decision is ethical depends on how the decision effects the rights of all involved.
A) Cost-benefit analysis
B) Rule of reason
C) Situational realism
D) Ethical relativism
E) Principle of rights

Answer: E
Explanation: The duties we owe others imply that human beings have fundamental rights based on the dignity of each individual. This principle of rights asserts that whether a business decision is ethical depends on how the decision affects the rights of all involved.
Difficulty: 2 Medium Page Ref: 36
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
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80) A difficulty with the application of virtue ethics is _____.
A) The applicable categorical imperatives
B) The lack of agreement about the meaning of "the good life"
C) The applicable principle of rights
D) The ethics of care analysis
E) The lack of agreement regarding which rules on balance produce the greatest amount of pleasure for the greatest number of people

Answer: B
Explanation: A difficulty with the application of virtue ethics is the lack of agreement about the meaning of "the good life."
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

81) Adherents of _____ believe that when one individual—the caregiver—meets the needs of one other person—the cared-for party—the caregiver is helping to meet the needs of all the individuals who fall within the cared-for party's web of care.
A) Deontology
B) Utilitarianism
C) Absolutism
D) Virtue ethics
E) Ethics of care

Answer: E
Explanation: Ethics-of-care theorists argue that when one individual, the caregiver, meets the needs of one other person, the cared-for party, the caregiver is actually helping to meet the needs of all the individuals who fall within the cared-for party's web of care.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
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82) (The) _____ maintains that the right course of action is the option most consistent with the building and maintaining of human relationships.
A) Ethics of care
B) Principle of virtue ethics
C) Deontology
D) Act utilitarianism
E) Rule utilitarianism

Answer: A
Explanation: The ethics of care maintains that the right course of action is the option most consistent with the building and maintaining of human relationships.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

83) Which of the following is not a theory of business ethics.
A) Ethical relativism
B) Absolutism
C) Consequentialism
D) Deontology
E) Profit motive

Answer: E
Explanation: Appendix 2 explains that ethical relativism, absolutism, consequentialism, and deontology are all theories of business ethics.
Difficulty: 1 Easy
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Remember
AACSB: Ethics
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84) If a company refuses to bribe a foreign official, even though bribery is necessary to do business in the foreign country, because the company believes bribery is always wrong regardless of consequences, the company is motivated by which theory of business ethics?
A) Ethical relativism
B) Absolutism
C) Consequentialism
D) Deontology
E) Profit motive

Answer: D
Explanation: Deontology consists of acting on the basis of the recognition that certain actions are right or wrong, regardless of their consequences.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

85) The argument that traditional moral hierarchies ignore relationships is a part of which theory of business ethics?
A) Ethics of care
B) Absolutism
C) Consequentialism
D) Deontology
E) Profit motive

Answer: A
Explanation: Those who adhere to an ethic of care argue that traditional moral hierarchies ignore an important element of life: relationships.
Difficulty: 2 Medium
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Apply
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86) Assume you are starting a new company. Write a code of ethics for the firm.

Answer: Student responses may vary. Johnson and Johnson's credo may serve as a guide.
Difficulty: 3 Hard
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Create
AACSB: Ethics
Accessibility: Keyboard Navigation

87) Jillian is the president of a company that makes small parts for the automotive industry. Customers are primarily auto manufacturers. Jillian's cousin, Frank, works at the company as a sales representative. A promotion to the sales manager position is open. Frank has applied and so has Lisa, another sales representative. While both Frank and Lisa are good employees, they are skilled in different areas, but Lisa has better evaluations from supervisors. Lisa is great with technology and with placing orders. She does an excellent job in following through with ordering problems. She is willing to work weekends and after hours. Frank, on the other hand, is better with customer relations, and customers seem to like him better, but does not follow through on orders as well as Lisa does. Jillian is unsure who to promote. She has several concerns. Her first concern is that it would be expected by her family that Frank should be promoted because he is family. Jillian's second concern is most customers are male, and Jillian suspects that the company's customers would respond better to Frank and purchase more parts from Frank because Lisa is female. Finally, Lisa and Jillian are childhood friends who are very close and Jillian knows that Lisa could use the extra money as a single mother. Define and discuss the WH framework for business ethics, and within that framework propose a solution. Be sure to fully address the populations, purposes, and guidelines included within "W" and "H."

Answer: Students should reference the WH process of decision making by identifying stakeholders, values, and guidelines. Students should also propose a solution. Solutions may vary.
Difficulty: 3 Hard Page Ref: 22
Topic: The WH Framework for Business Ethics
Learning Objective: 02-03 Analyze business decisions using the WH framework.
Bloom's: Create
AACSB: Ethics
Accessibility: Keyboard Navigation

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88) Summarize the following ethical principles:

(a). Ethical relativism
(b). Situational ethics
(c). Consequentialism
(d). Deontology
(e). Virtue ethics
(f). Ethics of care

Answer:
(a). Ethical relativism - Asserts that morality is relative.
(b). Situational ethics - Requires that when we evaluate whether an action is ethical, we imagine ourselves in the position of the person facing an ethical dilemma.
(c). Consequentialism - Considers the consequences (i.e., harms and benefits) of making a particular decision.
(d). Deontology - Recognizes certain actions as right or wrong regardless of the consequences.
(e). Virtue ethics - Encourages individuals to develop virtues (e.g. courage and truthfulness) that guide behavior.
(f). Ethics of care - Holds that ethical behavior is determined by actions that care for and maintain human relationships.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Understand
AACSB: Ethics
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89) Nora's roommate, Abigail, is getting ready to go out. Abigail had her hair styled and bought a new dress. Abigail asks Nora how she looks. Unfortunately, the stylist did a terrible job and the new dress is extremely unflattering. Abigail has no time to change. Discuss what Nora would say to Abigail, and why, under the following principles:

(a). Deontology
(b). Act utilitarianism
(c). Rule utilitarianism
(d). Virtue ethics

Answer: Student answers will likely vary based upon the application of the facts to the ethical principles involved. Following are suggestions:

(a). Under the principle of deontology, which consists of acting on the basis of the recognition that certain actions are right or wrong regardless of consequences, students will likely say that Abigail should be told the truth.
(b). Act utilitarianism says that the action that yields the greatest amount of pleasure over pain for all involved should be chosen. Under this principle, Abigail would likely be told that she looks fine.
(c). Rule utilitarianism holds that general rules which, on balance, produce the greatest amount of pleasure for all involved should be followed in each situation. Students may say that deception does not generally produce the greatest satisfaction.
(d). Virtue ethics is an ethical system in which the development of virtues or positive character traits is the basis for morality. Students may say that it is virtuous to tell the truth, or some may say that it is more virtuous to spare Abigail's feelings.
Difficulty: 3 Hard
Topic: Theories of Business Ethics
Learning Objective: 02-04A Recognize the theories of business ethics.
Bloom's: Analyze
AACSB: Ethics
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90) What does a reference to the "social responsibility of business" mean? Should businesses consider community expectations, and why or why not?

Answer: The social responsibility of business consists of the expectations that the community imposes on firms doing business inside its borders. These expectations must be honored to a certain extent, even when a firm wishes to ignore them, because firms are always subject to the implicit threat that legislation will impose social obligations on them. So, if the community expects businesses to obey certain standards of fairness even when the standards interfere with profit maximization, firms that choose to ignore that expectation do so at their peril.
Difficulty: 2 Medium Page Ref: 16-17
Topic: Business Ethics and Social Responsibility
Learning Objective: 02-01 Distinguish between business ethics and the social responsibility of business.
Bloom's: Understand
AACSB: Ethics
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