Test Bank for Business Law and the Legal Environment Standard Edition 7th Beatty

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1. Ethics is the study of how people should act.
   a. True
   b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

2. Life Principles are set by your parents and do not change over time.
   a. True
   b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

3. Ethical behavior always pays off financially for businesses.
   a. True
   b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

4. Unethical behavior is a bar to financial success.
   a. True
   b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

5. John Akers, former chairman of IBM, argued that ethics are not important to economic competitiveness.
   a. True
   b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

6. Society is hurt when business managers behave ethically.
   a. True
   b. False
ANSWER: False
POINTS: 1
DIFFICULTY: Easy

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KEYWORDS: Bloom's: Comprehension

7. Researchers who study happiness find that good health, companionship, and enjoyable leisure activities all contribute more to happiness than money does.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

8. Generally speaking, managers feel better about themselves when they behave ethically.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Comprehension

9. Research indicates that consumers are willing to pay more for a product that they believe to be ethically produced.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

10. A company that engages in unethical behavior may suffer severe consequences.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Comprehension

11. Wever, Inc. is considering relocating a facility to Mexico. The interests of the various stakeholders affected by this decision may conflict.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

12. Utilitarian ethics holds that decisions should be made on the basis of practicality, and whatever action is most convenient should be favored.

a. True

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b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

13. Deontologists would agree that the increasing medical concern over obesity in the United States justifies federal regulation of high fat, high sugar, low nutrition food advertising during children's television programs.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

14. Immanuel Kant was a German philosopher who was a proponent of utilitarian ethics.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

15. Under utilitarian ethics, if a decision maximizes happiness in the most people and minimizes pain, it is ethical

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

16. What is ethics?

a. Always telling the truth
b. The study of how people should behave
c. Following the law
d. The rules by which you live your life

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

17. Dahlia is in the process of developing her set of Life Principles. She asks you for your advice. Which of the following statements will you tell Dahlia is important for her to follow when developing her Life Principles?

a. The focus of her Life Principles should reflect what the law says is "right" or "wrong."
b. It is better to develop Life Principles that are general in nature rather than ones that are too specific.
c. Her Life Principles should be based on her own values.

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d. Her Life Principles should be based on the moral standards dictated by society.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

18. Which person argued that a corporate manager's primary responsibility is to the shareholders of the organization and that managers should make the company as profitable as possible while also complying with the law?

a. John Rawls
b. John Stuart Mill
c. Immanuel Kant
d. Milton Friedman

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

19. John Johnson is a customer of company ABC. As such, John is a(n)

a. shareholder.
b. customer and stakeholder.
c. customer only.
d. stakeholder only.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

20. Which of the following is NOT a stakeholder?

a. a business competitor.
b. shareholders.
c. employees.
d. customers.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

21. Which of the following statements *best* exemplifies how society as a whole benefits from ethical behavior?

a. Consumers are willing to pay more for a product they believe to be ethically produced.
b. People feel better when they behave ethically.
c. Unethical behavior can be very costly.
d. Ethical behavior builds trust which is important in all of our relationships.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

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22. When Shoes International went out of business after some serious and unethical accounting errors, its accounting company also closed its doors. 123Jump, a French company, was concerned that the unethical behaviors that occurred were an American problem, so it cancelled its business with another American accounting company and used a French one instead. Who was harmed by Shoes International's unethical behavior?

a. only Shoes International
b. only Shoes International and the accounting firm it used
c. Shoes International, the accounting industry and the United States
d. only 123Jump

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

23. How does unethical behavior in an organization affect its workforce?

a. It instills fear in employees making them more productive.
b. It helps workers focus on the goal of profitability.
c. It creates a workforce that is more informed and therefore, motivated.
d. It creates a workforce that is cynical and resentful.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

24. Does ethical behavior maximize profitability?

a. Yes, there is concrete evidence that ethical behavior will always maximize profitability.
b. No, there is concrete evidence that unethical companies will always outperform ethical companies.
c. Although there is no guarantee that ethical behavior pays in the short or long run, there is evidence that the ethical company is more likely to win financially.
d. There is strong evidence that ethical behavior pays financially in the long run, but not in the short run.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

25. Why do many major corporations actively encourage ethical behavior?

a. Ethical behavior always leads to more profits.
b. Unethical behavior can quickly destroy a business.
c. Unethical acts are always illegal.
d. Unethical behavior always leads to a reduction in profits.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

26. John Stuart Mill believed that a correct decision was one that maximizes overall happiness and minimizes overall pain, thereby producing the greatest net benefit. This is the principle behind

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a. utilitarian ethics.
b. deontological ethics.
c. Rawlsian justice.
d. moral relativism.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

27. When evaluating the right decision, deontological ethics bases its value on the
a. results of doing something.
b. happiness derived in doing something.
c. reason for doing something.
d. rules of why something is done.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

28. What word is best associated with deontological ethics?
a. happiness
b. outcome
c. obligation
d. benefit

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Comprehension

29. According to Immanuel Kant, the truth should be told, no matter the outcome. This is the idea behind what he called
a. moral universalism.
b. the categorical imperative.
c. moral relativism.
d. the veil of ignorance.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

30. Which person held the belief that the circumstances into which we are born play an important role in our personal outcome?
a. Immanuel Kant
b. John Stuart Mill
c. Milton Friedman
d. John Rawls

ANSWER: d

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POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

31. John Rawls' suggestion that society should reward behavior that provides the most benefit to the community as a whole is referred to as

a. the difference principle.
b. the veil of ignorance.
c. moral universalism.
d. moral relativism.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

32. Haley is an accountant for a large hospital network. She knows that she could easily "skim" money from the organization to keep for herself and chances are she would not get caught. However, she keeps thinking about what would happen to her and her family if her actions went viral and appeared all over the Internet or in her local newspaper. What ethics test is Haley considering?

a. the social media test
b. the front page test
c. the public scrutiny test
d. the bystander test

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

33. _____ is the belief that some acts are always right or always wrong, whereas _____ is the belief that a decision may be right even if it is not in keeping with our own ethical standards.

a. Moral universalism; moral relativism
b. Moral relativism; moral universalism
c. Utilitarianism; deontological ethics
d. Deontological ethics; utilitarianism

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

34. What are the two types of moral relativism noted in your text?

a. absolute and relative
b. individual and societal
c. cultural and individual
d. practical and theoretical

ANSWER: c
POINTS: 1
DIFFICULTY: Easy

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KEYWORDS: Bloom's: Knowledge

35. Theo believes that everyone must develop his or her own ethical rules. So whereas he believes that gay marriage should be legal, he understands that other people might feel differently. Theo would be considered to be a(n) _____ relativist.

a. individual
b. issue-oriented
c. cultural
d. societal

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

36. A recent study found that more creative people tend to be less ethical. Why is this so?

a. Creative people are better at rationalizing their bad behavior.
b. Creative people don't care about profitability.
c. Creative people are capable of coming up with more ways to be unethical.
d. Creative people are not loyal to the organization.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

37. Jamal was recently hired as a sales representative for a pharmaceutical company. He notices that all the other sales reps "pad" their expense accounts by claiming meals with clients that never took place and then pocket the extra money. Jamal figures that since everyone else is cheating on their expense accounts, he might as well do the same. What ethics trap is Jamal falling into?

a. following orders
b. competition
c. conformity
d. lost in a crowd

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

38. Your text outlines three practices to help us avoid ethical traps: slow down, remember your Life Principles, and

a. focus on the matter at hand.
b. do not trust your first instinct.
c. think about what society expects.
d. go with your gut reaction.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
KEYWORDS: Bloom's: Knowledge

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39. Your co-worker, Bill, comes into the office and tells you that he is going to play "hooky" and go golfing believing that the boss will think he is out calling on clients. When your boss comes in, he asks you where Bill is and you reply "I saw him in the office earlier this morning, but I haven't seen him lately." What would Kant call this misleading statement?

a. a palter
b. a categorical imperative
c. a veil of ignorance
d. an ethical omission

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

40. According to Michael Porter, a company should not undertake a corporate social responsibility project unless

a. it is profitable for the company in its own right.
b. it improves the company's reputation.
c. it truly makes a difference in the world.
d. it is absolutely necessary to do business.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Knowledge

41. Outline the beliefs of the various theories of ethics.

ANSWER:

- Utilitarian thinkers believe that the right decision maximizes overall happiness and minimizes overall pain.
- Deontological thinkers believe that the ends do not justify the means. Rather, it is important to do the right thing, no matter the result.
- With his categorical imperative, Kant argued that you should not do something unless you would be willing to have everyone else do it too.
- John Rawls asked us to consider rules we would propose for society if we did not know how lucky we would be in life's lottery. He called this situation “the veil of ignorance.”
- Under the Front Page Test, you ask yourself what you would do if your actions were going to be reported publicly online or offline.

POINTS: 1
DIFFICULTY: Challenging
KEYWORDS: Bloom's: Comprehension

42. Tianhui was recently hired as a sales representative by Oxtron, Inc. Before leaving on his first sales trip, a number of the other sales representatives take Tianhui aside and tell him that it is customary for the sales representatives to "pad" (increase) their expense reports each month by 20%. Use utilitarian ethics to decide what Tianhui should do about the expense report he submits to Oxtron.

ANSWER: According to utilitarian ethics, Tianhui could justify padding his report because:

- It will increase his overall happiness.
- Increase in pay will help him feel better about going on trips, and make him more

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successful.
- Help him “fit in” with the other sales staff, increasing morale for all.
- The end result will be better because he will more likely stay with this job, decreasing employee turnover costs.

POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

43. What are Life Principles and what should one consider when developing his or her own Life Principles?
ANSWER: Life Principles are the rules by which people live their lives. People's Life Principles should be based on their own values and should include their rules on lying, stealing, cheating, applying the same or different standards at home and work, and their responsibility as a bystander when they see other people doing wrong. In addition, Life Principles should be specific rather than general. It is also important to keep in mind that no matter what you *say*, every ethics decision you make illustrates your *actual* Life Principles.

POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Comprehension

44. Oxtron, Inc. is considering establishing a program that actively encourages ethical behavior. What reasons would support Oxtron's adoption of an ethics program?
ANSWER: The following reasons support an ethics program: (1) society as a whole benefits from ethical behavior; (2) people feel better when they behave ethically; (3) unethical behavior can be very costly; and (4) ethical behavior is more likely to pay off with a better reputation, more creative and cooperative employees, and higher returns than companies that engage in wrong-doing.
POINTS: 1
DIFFICULTY: Moderate
KEYWORDS: Bloom's: Application

45. Explain the meaning of the following ethics traps: rationalization, conformity, following orders, lost in a crowd, and blind spots.
ANSWER:

Rationalization: When we do something wrong, we tend to be creative at explaining why it did not really count. In other words, rationalizing our behavior. Some common rationalizations are: "If I don't do it, someone else will," "Just this once," or "This is someone else's responsibility."

Conformity: Conformity is the notion that "Everybody else is doing it." Because humans are social animals, they are often willing to follow the leader. So if an employee notices everyone else acting in an unethical manner, he or she may follow (or conform) to that behavior.

Following Orders: When someone in authority issues orders, even to do something clearly wrong, it is very tempting to comply. Fear of punishment, the belief in authority figures, and the ability to rationalize all play a role.

Lost in a Crowd: When in a group, people are less likely to take responsibility, because they assume (hope?) that someone else will. They tend to check the reactions of others and, if everyone else seems calm, they assume that all is right. Bystanders are much more likely to react if they are alone and have to form an independent judgment.

Blind Spots: We all have a tendency to ignore even blatant evidence that we would rather not know.

POINTS: 1
DIFFICULTY: Challenging

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