

Business Essentials, 10e (Ebert/Griffin)

Chapter 2 Understanding Business Ethics and Social Responsibility

1) Ethics are beliefs about what is right and wrong.

Answer: TRUE

Explanation: Ethics are beliefs that guide behavior that is right and good.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

2) Business ethics refers to ethical or unethical behaviors by employees in the context of their personal lives.

Answer: FALSE

Explanation: Business ethics are ethical or unethical behaviors by employees in the context of their jobs.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

3) The standards of behavior that guide managers in their work are called employee ethics.

Answer: FALSE

Explanation: Managerial ethics are standards of behavior that guide individual managers in their work.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

4) Some ethical and unethical behaviors fall into gray areas, while others are widely agreed upon.

Answer: TRUE

Explanation: An example is the situation where an activity may be seen as unethical by some people but as a smart business practice by other people.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

5) A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.

Answer: TRUE

Explanation: Employees need to be aware of the potential for conflict of interest when dealing with suppliers, for example.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

6) Accepting and offering bribes is a normal part of doing business in some parts of the world.

Answer: TRUE

Explanation: In many countries, accepting and offering bribes is a normal part of doing business.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

7) The proactive approach to social responsibility argues that profits should not be spent on social programs.

Answer: FALSE

Explanation: Firms with a high proactive approach to social responsibility actively seek ways to contribute to their communities.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

8) Ethical values do not vary from person to person.

Answer: FALSE

Explanation: Because ethics are based on both individual beliefs and social concepts, they may vary from person to person, situation to situation, and culture to culture.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

9) What constitutes ethical behavior is determined entirely by the individual.

Answer: FALSE

Explanation: Ethical and unethical behavior is determined partly by the individual and partly by the culture.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

10) An individual's personal code of ethics is shaped by his or her life experiences.

Answer: TRUE

Explanation: Experience can guide individuals toward the "right" ethics responses; a cited example is Johnson & Johnson employees' reaction in the Tylenol case.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

11) Some actions may be illegal, yet considered ethical.

Answer: FALSE

Explanation: Unethical actions include those that are illegal. Illegal activities are always considered unethical but some legal activities are also considered unethical.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

12) A manager who discriminates against African Americans in hiring exhibits both unethical and illegal behavior.

Answer: TRUE

Explanation: Discrimination on racial grounds is both unethical for its own sake as well as illegal by standards of the law.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

13) Most companies have policies that forbid buyers from accepting gifts from suppliers.

Answer: TRUE

Explanation: Such gifts may be construed as being bribes to induce favoritism.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

14) Ethical standards relating to business practices are fairly consistent around the world.

Answer: FALSE

Explanation: Global variations in business practices are a problem; in many countries, for example, bribes are a normal part of doing business.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

15) Most companies have concluded that ethics training programs are not worthwhile.

Answer: FALSE

Explanation: Most analysts agree that companies must take the chief responsibility for educating employees on ethical behavior.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

16) A business's social responsibility to investors includes following proper accounting procedures.

Answer: TRUE

Explanation: Further, managers should be accurate and candid in assessing future growth and profitability, and they should avoid even the appearance of impropriety in any reporting.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

17) In the United States, there are increased expectations for a greater social role for business.

Answer: TRUE

Explanation: Critics, for example, are calling for tighter standards for business practices and increased control on accounting procedures.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

18) A company that does not act responsibly toward its customers may lose their trust and ultimately their business.

Answer: TRUE

Explanation: There are also many ways in which business is answerable to government control and regulation.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

19) The best stance toward social responsibility a company can take is a proactive one.

Answer: TRUE

Explanation: A proactive stance is the highest degree of social responsibility that a firm can exhibit.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

20) There is general consensus within the United States that social responsibility must take precedence over profits.

Answer: FALSE

Explanation: Opinions differ dramatically concerning the role of social responsibility as a business goal; some people oppose any business activity that threatens profits.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

21) Small businesses must answer many of the same social responsibility questions as big businesses.

Answer: TRUE

Explanation: Small businesses must answer many of the same questions as big businesses in the areas of ethics and social responsibility.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

22) Though an individual feels that his behavior is ethical, that behavior may still be considered unethical if social norms consider it to be so.

Answer: TRUE

Explanation: What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

23) The ethical norm of utility evaluates whether an act respects the rights of all parties.

Answer: FALSE

Explanation: The ethical norm of utility determines whether all relevant parties receive fair benefits.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

24) The most essential ingredient in encouraging ethical behavior in an organization is letting employees dictate ethical norms.

Answer: FALSE

Explanation: Top management support is the most critical element in encouraging ethical behavior in organizations.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

25) A whistle-blower is an outsider who reports publicly on the wrongdoings of companies.

Answer: FALSE

Explanation: A whistle-blower is someone within the company who knows about unethical or illegal behavior within the corporation and reports it to authorities.

Difficulty: Moderate

Objective: 2.6

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

26) The Consumer Bill of Rights is backed by numerous federal and state laws.

Answer: TRUE

Explanation: The six steps of the Consumer Bill of Rights make it easy to implement.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Compare and contrast different economic systems.

Skill: Concept

27) What are beliefs about what is right and wrong or good and bad called?

A) motivators

B) rules

C) cultures

D) ethics

E) laws

Answer: D

Explanation: D) Ethics are beliefs about what is right and wrong or good and bad in actions that affect others.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

28) Which of the following should be the first step in assessing ethical behavior in a certain situation?

- A) Seek the advice of managers.
- B) Make a judgment based on the outcome of the activity.
- C) Consider appropriate moral values.
- D) Collect facts related to the situation.
- E) Gather a range of opinions on the effectiveness of the policy.

Answer: D

Explanation: D) The first step in assessing ethical behavior is to gather the correct factual information.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

29) What is likely the single MOST effective step that a company can take to set ethical standards?

- A) Offer large cash awards for whistle-blowing.
- B) Suggest that employees take ethics training.
- C) Post ethical rules on bulletin boards.
- D) State that the workplace values diversity.
- E) Demonstrate support from top management.

Answer: E

Explanation: E) Perhaps the single most effective step a company can take in setting ethical standards is to demonstrate top management support of ethical standards.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

30) How do top managers BEST demonstrate a commitment to ethical business practices?

- A) by adopting written codes of ethics
- B) by reading employees' e-mails
- C) by decentralized decision-making practices
- D) by cooperating with other companies
- E) by monitoring employees' Web searches

Answer: A

Explanation: A) A common approach to formalizing top management commitment to ethical business practices is the adoption of a written code of ethics.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

31) Which statement about codes of ethics is FALSE?

- A) Fewer and fewer companies are adopting codes of ethics.
- B) Codes of ethics are determined by company managers.
- C) Some ethical responses can be learned through experience.
- D) Social responsibility involves providing quality products and pricing products fairly.
- E) Core principles and values should remain a constant characteristic of a company.

Answer: A

Explanation: A) The number of companies adopting an ethical code has risen sharply in the last thirty years.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

32) Which of the following statements is MOST likely to be included in a company's code of ethics?

- A) We reward high achievers.
- B) We strive for domination in the market.
- C) We achieve our objective by raising capital.
- D) We believe in our company brand.
- E) We reward all valuable contributions.

Answer: E

Explanation: E) This statement reflects a strong corporate value and a high ethical standard.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

33) What term refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment?

- A) business ethics
- B) socialization
- C) stakeholder consciousness
- D) social responsibility
- E) corporatization

Answer: D

Explanation: D) Social responsibility refers to the way in which a business tries to work responsibly within its social environment by benefiting all stakeholders.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

34) How often should an organization change its objectives?

- A) constantly
- B) infrequently
- C) every year
- D) every decade
- E) never

Answer: B

Explanation: B) The objectives of a business should change only occasionally.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the factors that influence decisions about organizational structure.

Skill: Concept

35) What is the term given to the groups, individuals, and organizations that are directly affected by the practices of an organization?

- A) primary agents of interest
- B) social auditors
- C) senior managers
- D) organizational stakeholders
- E) local communities

Answer: D

Explanation: D) Organizational stakeholders are the groups, individuals, and organizations that are directly affected by the practices of an organization.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

36) Advertising for which of the following products is MOST likely to have ethical ramifications?

- A) swimwear
- B) sporting equipment
- C) decaffeinated beverages
- D) books
- E) alcohol

Answer: E

Explanation: E) Laws regulate the advertisement of such items as underwear, condoms, alcohol, and firearms. There are also ethical considerations that extend beyond the legal requirements.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

37) What must every corporation do in maintaining and reporting its financial status?

- A) purchase stocks on margin
- B) use creative accounting practices
- C) support increased stock prices
- D) aim to maximize predicted profit margins
- E) conform to generally accepted accounting principles

Answer: E

Explanation: E) Every corporation must conform to generally accepted accounting practices (GAAP). This ensures that all corporations are held to the same standards for assessing their financial information.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Identify the basic concepts of and tools used for business accounting.

Skill: Concept

38) Which of the following occurs when someone uses confidential information to gain from the purchase or sale of stocks?

- A) identity theft
- B) a margin purchase
- C) insider trading
- D) collusion
- E) a guarantee

Answer: C

Explanation: C) Insider trading is the illegal practice of using special knowledge or confidential information about a firm for profit or gain.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Identify the basic concepts of and tools used for business accounting.

Skill: Concept

39) What does the Sarbanes-Oxley Act of 2002 require a chief financial officer to do?

- A) prevent insider trading
- B) engage in strategic management
- C) guarantee the accuracy of financial reporting
- D) hire a forensic accountant
- E) oversee the implementation of ethical standards

Answer: C

Explanation: C) The Sarbanes-Oxley Act of 2002 requires that the chief financial officer personally guarantee the accuracy of financial reporting.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Identify the basic concepts of and tools used for business accounting.

Skill: Concept

40) If a firm hides responsibility for wrongdoing, what type of stance are they taking toward

social responsibility?

- A) responsible
- B) obstructionist
- C) accommodative
- D) proactive
- E) moderate

Answer: B

Explanation: B) An obstructionist stance toward social responsibility means a company will do as little as possible to solve social or environmental problems.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

41) Which of the following is a way to tell how an organization is doing in meeting its social responsibility goals?

- A) governmental mandate
- B) executive summary
- C) social audit
- D) government initiative
- E) financial report

Answer: C

Explanation: C) A social audit is a systematic analysis of an organization's success in using funds earmarked for its social responsibility goals.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

42) What is the term for an activity that may benefit the individual to the detriment of his or her employer?

- A) agency dispute
- B) leadership challenge
- C) conflict of interest
- D) proactive stance
- E) ethical standard

Answer: C

Explanation: C) For example, many companies have policies that forbid buyers from accepting gifts from suppliers since such gifts might be construed as a bribe or an attempt to induce favoritism.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

43) Which of the following would NOT be included among the primary agents of interest with regard to a company's ethical behavior?

- A) stockholders
- B) unions
- C) bloggers
- D) customers
- E) competitors

Answer: C

Explanation: C) Primary agents of interest include customers, competitors, stockholders, suppliers, unions, and dealers. A business and its employees must consider ethical behaviors in its relationship with these groups.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

44) Which ethical norm considers whether a particular act optimizes the benefits to those who are affected by it?

- A) utility
- B) rights
- C) justice
- D) caring
- E) respect

Answer: A

Explanation: A) The ethical norm of utility considers whether a particular act optimizes the benefits to those who are affected.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

45) Which of the following is the BEST description of organizational stakeholders?

- A) competitors
- B) government regulators
- C) the officers and key employees of an organization
- D) individuals and businesses that own stock in a company
- E) individuals and groups that are directly affected by the practices of a company

Answer: E

Explanation: E) Individuals and groups that are directly affected by the practices of an organization are considered to have a "stake" in the company's performance.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

46) The CEO of Perry's Pizzeria, a rapidly growing restaurant chain, is committed to a high level of corporate social responsibility along with continued business success. Which action by the CEO would most enhance the company's reputation for social responsibility?

- A) using more nutritious but more expensive, ingredients
- B) cutting employees' wages and benefits to boost the company's stock price
- C) using marketing or advertising methods that would allow the company to discreetly reduce pizza size without also reducing the price
- D) packaging products in material that costs less, even if customers object to the change
- E) taking steps that would cause competitors to close their doors

Answer: A

Explanation: A) Although Perry's Pizzeria has a responsibility to make the best business decisions for its stakeholders (i.e., bring in a high profit for investors), being socially responsible requires making the best decision for the community as well. Purchasing nutritious ingredients that are expensive would benefit the company's reputation for social responsibility. Its effect on investor profits would also be an issue of contention for the company's CEO.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

47) Dara's Dress Shop was honored last year for its strong commitment to corporate social responsibility. Which of the following would MOST likely decrease the shop's chances of being recognized again this year?

- A) The shop has laid off two employees during the past six months.
- B) Fewer clearance sales have been offered to the public this year.
- C) An experienced ethics professional has been added to the Board of Directors.
- D) Many of the dresses are made from fabrics spun by unprotected child laborers.
- E) The shop has reduced its line of designer merchandise.

Answer: D

Explanation: D) A socially responsible company makes decisions in the area of human rights and employment standards in the workplace. Using unprotected child laborers for production goes against this tenet.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

48) Jana and Kate are the owners of an upscale jewelry boutique that offers unique and much-desired accessories in an affluent neighborhood. Jana and Kate are concerned, however, that the company's commitment to social responsibility has begun to diminish in various respects. How would this MOST likely be evident?

- A) Other local businesses may be forced to close their doors.
- B) The health of employees and their children is starting to suffer.
- C) Local investors and stakeholders seek to invest their money elsewhere.
- D) The boutique's customer base may decrease sharply due to moderate increases in price.
- E) Employees may begin making fewer charitable personal donations.

Answer: B

Explanation: B) If this trend is seen across the board for the company's employees, it likely indicates that working conditions for them are not good, or that they have insufficient health benefits with their job.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

49) Jordan is a recent college graduate with a degree in computer programming. He has just begun his first full-time job and is excited to apply the skills that he worked so hard to acquire. Though he excelled as a student, Jordan is anxious about how successful he will be as an employee. When an opportunity unexpectedly presents itself to take credit for a brilliant software program that someone else wrote, Jordan does not resist and claims the program as his own. Which of the following statements must be true about Jordan's decision?

- A) It was made with careful thought.
- B) It does not reveal anything about his beliefs or character.
- C) It raises questions about his personal ethics.
- D) It will strengthen his professional skills.
- E) It will not benefit him professionally.

Answer: C

Explanation: C) Personal ethics are the guiding principles that help you make ethical decisions in your life. Jordan's decision to take credit for, and essentially steal, someone else's invention reflects questionable personal ethics.

Difficulty: Moderate

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

50) Jordan is a recent college graduate with a degree in computer programming. He has just begun his first full-time job and is excited to apply the skills that he worked so hard to acquire. Though he excelled as a student, Jordan is anxious about how successful he will be as an employee. When an opportunity unexpectedly presents itself to take credit for a brilliant software program that someone else wrote, Jordan does not resist and claims the program as his own.

Which of the following would LEAST likely also happen along with Jordan's decision?

A) Other recently hired employees who learn of Jordan's dishonesty are hesitant to report him because they think he is the boss's favorite new employee.

B) After thinking deeply about his behavior, Jordan becomes better equipped to act ethically in the future.

C) Without recognizing his behavior as unethical, Jordan steals office supplies and reports more hours on his time sheet than he has actually worked.

D) The company's ethics committee agrees that employees should not be expected to tell the truth if honesty is not part of their personal ethics.

E) An employee who reports Jordan's dishonesty consequently suffers from psychological and emotional stress.

Answer: D

Explanation: D) Personal ethics are the guiding principles that help you make ethical decisions in your life. A company with an ethics committee holds ethical behavior and good character as a priority, not something to be overlooked.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

51) Why has climate change become a major issue for both business and government?

A) The body of scientific evidence is inconclusive.

B) The solutions to the problems are unanimous.

C) The weather patterns are becoming increasingly uniform.

D) The change in climate patterns affects the entire planet.

E) The effects are confined to national boundaries.

Answer: D

Explanation: D) Although climate change is occurring at a relatively mild pace at the moment, one possible outcome in the future of increased environmental damage is more rapid climate change.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

52) SeaBreeze Sailing Company manufactures sailboats for personal pleasure use. Which of the following would suggest that SeaBreeze Sailing Company is NOT committed to corporate social responsibility?

- A) Sailboats are available for customer rental only when weather conditions are safe.
- B) The boats are constructed from scarce or nonrenewable natural resources.
- C) Employees are provided with excellent vacation packages.
- D) The company engages in practices that benefit local investors.
- E) Advertisements for sailboat rentals contain correct pricing information.

Answer: B

Explanation: B) A company that is socially responsible makes decisions based on environmental concerns and would not use scarce or nonrenewable natural resources for product construction.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

53) Which one of the following organizations has as its primary function the regulation of advertising and pricing practices?

- A) Food and Drug Administration (FDA)
- B) Federal Trade Commission (FTC)
- C) Federal Communication Commission (FCC)
- D) Securities and Exchange Commission (SEC)
- E) Small Business Administration (SBA)

Answer: B

Explanation: B) The government, through the Federal Trade Commission, controls and regulates many business activities; irresponsible practices toward customers can result in government-imposed penalties and expensive civil litigation.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.5

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

54) What is it called when two or more firms agree to collaborate on wrongful acts?

- A) monopolizing
- B) consumerism
- C) collusion
- D) brokering
- E) business as usual

Answer: C

Explanation: C) A recent example of collusion occurred when the U.S. Justice Department charged three pharmaceutical firms with illegally controlling worldwide supplies and prices of vitamins.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

55) What is the term used to describe a situation when increased demand leads to overly steep and often unwarranted price increases?

- A) price fixing
- B) price matching
- C) price stabilization
- D) price gouging
- E) price comparison

Answer: D

Explanation: D) For example, when residents of a coastal area are warned about a possible hurricane, they often flock to retailers to stock up on bottled water and batteries; unfortunately, some retailers take advantage of this pattern by vastly marking up their prices.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss strategies for setting and adjusting prices.

Skill: Concept

56) Which of the following is NOT an element of green marketing?

- A) profitability
- B) sustainability
- C) production processes
- D) product modification
- E) packaging reduction

Answer: A

Explanation: A) The elements of green marketing include production processes, product modification, carbon offsets, packaging reduction, and sustainability.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

57) Which of the following has NOT been identified as a basic consumer right?

- A) a right to safe products
- B) a right to low prices
- C) a right to be heard
- D) a right to choose what they buy
- E) a right to be informed about a product

Answer: B

Explanation: B) Although low prices are a boon to the consumer and many companies are motivated to offer their products at low prices, low prices are not considered a basic consumer right.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

58) What is the term for an employee who detects and tries to put an end to a company's unethical, illegal, and/or socially irresponsible actions by publicizing them?

- A) fast-track manager
- B) whistle-blower
- C) corporate lookout
- D) government inspector
- E) blue sky thinker

Answer: B

Explanation: B) As whistle-blowers, employees generally contact the media or a particular regulatory agency.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.6

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

59) Chang is the CEO of a local furniture business. He is very committed to treating his customers with honesty and fairness. At the end of a long day, Chang knowingly accepts a \$20 bill that a customer accidentally hands him instead of a \$1 bill. Which of the following is MOST likely to be true of Chang?

- A) He has a highly developed set of personal ethics.
- B) His entire business is based on unethical principles.
- C) He has acted in a manner that runs counter to his business ethics.
- D) His personal ethics and business ethics are consistent.
- E) He learned his business ethics from his employees.

Answer: C

Explanation: C) It is dishonest and unethical to take more money than what is owed, which is essentially stealing. If Chang is normally committed to treating customers with honesty and fairness, this action runs counter to his ethics.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

60) What act was passed in 2002 as a response to a number of highly publicized accounting scandals?

- A) Sarbanes-Oxley Act
- B) McCain-Feingold Act
- C) Securities and Exchange Act
- D) Accounting Standards Act
- E) Dodd-Frank Act

Answer: A

Explanation: A) The Sarbanes-Oxley Act requires an organization's chief financial officer to personally guarantee the accuracy of all financial reporting.

Difficulty: Easy

Objective: 2.3

Learning Outcome: Identify the basic concepts of and tools used for business accounting.

Skill: Concept

61) What is the full meaning of the acronym GAAP?

- A) general action accounting points
- B) gradually accepted activity positions
- C) generally accepted accounting principles
- D) greater antagonistic action plans
- E) general action audit principles

Answer: C

Explanation: C) In maintaining and reporting its financial status, every corporation must conform to generally accepted accounting principles (GAAP).

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Identify the basic concepts of and tools used for business accounting.

Skill: Concept

62) Moia is a successful entrepreneur who owns several popular pastry shops. She often imports macadamia nuts from countries with poor economic conditions, which has furthered her desire to help improve the lives of the people living there. How can Moia BEST exhibit corporate social responsibility to the citizens of these nations?

- A) by including labels on her products indicating where the nuts come from
- B) by hiring people who have traveled to these nations
- C) by opening pastry shops in these countries that would create jobs for the citizens there
- D) by purchasing the nuts more regularly
- E) by shipping free pastries to these nations

Answer: C

Explanation: C) A company that is socially responsible makes ethical decisions in the area of ethical sourcing and procurement, and community and "good neighbor" policies.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

63) Moia is a successful entrepreneur who owns several popular pastry shops. She often imports macadamia nuts from countries with poor economic conditions, which has furthered her desire to help improve the lives of the people living there. Which of the following challenges would Moia likely find to be MOST central in seeking to run both a socially responsible and successful business?

- A) how to engage in fair marketing practices that are cost-effective
- B) how to pay her overseas workers fair wages, sell her pastries for less there, and still make the necessary profit
- C) how to obtain the best quality macadamia nuts at a much lower price than they are worth
- D) how to decrease employee benefits without experiencing subsequent complaints
- E) how to perform a social audit without taking up too much valuable work time

Answer: B

Explanation: B) Being socially responsible involves ethical sourcing and procurement, as well as making ethical decisions in human rights and employment standards in the workplace, but it is a skill to make these ethical decisions and continue to grow as a financially successful business.

Difficulty: Moderate

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

64) What is a social audit?

- A) an examination of a company's financial records to determine their conformance with GAAP
- B) a program to promote consumer activism
- C) an analysis by the government of a company's compliance with employment laws
- D) an analysis of a firm's success in using funds earmarked for meeting its social responsibility goals
- E) a check on consumer rights

Answer: D

Explanation: D) Occasional analyses will help businesses determine whether their social responsibility goals are being effectively and efficiently met.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

65) A husband and wife have just opened a gymnastics center, with the hope of training future Olympians. They desire to run their center in a socially responsible way. Which of the following should they certainly avoid?

- A) purchase of substandard gym equipment
- B) advertising methods intended to profit the center
- C) initiatives that decrease the satisfaction of investors
- D) doubling of enrollment fees for the program
- E) provision of attractive salaries for employees

Answer: A

Explanation: A) A socially responsible company makes ethical decisions with safety concerns. Substandard gym equipment hinders safety.

Difficulty: Moderate

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

66) Tiffany's Taffy Shop is known for its commitment to corporate social responsibility. However, the owner, Mrs. Wu, has learned that an employee has been unknowingly ordering candy wrappers that are harmful to the environment. How could Mrs. Wu BEST recover from this ethical lapse?

- A) by firing the employee immediately
- B) by seeking ways to remedy any harm that may have been caused
- C) by considering ethics training for all employees
- D) by ordering candy wrappers that are less expensive
- E) by decreasing the amount of taffy sold

Answer: B

Explanation: B) By seeking remedy for harm caused by the environmentally unsound candy wrappers, Tiffany will come back into alignment with the social responsibility tenet of making ethical decisions for the environment.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

67) Pamela is the manager of a local eyewear store. She wants to ensure that the ethical conduct of her employees is above reproach. Which of the following should Pamela avoid doing?

- A) underscoring the importance of ethics to all employees
- B) encouraging and equipping employees to follow the company's ethical standards
- C) modeling behavior that employees should adopt
- D) relying on management alone to report ethics violations
- E) ensuring that a strict code of ethics is in place

Answer: D

Explanation: D) Management at very high strategic levels needs to have a common vision communicated to the company as a whole of how to enforce a code of ethics.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

68) The Omega Group's mission statement conveys a primary commitment to compassionately improving the lives of elderly citizens. What is LEAST likely to be true of the company's ethical code?

- A) The company values the well-being of others.
- B) The company believes that all people have worth.
- C) The company prohibits age discrimination when hiring employees.
- D) The company expects and requires elderly citizens to contribute to society.
- E) The company prioritizes fair treatment of all human beings.

Answer: D

Explanation: D) The Omega Group's stated mission is to improve the lives of elderly citizens, not to expect them to contribute to society.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

69) Carla's Collegiate Exchange, a popular bookseller among university students, has just drafted its mission statement. The company seeks to sell books on a sliding scale based on a student's available income. What does this MOST likely reveal about the company's ethical code?

- A) The company believes financially challenged students should not be hindered from succeeding educationally.
- B) The company believes that poor individuals should be given a greater chance at success than are wealthy individuals.
- C) The company is indifferent to people's financial well-being.
- D) The company is not concerned with fostering the success of others.
- E) The company is most motivated by a desire for greater profits.

Answer: A

Explanation: A) This statement is in support of Carla's Collegiate Exchange and its mission to provide feasible financial options to low-income students.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

70) Wei-Yin runs a small, socially responsible business in which she sells her own watercolor paintings. Wei-Yin has a passion to help aspiring artists in her area achieve their dreams, but so far has assisted only a few of them. Which of the following would MOST likely be a reason for this?

- A) Wei-Yin does not have much time or money to devote to this desire.
- B) Wei-Yin is consumed with making a large profit in her business.
- C) Wei-Yin fears that helping more artists will mean more competition for her company.
- D) Wei-Yin does not have a sound ethical code in place.
- E) Wei-Yin does not wish to engage in corporate philanthropy.

Answer: A

Explanation: A) If Wei-Yin has an interest in helping other artists but does not carry it out fully, it is most likely because she is not able to fully pursue it with limited resources.

Difficulty: Moderate

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

71) The CEO of Perry's Pizzeria, a rapidly growing restaurant chain, is committed to a high level of corporate social responsibility along with continued business success. Which of the following would likely be a failure in the area of legal compliance for the pizzeria?

- A) Ingredients used in Perry's pan pizza are not as healthy as those of other companies' pizza.
- B) Female applicants are not hired for delivery jobs, even when they are capable of performing those duties.
- C) An employee is fired after she is caught stealing money from the cash register.
- D) Persons with certain food allergies are not hired as employees.
- E) Perry's signature dessert is advertised as being made from a popular chocolate bar.

Answer: B

Explanation: B) By law, businesses cannot practice a wide variety of forms of discrimination against people in any facet of the employment relationship. Examples in the text include discrimination based on sex, race, and ethnicity.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.5

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

72) Which of the following steps would be LEAST likely to help a business develop and maintain an ethical environment?

- A) Ensure that a mission statement is in place.
- B) Communicate standards of behavior to all employees.
- C) Implement ethics training programs.
- D) Offer orientation programs so that new employees understand the business's ethical standards.
- E) Trust that management-level employees will act ethically.

Answer: E

Explanation: E) An ethical environment is created by modeling ethical behavior, and to do this there needs to be clear communication of standards coming from the top down; it is not enough to trust that management will act ethically on its own.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

73) When evaluating a decision based on the ethical norm of utility, a manager is MOST likely to consider which of the following questions?

- A) Is the decision consistent with what we regard as fair?
- B) Does the decision respect the rights of the individuals involved?
- C) Is the decision consistent with people's responsibility to each other?
- D) Is the decision consistent with best management practice?
- E) Does the decision optimize the benefits for those who are affected by it?

Answer: E

Explanation: E) The ethical norm of utility addresses those affected by a decision and whether the decision optimizes what is best for those individuals.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

74) When evaluating a decision based on the ethical norm of rights, a manager is MOST likely to consider which of the following questions?

- A) Is the decision consistent with what we regard as fair?
- B) Does the decision respect the individuals involved?
- C) Is the decision consistent with people's responsibilities to each other?
- D) Does the decision optimize the benefits for those who are affected by it?
- E) Does the decision comply with current legislation?

Answer: B

Explanation: B) The ethical norm of rights addresses the rights of individuals involved with the decision and whether the decision respects those individuals' rights.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

75) What is the MOST effective step that a company can take to promote ethical behavior?

- A) conduct frequent comprehensive audits of all financial information
- B) have employees sign a code of conduct upon hiring
- C) demonstrate top management support of ethical standards
- D) publicize efforts to become more ethical
- E) survey employees on their personal ethical codes

Answer: C

Explanation: C) Such a policy contributes to a corporate culture that values ethical standards and announces that the firm is as concerned with good citizenship as with profits.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

76) Which of the following statements about corporate social responsibility is TRUE?

- A) It cannot legitimately be influenced by a company's competing interests.
- B) It does not include issues raised by marketing and advertising.
- C) It must be concerned only with the well-being of employees and consumers.
- D) Environmental matters must be addressed at the expense of profits.
- E) It benefits a business by increasing efficiency and sales.

Answer: E

Explanation: E) Having a strong and clear ethical policy, or taking part in corporate social responsibility, leads companies to use materials efficiently, minimize waste, and increase sales through product innovation and environmentally and ethically conscious labeling.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

77) Which of the following steps would be LEAST likely to help a business develop and maintain an ethical environment?

- A) Ensure that a mission statement is in place.
- B) Communicate standards of behavior to all employees.
- C) Implement ethics training programs.
- D) Offer orientation programs so that new employees understand the business's ethical standards.
- E) Trust that employees will act ethically.

Answer: E

Explanation: E) An ethical environment is created by modeling ethical behavior. It is not enough to trust that employees will already have sufficient ethical values in place.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

78) Which of the following questions would a company dedicated to increasing its level of corporate social responsibility be LEAST likely to ask?

- A) "How can we afford to pay our employees more?"
- B) "Should we offer more sales in order to better serve our customers?"
- C) "Can we purchase better quality ingredients while still making a profit?"
- D) "Which charitable donations will make our investors most happy?"
- E) "If our profits go up, can we lay off some of our employees?"

Answer: E

Explanation: E) A company's participation in a strong corporate social responsibility plan allows it to serve its local and global communities in the area of community and "good neighbor" policies, but it also ideally benefits the corporation's employees in a direct way too.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

79) Zach's company has appointed him to boost the business's level of corporate social responsibility. Which of the following would MOST likely be an appropriate step for Zach toward achieving this task?

- A) extending employees' hours while paying them the same
- B) placing less priority on the satisfaction of investors
- C) reducing the company's number of charitable contributions
- D) offering employees better health benefits while still increasing the company's profit
- E) suspending standards designed to protect the environment

Answer: D

Explanation: D) A company's participation in a strong corporate social responsibility plan allows it to serve its local and global communities in the area of human rights and employment standards in the workplace, but it also ideally benefits the corporation in a direct way.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

80) A university has filed a formal complaint against a local hospital for failing to be socially responsible in its treatment of university students completing internships there. Which of the following would most likely be a valid response by a hospital that was NOT guilty of this charge?

- A) "The responsibility to take disciplinary action against the supervisor who physically threatened the student interns lies with someone else."
- B) "Because sanitary conditions are very important, floors are mopped regularly and are sometimes left wet. We cannot be held responsible if student interns unfamiliar with this practice slip and injure themselves."
- C) "All student interns are clearly instructed to wear gloves and protective covering when handling blood samples that may endanger the interns' health."
- D) "We expect our student interns to work double shifts after a day of classes so that they will be well prepared for a career in the health professions."
- E) "Unforeseen budget cuts have forced us to revoke our contracts with student interns regarding hourly compensation."

Answer: C

Explanation: C) A socially responsible hospital makes decisions that promote health and safety, as well as maintain high employment standards in the workplace.

Difficulty: Difficult

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

81) Save-a-Bunch Hardware has tripled its prices for plywood and other building supplies after a tornado strikes the area. What business practice is Save-a-Bunch Hardware demonstrating?

- A) price gouging
- B) price wars
- C) price fixing
- D) collusion
- E) buying out competitors

Answer: A

Explanation: A) When firms respond to increased demand with overly steep prices, they are engaging in price gouging.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss strategies for setting and adjusting prices.

Skill: Application

82) IBP, a leading meat-processing firm, has a long record of breaking environmental protection, labor, and food processing laws and then trying to cover up its offenses. What type of stance has IBP adopted to social responsibility?

- A) accommodative
- B) obstructionist
- C) pragmatic
- D) defensive
- E) proactive

Answer: B

Explanation: B) Firms who take this stance do as little as possible to be responsible and often go to great lengths to deny or cover up any wrongdoing.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

83) Tyrone, the president of an architectural firm, was faced with a difficult decision when asked to decrease the portion of his company's budget designated to help construct new homeless shelters. After considering his personal ethics and seeking the advice of coworkers, Tyrone decided he would not cut these funds-even though his decision would mean the company could not immediately move forward on another initiative.

Caleb serves on the ethics committee at Tyrone's company. He disagrees with and is upset about Tyrone's decision. Based on this information, which of the following do Caleb and Tyrone most likely disagree about?

- A) marketing issues
- B) ethical sourcing
- C) social auditing
- D) corporate philanthropy
- E) environmental protection

Answer: D

Explanation: D) Companies that participate in corporate philanthropy donate some of their profits or resources to charitable organizations. Tyrone and Caleb most likely disagree about whether or not the company should practice corporate philanthropy.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

84) The mission statement of Coco's Chocolate & Confectioners reveals a primary emphasis on ethical sourcing and procurement. Which action below would the company MOST likely seek to avoid?

- A) neglecting the welfare of the region from which it imports cacao beans
- B) reducing the size of their marketing department
- C) adding a new line of fat-free confections
- D) splurging on a company-wide holiday party
- E) decreasing health care benefits for employees

Answer: A

Explanation: A) Ethical sourcing and procurement require finding a source for raw materials and making agreements with suppliers that are morally sound.

Difficulty: Moderate

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

85) Acme Inc. meets its legal and ethical requirements. In addition, Acme donates \$50,000 per year to local charities when asked. Which of the following approaches is being taken by Acme toward social responsibility?

- A) obstructionist
- B) accommodative
- C) defensive
- D) proactive
- E) reactive

Answer: B

Explanation: B) Firms that adopt an accommodative stance meet legal and ethical requirements but also go further in certain cases.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

86) Which statement would people in favor of socially responsible business MOST likely advocate?

- A) Maximizing profits is the core goal of the corporation.
- B) The corporation is part of the civic world.
- C) Other agencies have the skill to develop social programs.
- D) Vast corporate resources are being overused.
- E) Civic responsibility needs to be centralized.

Answer: B

Explanation: B) Proponents of socially responsible business believe that corporations are citizens and should help to improve the lives of fellow citizens.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

Steve Beatty, the head salesperson of a computer company, contracts with a supplier for technical equipment. Just before the winter holiday, a greeting card comes to his home address from the president of the supplier. In it, he finds a Best Buy gift card worth \$500, with a note that says, "Go buy some toys for the kids." His children are excited, because they had been looking forward to getting some newly released video game equipment.

Beatty looks at his firm's formal code of ethics and finds that employees are cautioned not to accept gifts from suppliers for their own personal use. It does not specifically say that gifts for family members are included. He decides to keep the card.

87) Which of the following, if true, strengthens Beatty's ethical position?

- A) The gift card has no expiration date, so he can wait to use it later, when he has moved to another position in his company where no conflict of interest exists.
- B) The greeting and the gift card were received at his home residence, not at his place of work.
- C) The salesman has just spent \$500 of his own money on video game equipment for his children at Best Buy, so he has no immediate reason to use the gift card.
- D) The president of the supplier is Beatty's father-in-law, so the gift is a personal one for his grandchildren.
- E) On checking, Beatty learns that the supplier sent gift cards of lower value to other salespersons in his company.

Answer: D

Explanation: D) Choice D introduces a personal relationship between Beatty and the president, thus making the \$500 more truly a gift rather than a bribe. Ideally the president of the supplier should have sent the gift card to his daughter, Beatty's wife. Sending it to Beatty, a person with a professional relationship to the supply company, still introduces a conflict of interest that should be avoided by both parties. The other choices all more clearly compromise Beatty's ethical position. Choices A and C defer use of the card, but the unethical act is accepting it, just as taking a bribe in cash is immoral, regardless of whether the money is spent now or later. Choices B and E likewise do not affect the ethics of the situation, as the conflict of interest still exists.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

88) Which of the following, if true, MOST clearly makes Beatty's action professionally unsupportable?

A) The supplier's low prices have helped the computer company remain competitive with rival companies in its local market.

B) The supplier needs continued business from the computer company to remain financially viable.

C) Beatty is not the only person responsible for recommending which bids to accept from suppliers.

D) Beatty's work contract states that employees must report all gifts from people associated with firms with which they do business.

E) Rumor has it that other employees also received similar gift cards from the supplier and did not report them.

Answer: D

Explanation: D) Taking a gift from a supplier is morally suspect from the start, and work contracts or corporate policies often reinforce a firm's commitment to ethics. In this case, Choice D shows that Beatty's work contract explicitly addressed the issue of receiving gifts without reporting them, so accepting the card was unsupportable. Choices A and B offer motives for Beatty's company and the supplier to stay on good terms, but they don't ethically justify Beatty accepting the gift. Choice C makes the conflict of interest less direct by spreading responsibility for accepting bids, but the ethical issue still remains, since Beatty is still part of the decision process. Choice E, if the rumor is true, simply offers an "everyone does it" excuse that has no moral standing.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

At the end of an especially good year, a company decides to give bonuses to its sales employees. Two salespersons are included: Tracy shows a better-than-average sales record, whereas Colin was only an average salesperson.

Colin has a reputation for being a straight shooter who complies strictly with the company's ethical code. On the other hand, Tracy made some deals that, as coworkers confided to middle managers, were "on the edge" of dishonesty. When the company's ethics panel reviewed one such deal, it was found to have been compliant with the letter of the stated code.

Nevertheless, the financial officer recommends that both employees be given the same bonus.

89) Which of the following, if true, MOST strongly supports the financial officer's position?

- A) The employees had received and duly signed a statement agreeing to uphold the company's code of ethics.
- B) The coworkers who reported the alleged shady deals had ethical incidents in their own personnel files.
- C) The firm recently conducted a social audit, which revealed concern about the firm's tolerance of predatory practices by sales personnel and their impact on workplace morale.
- D) The company's code gives very detailed definitions of what separates a responsible business transaction from one that includes dishonesty.
- E) The strong sales performance of this department was a major factor in improving the firm's viability during an economic downturn.

Answer: C

Explanation: C) The ethical issue in this situation is tricky: one needs to balance fairness to individuals against fairness to the entire community. In this case, Choice C would explain and justify the financial officer's position. At a time when the firm is trying to reduce potentially unethical behavior, giving the larger bonus to an employee known for "skirting the boundaries" would suggest that the social audit was insincere. Choices A and D rely on the letter of the code, but increasingly, ethical behavior is defined as going beyond the letter and honoring the spirit of such codes. Choice B weakens the financial officer's position by suggesting that the complaints may not have been made in good faith, and that jealous coworkers may be unfairly targeting Tracy. Choice E simply justifies the overall decision to grant bonuses, but does not address the issue of whom to award more generously.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

90) Which of the following, if true, might strengthen the ethical case for giving a larger bonus for Tracy?

A) Asked to explain his tactics, Tracy said that sales work is an intrinsically competitive field, and coworkers should expect him to act in self-interest.

B) One of the company's key policies involves tying bonuses strictly to sales records, to ensure fairness to all personnel.

C) The entire sales staff had recently undergone a thorough refresher course in ethical behavior in sales.

D) Middle managers felt that most of the complaints were based on jealousy over Tracy's increased success rate.

E) Providing a larger bonus to Tracy would give coworkers added incentive to increase their own sales records.

Answer: B

Explanation: B) As with the previous question, the key ethical issue balances fairness to individuals against fairness to the entire workforce. If the company places primary value on individual performance, then it would be unfair to reduce a "better than average" worker's bonus based on complaints that are not actionable. So Choice B would strengthen the argument to give Tracy a stronger bonus. Choice E might be a practical incentive for giving the higher bonus, but it has no ethical standing if workers felt the tactics used to increase sales were not strictly honest. Likewise, Choice A reflects a realistic but essentially amoral justification that does not strengthen the ethical case for the increased bonus. If the conclusion made by the managers in Choice D is well justified, then the company is right to ignore the complaints, but this does not in itself make awarding a higher bonus ethical. Choice C likewise does not affect the facts relating to this particular decision.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

A firm is considering opening a new plant in an existing building at a business park. It is located in the middle of a coal-producing region, which remains visibly blighted by the effects of strip mining. The plant's heating system is based on coal heat, which is locally produced and relatively cheap, reducing the plant's operating expenses significantly.

Company engineers note that the plant's roof is ideal for solar panels, which would reduce the firm's future dependence on coal, nuclear, and other conventional sources of energy. However, the cost of installing the panels is considerable and would mean that the new plant would not return a profit to the company for several years. The CEO feels that the panels should be installed.

91) Which of the following, if true, strengthens the ethical standing of the CEO's position?

- A) Due to new federal "cap and trade" controls, the cost of coal is likely to increase sharply in the next decade, along with that of electricity generated by burning coal.
- B) The commitment to "green" and sustainable energy use would lower the company's emissions locally as well as support the development of an alternative power industry.
- C) Regulations require mining firms in the region to restore natural landscaping after operations are completed, including sections stripped before the new standards were adopted.
- D) Projections made by the firm's long-range planning team indicate that the market will support full use of the new location for at least twenty years, enough time to see savings accrue from the solar panels.
- E) The most economical source for purchasing the solar panel equipment is owned by the same corporation responsible for strip mining in the new location.

Answer: B

Explanation: B) The issue here is one of corporate social responsibility: how can the company's actions serve or protect the interests of parties other than those directly involved in its business? Therefore, Choice B is the answer, as the company's decision to move toward sustainable, renewable energy supports a cleaner local environment as well as national efforts to reduce overall dependency upon fossil fuels. Other choices suggest ways in which the decision will mainly profit the firm: Choice A suggests that the present cheapness of the energy source is likely to change soon, while Choice D would show that the firm would benefit in the long run. But neither choice directly relates to the corporate ethics of the decision—they show only that moral responsibility is not incompatible with corporate profits. Choice E instead weakens the CEO's corporate ethics by favoring a firm responsible for the area's pollution. On the other hand, Choice C would reduce the company's accountability to further blighting of the area if coal were chosen as an energy source, but this is not what the CEO wants to do.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

92) Which of the following, if true, tends to compromise the ethical standing of the CEO's position?

- A) The CEO was born and raised in the community where the new plant will be located.
- B) The CEO plans to purchase the solar energy panels for the new plant from an alternative energy business just started up by her grandson.
- C) The plant is located near a small lake that is heavily polluted by residue from strip mining.
- D) The firm recently instituted a policy of bonuses for environmentally responsible actions, which the managers assigned to the new plant would be certain to get.
- E) The CEO expects to sell some of the power generated by the solar panels back to the local energy grid, enhancing corporate profits.

Answer: B

Explanation: B) While the decision to move toward clean energy would benefit the community in which the plant is located, it also may introduce other ethical issues. Therefore, Choice B is the answer, as the CEO's decision to purchase the equipment from her grandson's firm would constitute a conflict of interest. Properly, bids for supplying the solar panels should be part of a transparent decision process, not one based on family ties. Choice A indicates a personal reason for wanting to benefit the community, but does not in itself create an ethical issue. Similarly, Choices D and E are logical consequences of the company's policy, indicating that a socially responsible policy can and ought to be rewarded by bonuses and increased profits. Choice C shows a drawback to coal and thus would tend to support the CEO's intention to use an alternative source of energy.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

Pandora Products is a national company that produces a line of hot breakfast cereals, mainly featuring flavored instant oatmeal. Its products are sold in grocery stores across the country, but the company has faced stiff competition from larger, well-established companies.

93) The public relations department of Pandora has recommended to the CEO that Pandora become involved in cause-related marketing to increase its positive brand image and goodwill for the company. The PR department recommends that the National Heart Association would be a good tie-in for the oatmeal line, and it could emphasize the heart-healthy aspects of the products. The CEO argues that aligning the products with the Heart Association would not be good for Pandora. Which of the following consumer survey results, if true, would support the argument made by the CEO?

- A) Fifty-nine percent indicate that too much publicity about a company's alignment with a charity leads to increased concerns about commercial gain.
- B) Fifty-four percent say they are willing to pay more for a brand that is associated with a cause.
- C) Sixty-six percent indicate they would switch brands to support a particular cause.
- D) Seventy-eight percent state they are more likely to purchase a brand associated with a cause that they care about.
- E) Eighty-four percent say that cause-related marketing increases the positive image of a company.

Answer: A

Explanation: A) Choice A would support the argument made by the CEO, that too much publicity regarding a company's association with a charity leads to concerns about the company's commercial gains. The increased goodwill and positive image for the company (Choice E) along with increased sales (Choices B, C, and D) would be benefits for the company.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

94) Aligning the Pandora brand with a national nonprofit has many benefits. However, the CEO is still not convinced. Which of the following statements, if true, would support the argument made by the CEO to NOT tie sales of Pandora's breakfast oatmeal to the American Heart Association?

- A) The move might inspire competitors to seek similar such associations.
- B) Federal regulation of health-related claims has decreased in recent years.
- C) Pandora would garner public goodwill for the future.
- D) Associating with a nonprofit would lead to better relations with governmental agencies.
- E) If the nonprofit received negative publicity over something, the consumer reaction could have a spillover effect on Pandora.

Answer: E

Explanation: E) Choice E would be the only answer that would support the CEO's argument for not aligning the breakfast oatmeal brand with the American Heart Association. Should the AHA receive negative publicity over something, the negative publicity could have an impact on Pandora. Pandora can't really worry about how competitors might respond to a successful campaign (Choice A), and Choice B indicates the campaign would not meet with much governmental resistance. Choice C would emphasize the goodwill established for Pandora by associating with a nonprofit, and Choice D emphasizes the better relations with governmental agencies.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

Smooth is a bar soap for women that is produced by Beautymax Products. Smooth has recently been reformulated because previous product ingredients had become quite expensive. However, the reformulation has caused some major problems, as some 12 percent of the recent consumers have reported developing a rash accompanied by itching and peeling skin.

95) The CEO of Beautymax Products is horrified by the negative publicity and wants immediate crisis management performed by the public relations department. The public relations department provides a list of strategic options for the CEO to deal with the bad publicity. Which of the following statements, if true, would NOT be a strategic option for the CEO?

A) Beautymax can accept blame for the rashes and assure the public they will correct the problem immediately.

B) Beautymax can ignore the problem and just wait for it to go away.

C) Beautymax can offer an apology for the rashes it caused and offer to recall the product.

D) Beautymax can deny that Smooth caused any of the rashes but pull it from the market anyway.

E) Beautymax can monitor the Internet for any negative publicity and intervene on a case-by-case basis as soon as anything negative shows up.

Answer: B

Explanation: B) Choice B, ignoring the problem and hoping it will go away, is not considered a good strategic choice for crisis management. Negative publicity is likely to increase and ignoring the problem can cause further problems. Choices A, C, D, and E would all be alternatives for the CEO to consider, as they are all strategic options of crisis management.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

96) Beautymax's in-house public relations department has been given the task of crisis management for the negative publicity resulting from the skin rashes. The PR department is advocating using impression management strategies to protect the company's image. However, the CEO is arguing for an apology strategy. Which of the following statements, if true, would support the CEO's argument?

A) An expression of innocence, such as "someone else added something to our soap" would be believed by 16 percent of the consumers.

B) An excuse, such as "this was a random act committed by a disgruntled employee," would be believed by 32 percent of the consumers.

C) "We assume full responsibility and will change our soap formula immediately" would be believed by 34 percent of the consumers.

D) "These rashes are exceptions to our high quality standards" would be believed by 21 percent of the consumers.

E) A justification, such as "the rashes are minor and resulted from a new addition to our product," would be believed by 17 percent of the consumers.

Answer: C

Explanation: C) Choice C would support the CEO's argument for an apology strategy, whereby the company takes responsibility and creates a bond with the consumer. The other choices would all be examples of impression management strategies, and would support the PR department's argument. Expressions of innocence (Choice A), excuses (Choice B), justifications (Choice E), and other explanations (Choice D) are all means of protecting the company's image, and thus would be impression management strategies.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

97) After Beautymax dealt with the negative publicity from the rashes caused by Smooth, the public relations department proposed developing some proactive prevention plans. The vice president argues that such plans are a waste of time and not necessary. Which of the following statements, if true, would NOT support the public relations department's argument for using proactive prevention crisis management plans?

A) Proactive prevention crisis management would anticipate problems, such as potential recalls, and have plans in place to deal with them.

B) Proactive prevention crisis management would prepare plans to deal with emergencies, such as their soap plant catching on fire, and designate a disaster-management center, along with media and employee contact people.

C) Proactive prevention crisis management would publicize Smooth's connections to the gold-medal-winning women's gymnastics team.

D) Proactive prevention crisis management would use enhancements to increase desirable outcomes in the public eye by characterizing Smooth as eco-friendly because of the packaging.

E) Proactive prevention crisis management would protect the company from legal action due to false advertising.

Answer: E

Explanation: E) Choice E would not support the public relations department's argument for using proactive prevention crisis management because this strategy would not protect the company from legal action associated with false advertising. Dealing with publicity resulting from legal action would be a reactive strategy, not a benefit of proactive crisis management. Preparing emergency plans (Choices A and B) and other proactive strategies (Choices C and D) would support the public relations department's argument.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

A plumbing supply firm can win a contract with a home-building business by promising to get 500 faucet assemblies of a certain make by Tuesday morning. Actually, the customer representative finalizing the deal knows that their supplier normally takes an extra day to get them to the firm. But lately, due to the housing slowdown, shipments have been arriving a day earlier.

The customer representative, therefore, promises Tuesday delivery to the home-building business, reasoning that if the faucets do come a day later, as they often do, he can come up with a plausible excuse.

98) Which of the following, if true, undermines the customer representative's ethical position?

A) The representative knows that a snowstorm has disrupted travel at the hub through which the faucets will be shipped, so there is no way they will arrive by Tuesday.

B) The contract with the home-building company is important to win, as the plumbing supply firm is short on cash and needs the proceeds of the deal to pay off some pressing debts.

C) The home-building firm is notorious for finishing its units well after the scheduled date, so a delay in the faucets will not make that much difference.

D) The housing slowdown seems likely to go on in the firm's area, so it's probable that shipments will continue to come in a day early.

E) The customer representative and the head engineer for the home-building business play golf together regularly.

Answer: A

Explanation: A) If the customer representative promises the faucets on a given day, while knowing that it's not possible they will arrive by then, then the promise is a lie, and his action is blatantly dishonest. Choice B is an increasingly common context for a dishonest act, but does not require the rep to lie to the customer. Choices C and D offer plausible reasons for the customer rep to assume that the delivery will be timely enough, but neither assumption constitutes a lie. The fact that the customer rep has a friendly relationship with an employee of the plumbing supply firm (Choice E) doesn't reduce the rep's duty to act in an ethical manner.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

99) Which of the following, if true, would justify the customer representative's ethical position?
A) The home-building firm sometimes picks up shipments of supplies several days after they arrive.

B) The customer rep knows that if the faucets do come in early, the home-building firm will choose to do business with them more often.

C) The home-building firm has a brief written code of ethics that has no statement that applies specifically to this situation.

D) When phoned for advice, the plumbing supply firm's CEO told the customer rep that it was OK to "fib a little" to get a contract like this.

E) The faucet shipment comes with a tracking number and goes to a distribution center within driving distance, so that, if necessary, the plumbing firm can expedite its arrival.

Answer: E

Explanation: E) If the representative has thought out a "Plan B" by which he can guarantee delivery of the shipment on time, then the promise is morally supportable. So Choice E is correct. Otherwise the promise is ethically suspect regardless of how it is justified. Choice A makes an assumption that cannot be guaranteed: if the contractors arrive Tuesday morning for the faucets and they are not there, the representative is caught in a lie. Choice B is a good motive for making sure the shipment arrives on time, but not for deceiving the customer. If the fib is exposed, it is unlikely that the event will, in fact, lead to more business. Choice C describes the code of ethics at the home-building firm, which may or may not be similar to what the customer rep is expected to follow at the plumbing supply firm. Choice D indicates that the overall demeanor of the plumbing supply firm is based on morally shaky grounds, which hardly justifies the ethics of lying to a customer.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Critical Thinking

100) What is the purpose of a written code of ethics?

Answer: A written code of ethics formally announces a company's intent to do business in an ethical manner.

Explanation: A company's commitment to ethical business practices is formalized through a written code of ethics.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

101) What is collusion?

Answer: Collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing; price fixing occurs when firms illegally control supplies and prices of products.

Explanation: Collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

102) Define *consumerism*.

Answer: Consumerism is social activism dedicated to protecting the rights of consumers in their dealings with businesses.

Explanation: Since the 1960s, consumerism as a form of social activism has been able to protect the rights of consumers in their dealings with businesses.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

103) How did the downturn in the economy from 2008 to 2010 affect organizations such as the American Red Cross, the Salvation Army, and the United Way?

Answer: As a result of the downturn in the economy, charitable giving decreased while the demand for services from these organizations increased.

Explanation: During a downturn in the economy, donations tend to decline while demand for assistance by people in need tends to increase.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

104) What would constitute a conflict of interest in a business setting?

Answer: An activity that benefits the individual to the detriment of his or her employer would be considered a conflict of interest.

Explanation: A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

105) What is the difference between ethics and social responsibility?

Answer: Ethics are beliefs about what is right and wrong or good and bad. Ethics affect individual behavior in the workplace. Social responsibility refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment.

Explanation: Ethics affect individual behavior while social responsibility affects individuals and groups in a social context.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

106) When defining its sense of social responsibility, a firm typically confronts what areas of concern?

Answer: A firm typically confronts and has social responsibility for the following five areas: its customers, its employees, its investors, its suppliers, and local communities.

Explanation: Most companies that aim to be socially responsible focus on five main groups: customers, employees, investors, suppliers, and local communities.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

107) What role has e-mail played in recent corporate scandals?

Answer: E-mail that was thought to be a private means of communication can be retrieved and used as evidence.

Explanation: In virtually every recent corporate scandal, e-mail has surfaced as key evidence of wrongdoing.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

108) How does certain software protect e-mail communication?

Answer: Software has been created that encrypts e-mail messages. In addition, the software sets an expiration date and prevents resending or printing.

Explanation: Software such as that created by Omniva may be used to preserve e-mails, as users cannot unilaterally delete their own e-mail on their own initiative.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Identify the different types of technologies used in business and describe their uses.

Skill: Concept

109) Identify two examples of unethical practices in advertising.

Answer: Answers may include controversies surrounding the potential misinterpretation of words and phrases such as *light*, *reduced calorie*, *diet*, and *low fat*; misleading advertising such as using questionable experts; and advertising marketed toward young people of questionable products, such as tobacco and alcohol.

Explanation: Ethical practices in advertising have come under increased scrutiny in recent years.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

110) How do issues of social responsibility and ethics affect small business?

Answer: Small businesses must address, more or less, the same issues as big businesses-the differences are primarily differences of scale.

Explanation: Small businesses must address many of the same issues of social responsibility and ethics as big businesses.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

111) Describe the three-step model for applying ethical judgments.

Answer: The three-step model includes (1) gathering the relevant factual information; (2) determining the most appropriate moral values; and (3) making an ethical judgment based on the rightness or wrongness of the proposed activity or policy.

Explanation: The three steps include gathering relevant factual information, analyzing the facts to determine the most appropriate moral values, and making an ethical decision.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

112) How can a firm demonstrate social responsibility to its customers?

Answer: Businesses that demonstrate social responsibility to their customers treat them fairly and honestly by charging fair prices, honoring warranties, meeting delivery commitments, and standing behind the quality of the products that they sell.

Explanation: A business demonstrates social responsibility to its customers by treating them fairly and in an honest way.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

113) What is insider trading? Why would an investor engage in it?

Answer: Insider trading is using confidential information to gain from the purchase or sale of stocks. Confidential information is information that is not available to the general public but that is available to a few people because of their position within a company. Investors with inside information, for example, may sell a stock at a high price just before a piece of negative information becomes public and the price plummets, thus preventing a big loss. Similarly, an investor with inside information may buy stock at a low price, just before a piece of favorable information becomes public and the price of the stock increases.

Explanation: Insider trading can help the investor circumvent stock losses by using privileged information to sell stocks with an unfair advantage.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

114) Identify two arguments against social responsibility as a business goal.

Answer: Some skeptics of business-sponsored social projects fear that if businesses become too active, they will gain too much control over the ways in which those projects are addressed by society as a whole. Other critics claim that business organizations lack the expertise needed to address social issues.

Explanation: Opinions differ dramatically concerning the role of social responsibility as a business goal.

Difficulty: Difficult

AACSB: Ethical understanding and reasoning

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

115) Describe the stakeholder model of social responsibility.

Answer: Companies that strive to be responsible to their stakeholders concentrate on five main groups: customers, employees, investors, suppliers, and the local communities where they do business. To be responsible toward their customers, businesses strive to be fair in their pricing, honor warranties, meet delivery commitments, and stand behind the quality of their products. Businesses that are socially responsible toward their employees treat them fairly, make them a part of the team, and respect their dignity and basic human needs. To be responsible toward investors, businesses follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholders rights and investments. Businesses are responsible toward suppliers when they provide realistic delivery schedules and reduced profit margins; many businesses keep their suppliers informed about future plans and work to partner with them. To be responsible toward communities, businesses often give back through charitable programs and local causes.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

116) How do organizations exercise social responsibility toward the environment?

Answer: Many organizations adopt methods that will reduce greenhouse emissions and control pollution. Although noise pollution is now attracting increased concern, air, water, and land pollution remain the greatest problems in need of solutions from businesses. Companies often install pollution-controlling devices that prevent eventual buildup of acid rain. Businesses are also taking advantage of new forms of solid-waste disposal; further, they are working to limit toxic wastes left over from their production processes. Recycling has gained tremendous attention from businesses in recent years; some controversy exists regarding proper recycling since some materials and products do not recycle well.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

117) How do organizations exercise social responsibility toward customers?

Answer: Much of what organizations do to act responsibly toward customers is driven by the state and federal laws that surround consumer rights. Consumers have the right to safe products, a right to be informed about relevant aspects of a product, a right to be heard, a right to choose what they buy, a right to be educated about purchases, and a right to courteous service.

Businesses acting responsibly prevent unfair pricing, which comes in the form of price fixing and/or price gouging. In addition, businesses work to promote ethics in advertising. Increased attention is given to proper wording in ads, to whom ads are directed, contents of packages, and proper labeling, as well as to avoiding morally objectionable advertisements.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

118) Explain the steps that an organization must take to foster a company-wide sense of social responsibility.

Answer: Social responsibility must first start at the top. No program can succeed without top management support; top management must issue a statement announcing the commitment. A committee of top managers must then develop a plan detailing the level of management support; some companies set aside percentages of profits for social programs. At this point, managers must set specific priorities. Then, one executive must be put in charge of the firm's agenda; this individual must monitor the program and ensure that its implementation is consistent with the firm's policy statement. The organization must conduct social audits, which are systematic analyses of the firm's success in using funds earmarked for its social responsibility goals. Failing an audit should prompt a rethinking of the program's implementation and its priorities.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Synthesis

119) Describe the four approaches to social responsibility.

Answer: The approaches to social responsibility include the obstructionist stance, the accommodative stance, the defensive stance, and the proactive stance. With an obstructionist stance, an organization usually does as little as possible to solve social or environmental problems. When the organization crosses the ethical or legal line that separates acceptable from unacceptable practices, its typical response is to deny or cover up its actions. With an accommodative stance, a firm meets its legal and ethical requirements, but will also go further in certain areas. Such firms voluntarily agree to participate in social programs, for example, but solicitors must convince them that given programs are worthy of their support. Firms assuming a defensive stance will do everything that is required of them legally but nothing more. This approach is most consistent with arguments against corporate social responsibility. In taking a proactive stance, a firm practices the highest degree of social responsibility. Firms of this nature take to heart the arguments in favor of social responsibility; they see themselves as citizens of society and proactively seek opportunities to contribute.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Concept

MKD Transportation owns and operates a fleet of container ships and tankers that transport goods around the globe. Company executives have just been contacted by the media with a credible report that one of their ships is leaking an oily substance off the coast of Belize. If true, some of the world's most beautiful coral reefs could be in danger. On the other hand, the captain of the ship in question has not notified the company of any problem, and cleanup could be very costly. Environmental groups and the government of Belize have demanded that the company admit responsibility and immediately begin cleanup.

120) Managers at MKD claim to exercise ethical behavior toward their employees. What matters might this behavior cover?

Answer: This behavior covers such matters as hiring, firing, wages, working conditions, privacy, respect, and honesty in dealing with them.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

121) If MKD were to adopt a written code of ethics, what would it include generally?

Answer: All codes of ethics announce their intent to do business in an ethical manner.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

122) If the general public were to follow the three-step model for applying ethical judgments to situations, what would the public do?

Answer: The general public would gather relevant factual information. The public would then analyze the facts to determine the appropriate moral values, followed by making ethical judgments based on the rightness or wrongness of MKD's policy.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.1

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

123) If MKD implements a formal social responsibility program, to what extent should top management be involved?

Answer: To be successful, top management must fully support the program from the very beginning.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

124) Who are MKD Transportation's stakeholders?

Answer: Stakeholders are those groups, individuals, and organizations that are directly affected by the practices of an organization and who, therefore, have a stake in its performance. MKD's stakeholders would include its employees, its stockholders and investors, its suppliers, its customers, and the communities and countries in which it operates. In this case, the nation of Belize is a stakeholder, as are environmental groups who are concerned with the impact of the company's operations on the environment.

Difficulty: Moderate

AACSB: Reflective thinking

Objective: 2.2

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

125) What might the general public begin to think about MKD's responsibilities toward the environment?

Answer: MKD's quick response-or lack of one-will determine the public's perceptions of it.

Timing is critical at this point.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

126) MKD Transportation's managers strongly believe in consumer rights. What does this mean?
Answer: MKD managers recognize that customers have a right to have access to safe products, to be informed and educated about products, to be heard, to choose what they buy, and to receive courteous service.

Difficulty: Moderate

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

127) In an attempt to act socially responsibly toward investors, on what might MKD focus?

Answer: MKD will likely focus on protecting the company's financial resources and guaranteeing proper financial management.

Difficulty: Easy

AACSB: Ethical understanding and reasoning

Objective: 2.3

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

128) If MKD adopts an obstructionist stance, how will the company respond to this media report?

Answer: If MKD uses this approach, executives will likely deny any responsibility when responding to media reports. If possible, they will likely contact the ship's captain and advise him to try to move the ship as soon as possible. It is very unlikely that they will comply with the demands of the government of Belize or environmental groups.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

129) If MKD adopts a defensive stance, how will the company respond to this situation?

Answer: MKD will file the necessary reports and perform any cleanup that is legally required. However, they will not exceed the actions required by law.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

130) If MKD adopts an accommodative stance, how will the company respond to the media and demands by the government of Belize and environmental groups?

Answer: MKD will likely admit responsibility for the spill and immediately initiate the cleanup. MKD may even make a donation to the local tourist bureau or environmental groups.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.5

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application

131) How might this situation have been different in the event that MKD had initially adopted a proactive stance to social responsibility?

Answer: MKD may have directed its ships to stay clear of environmentally sensitive areas, such as the coast of Belize, even if it lengthened routes and increased costs. They may have also installed extra equipment on their tankers to prevent leaks from occurring and to detect leaks as soon as possible.

Difficulty: Difficult

AACSB: Reflective thinking

Objective: 2.4

Learning Outcome: Discuss the roles of ethics and corporate responsibility in business.

Skill: Application