

# Test Bank for Contemporary Business 16th Edition by Boone and Kurtz ISBN 1118772393 9781118772393

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## Chapter 2—Business Ethics and Social Responsibility

### MATCHING

Complete the following using the terms listed.

a.	Securities and Exchange Commission (SEC)
b.	Occupational Safety and Health Administration (OSHA)
c.	False Claims Act
d.	integrity
e.	social audit
f.	social responsibility
g.	business ethics
h.	sexual harassment
i.	code of conduct
j.	conflict of interest
k.	Product liability
l.	postconventional stage
m.	Regulation FD
n.	Whistle-blowing
o.	green marketing

1. A formal statement that defines how an organization expects and requires employees to resolve ethical questions is a(n)\_\_\_\_\_.
2. Some companies measure social performance by conducting a(n)\_\_\_\_\_that identifies and evaluates the company's activities that relate to social issues.
3. The main federal regulatory agency in setting workplace safety and health standards is the\_\_\_\_\_.
4. \_\_\_\_\_requires publicly traded companies to announce major information to the general public, rather than first disclosing the information to selected investors.
5. A situation where a business decision may be influenced by the potential for personal gain is a(n)\_\_\_\_\_.
6. Management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance is\_\_\_\_\_.
7. When a publicly traded firm is suspected of unethical or illegal behavior, the\_\_\_\_\_will conduct an investigation.

8. Inappropriate actions of a sexual nature in the workplace is\_\_\_\_\_.

9. Having\_\_\_\_\_means adhering to deeply felt ethical principles in all business situations.
10. The standards of conduct and moral values governing actions and decisions in the work environment are\_\_\_\_\_.
11. A person in the\_\_\_\_\_of ethical development is able to move beyond self-interest and take into account the larger needs of society.
12. A strategy that emphasizes a firm's commitment to environmentally friendly products and production is\_\_\_\_\_.
13. The\_\_\_\_\_is a law that protects whistle-blowers who file a lawsuit on behalf of the government if they believe that a company has somehow defrauded the government.
14. \_\_\_\_\_is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices of his or her employer.

15. \_\_\_\_\_ refers to the responsibility of manufacturers for injuries and damages caused by their goods.
1. ANS: i                      DIF: MEDIUM      LO: 2.3                      Section:      Discuss how  
organizations shape ethical conduct.      AACSB                      Ethical understanding and  
reasoning                      BT:                      K
  2. ANS: e                      DIF: MEDIUM      LO: 2.4                      Section:      Describe how  
businesses can act responsibly to satisfy society.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  3. ANS: b                      DIF: MEDIUM      LO: 2.4                      Section:      Describe how  
businesses can act responsibly to satisfy society.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  4. ANS: m                      DIF: MEDIUM      LO: 2.5                      Section:      Explain the  
ethical responsibilities of businesses to investors and the financial community.      AACSB      Ethical understanding and reasoning                      BT:      K
  5. ANS: j                      DIF: MEDIUM      LO: 2.2                      Section:      Describe the  
contemporary ethical environment.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  6. ANS: f                      DIF: MEDIUM      LO: 2.4                      Section:      Describe how  
businesses can act responsibly to satisfy society.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  7. ANS: a                      DIF: MEDIUM      LO: 2.5                      Section:      Explain the  
ethical responsibilities of businesses to investors and the financial community.      AACSB      Ethical understanding and reasoning                      BT:      K
  8. ANS: h                      DIF: MEDIUM      LO: 2.4                      Section:      Describe how  
businesses can act responsibly to satisfy society.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  9. ANS: d                      DIF: MEDIUM      LO: 2.2                      Section:      Describe the  
contemporary ethical environment.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  10. ANS: g                      DIF: MEDIUM      LO: 2.1                      Section:      Explain the  
concern for ethical and societal issues.      AACSB                      Ethical understanding and  
reasoning                      BT:                      K
  11. ANS: l                      DIF: MEDIUM      LO: 2.2                      Section:      Describe the  
contemporary ethical environment.      AACSB                      Ethical understanding and  
reasoning                      BT:                      K
  12. ANS: o                      DIF: MEDIUM      LO: 2.4                      Section:      Describe how  
businesses can act responsibly to satisfy society.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  13. ANS: c                      DIF: MEDIUM      LO: 2.2                      Section:      Describe the  
contemporary ethical environment.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K
  14. ANS: n                      DIF: MEDIUM      LO: 2.2                      Section:      Describe the  
contemporary ethical environment.      AACSB                      Ethical  
understanding and reasoning                      BT:                      K

15. ANS: k                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

## ESSAY

16. What are business ethics and why are they important?

ANS:

Business ethics are standards of conduct and moral values that govern actions and decisions in the work environment. They are important because a company cannot prosper in the long run without considering ethics. Business ethics are also shaped by the ethical climate within an organization. Codes of conduct and ethical standards play increasingly significant roles in businesses in which doing the right thing is both supported and applauded.

DIF: EASY                      LO: 2.1                      Section: Explain the concern for ethical  
and societal issues.                      AACSB                      Ethical understanding and  
reasoning                      BT: C

17. List and describe three possible guidelines for business etiquette.

ANS:

Responses will vary. The following are three examples:

- *To stay focused on business purpose.* If one develops a close personal relationship with a client or supplier, one may risk a conflict of interest.
- *To not abuse privileges.* It's tempting to use sick days or personal days for mini-vacations, but if a company distinguishes between these breaks, then one should too.
- *To live according to the values.* Few people are brought up to be untrustworthy. Even if no one knows about it, an unethical choice that betrays one's personal values weakens one's self-respect and reduces one's contribution to the workplace.

DIF: MEDIUM      LO: 2.2                      Section: Describe the contemporary  
ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: C

18. List and briefly describe the three stages of moral and ethical development.

ANS:

The three stages of moral and ethical development are preconventional, conventional, and postconventional. In the preconventional stage, individuals primarily consider their own needs and desires in making decisions. They obey rules only because they are afraid of the consequences. The next stage is the conventional stage. Individuals are aware of and act in response to their duties to others (family or an organization, for example). Self-interest still plays a role. The final stage is the postconventional stage. In this stage, the individual is able to move beyond self-interest and take the larger needs of society into account as well.

DIF: HARD                      LO: 2.2                      Section: Describe the contemporary  
ethical environment.                      AACSB                      Ethical understanding and reasoning                      BT:  
C

19. Describe the factors that influence an individual's business ethics.

ANS:

An individual's business ethics is shaped by a huge number of factors. Experiences help shape responses to different situations. A person's family, educational, cultural, and religious backgrounds also can play a role, as can the environment within the firm. Ethical climate of the company also plays a role.

DIF: MEDIUM	LO: 2.2	Section:	Describe the contemporary
ethical environment.		AACSB	Ethical understanding and
reasoning	BT:	C	

20. Describe examples of honesty and integrity violations in the workforce.

ANS:

Some people misrepresent their academic credentials and previous work experience on their résumés or job applications. Although it may seem tempting to embellish a résumé in a competitive job market, the act shows a lack of honesty and integrity—and eventually it will catch up with those using such methods to boost their resumes. A recent news report details how a college football coach resigned after information on his biography was questioned. Others steal from their employers by taking home supplies or products without permission or by carrying out personal business during the time they are being paid to work. For example, Internet misuse during the work day is increasing. Employees use the Internet for personal shopping, email, gaming, and social networking. This misuse costs U.S. companies an estimated \$85 billion annually in lost productivity.

DIF: MEDIUM	LO: 2.2	Section:	Describe the contemporary
ethical environment.	AACSB	Ethical understanding and reasoning	BT:
C			

21. How could loyalty versus truth create an ethical dilemma for a businessperson?

ANS:

Businesses expect their employees to be loyal and to act in the best interests of the company. An ethical conflict can arise when an individual must decide between loyalty to the company and truthfulness in business relationships. But when the truth about a company is not favorable, an ethical conflict can arise.

DIF: MEDIUM	LO: 2.2	Section:	Describe the contemporary
ethical environment.		AACSB	Ethical understanding and
reasoning	BT:	C	

22. Explain how state and federal laws protect whistle-blowers.

ANS:

With the Sarbanes-Oxley Act, an individual can be prosecuted for retaliating against an employee for taking concerns of unlawful conduct to a public official. In addition, private firms must provide procedures for anonymous reporting of accusations. In addition, whistle-blowers can seek protection under the False Claims Act, under which they can file a lawsuit on behalf

of the government if they believe that a company has somehow defrauded the government. Charges against health care companies for fraudulent billing for Medicare or Medicaid are examples of this type of lawsuit.

DIF: HARD      LO: 2.2      Section:      Describe the contemporary  
ethical environment.      AACSB      Ethical understanding and  
reasoning      BT:      C

23. What might a company's code of conduct include?

ANS:

At the most basic level, a code of conduct may simply specify ground rules for acceptable behavior, such as identifying the laws and regulations that employees must obey. Other companies use their codes of conduct to identify key corporate values and provide frameworks that guide employees as they resolve moral and ethical dilemmas. Some companies use these to guide employees' online behavior.

DIF: MEDIUM      LO: 2.3      Section:      Discuss how organizations  
shape ethical conduct.      AACSB      Ethical understanding and  
reasoning      BT:      C

24. The development of a corporate culture to support business ethics happens on four levels. Explain each of the four levels.

ANS:

The four levels of development of a corporate culture to support business ethics are ethical awareness, ethical education, ethical action, and ethical leadership. Ethical awareness is the foundation of an ethical climate. Employees need help in identifying ethical problems and need guidance in how to respond. Ethical reasoning involves ethics training programs to provide employees with the tools they need to evaluate ethical dilemmas and arrive at suitable decisions. Ethical action involves the structures and procedures that firms establish to enable their employees to follow ethical behavior. Companies encourage ethical action by providing support for employees faced with dilemmas, such as an employee hotline. Ethical leadership charges each employee at every level with the responsibility for being an ethical leader. This principle requires that all employees be personally committed to the company's core values and be willing to base their actions on them.

DIF: HARD      LO: 2.3      Section:      Discuss how organizations  
shape ethical conduct.      AACSB      Ethical understanding and reasoning      BT:  
C

25. Why is ethical leadership so important?

ANS:

Without supervisors and managers demonstrating ethical behavior, employees are not as likely to follow a set of ethical standards. An important way for business leaders to demonstrate ethical behavior is to admit when they are wrong and correct their organization's mistakes. Companies where managers set good examples have fewer incidences of unethical behavior, and employees report higher levels of satisfaction.

DIF: MEDIUM    LO: 2.3    Section:    Discuss how organizations  
shape ethical conduct.    AACSB    Ethical understanding and reasoning    BT:  
A

26. Explain social responsibility.

ANS:

In a general sense, social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance. It is the recognition that business must be concerned with the qualitative dimensions of consumer, employee, and societal benefits, as well as the quantitative measures of sales and profits, by which business performance is traditionally measured.

DIF: HARD    LO: 2.4    Section:    Describe how businesses can  
act responsibly to satisfy society.    AACSB    Ethical  
understanding and reasoning    BT: C

27. What is a social audit? Who conducts it?

ANS:

A social audit is a formal procedure to identify and evaluate all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy. The audit informs management about how well the company is performing in these areas. Social audits often are conducted internally by firms. Outside groups, such as environmental organizations and public-interest groups, also conduct social audits.

DIF: MEDIUM    LO: 2.4    Section:    Describe how businesses can  
act responsibly to satisfy society.    AACSB    Ethical  
understanding and reasoning    BT: K

28. What is green marketing?

ANS:

Green marketing is a marketing strategy that promotes environmental friendly products and production methods. The Federal Trade Commission (FTC) has issued guidelines for businesses to follow in making environmental claims.

DIF: EASY    LO: 2.4    Section:    Describe how businesses can  
act responsibly to satisfy society.    AACSB    Ethical  
understanding and reasoning    BT: K

29. What are the objectives of the consumerism?

ANS:

Consumerism refers to the public demand that that a business consider the wants and needs of its customers in making decisions. Consumerism is based on the belief that consumers have certain rights. President Kennedy summarized many of the ideals of consumerism in a speech in which he listed four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard.



DIF: HARD      LO: 2.4      Section:      Describe how businesses can  
act responsibly to satisfy society.      AACSB      Ethical understanding and  
reasoning      BT: C

30. Explain product liability and briefly describe what this means in terms of social responsibility.

ANS:

Product liability refers to the responsibility of manufacturers for injuries and damages caused by their products. Items that lead to injuries, either directly or indirectly, can have disastrous consequences for their makers.

Many companies put their products through rigorous testing to avoid safety problems. Still, testing alone cannot foresee every eventuality. Companies must try to consider all possibilities and provide adequate warning of potential dangers.

DIF: MEDIUM      LO: 2.4      Section:      Describe how businesses can  
act responsibly to satisfy society.      AACSB      Ethical  
understanding and reasoning      BT: C

31. Explain how the Food and Drug Administration (FDA) promotes the consumers' right to be informed.

ANS:

The Food and Drug Administration (FDA), which sets standards for advertising conducted by drug manufacturers, eased restrictions for prescription drug advertising on television. In print ads, drug makers are required to spell out potential side effects and the proper uses of prescription drugs. Because of the requirement to disclose this information, prescription drug television advertising was limited. Now, however, the FDA says drug ads on radio and television can directly promote a prescription drug's benefits if they provide a quick way for consumers to learn about side effects, such as displaying a toll-free number or Internet address.

DIF: MEDIUM      LO: 2.4      Section:      Describe how businesses can  
act responsibly to satisfy society.      AACSB      Diverse and  
multicultural work environments      BT: C

32. Why do investors expect a firm to act ethically and exhibit social responsibility?

ANS:

Even though the primary purpose of a firm is to make a profit, investors also expect the firm to act ethically, as well as legally, and exhibit social responsibility. Investors know that the failure of a firm to act ethically, legally, or without a sense of social responsibility can result in substantial monetary losses to investors. For instance, ethical or legal problems can cause a sudden and substantial drop in a company's stock price.

DIF: MEDIUM      LO: 2.5      Section:      Explain the ethical responsibil-  
ities of businesses to investors and the financial community.      AACSB  
Ethical understanding and reasoning      BT: C

33. Explain how state and federal agencies carry out their responsibilities of protecting investors from financial misdeeds. Include examples of specific organizations and agencies.

ANS:

At the federal level, the Securities and Exchange Commission (SEC) investigates suspicions of unethical or illegal behavior by publicly traded firms. It investigates accusations that a business is using faulty accounting practices to inaccurately portray its financial resources and profits to investors. Regulation FD (Fair Disclosure) is an SEC rule that requires publicly traded companies to announce major information to the general public, rather than first disclosing the information to selected major investors. The agency also operates an Office of Internet Enforcement to target fraud in online trading and online sales of stock by unlicensed sellers.

DIF: MEDIUM LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community. AACSB Ethical understanding and reasoning BT: C

## MULTIPLE CHOICE

34. Business ethics begins with\_\_\_\_\_.

a.	a firm's investors
b.	the individual employee
c.	the government
d.	a firm's customers

ANS: b DIF: MEDIUM LO: 2.1 Section: Explain the concern for ethical and societal issues. AACSB Ethical understanding and reasoning BT: K

35. When management considers social and economic issues in decision making, the company is practicing\_\_\_\_\_.

a.	gatekeeping
b.	consumerism
c.	social responsibility
d.	altruism

ANS: c DIF: EASY LO: 2.1 Section: Explain the concern for ethical and societal issues. AACSB Ethical understanding and reasoning BT: K

36. Businesses have responsibilities to\_\_\_\_\_.

a.	investors and customers only
b.	investors, customers, employees, and society
c.	investors, customers, and government
d.	investors only

ANS: b DIF: EASY LO: 2.1 Section: Explain the concern for ethical and societal issues. AACSB Ethical understanding and reasoning BT: K

37. Which of the following statements best justifies why a company should act in an ethical manner?

a.	The government will take action if a firm fails to act ethically.
b.	Acting ethically always maximizes profits in the immediate future.
c.	Acting ethically will help a company to prosper in the long run.
d.	The right thing to do is always the least expensive alternative.

ANS: c                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

38. Businesses should\_\_\_\_\_.

a.	do what is right regardless of profits
b.	find the balance between doing what is right and doing what is profitable
c.	invest only in sectors that are profitable
d.	do whatever is in the company's best interests

ANS: b                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

39. Which of the following statements is correct?

a.	Ethical conflicts usually arise in trying to serve the needs of separate constituents.
b.	Setting ethical standards is always clear-cut.
c.	The ethical values of individual employees have no influence on the decisions and actions a business takes.
d.	Setting ethical standards is easy.

ANS: a                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

40. In today's business environment, who can make the difference in ethical expectations and behavior?

a.	Everyone
b.	No one
c.	Only top-level managers
d.	Only the CEO

ANS: a                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K

41. \_\_\_\_\_are responsible for conducting employee training programs that help spot potential fraud and abuse within a firm.

a.	Department supervisors
b.	Ethics compliance officers
c.	Human Resource managers
d.	Social behaviorists

ANS: b                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

42. Which of the following is not a minimum requirement for ethics compliance programs?

a.	High-level personnel responsible for compliance
b.	Government regulation
c.	Consistent enforcement
d.	Consistent improvement

ANS: d                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

43. Which of the following is not an example of unethical or illegal acts in the workplace?

a.	Misreporting time on the job
b.	Internet abuse
c.	Whistle-blowing
d.	Safety violations

ANS: c                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

44. Technology has \_\_\_\_\_ ethical issues.

a.	expanded the range of
b.	further complicated
c.	made little difference on the range of
d.	eliminated most

ANS: a                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Information  
technology                      BT: K

45. Which of the following is not a factor in determining an individual's ethical development?

a.	Experiences
b.	Religion
c.	Culture
d.	Social audit

ANS: d                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K

46. Many people rationalize unethical acts at work because they \_\_\_\_\_.

a.	feel pressured on their jobs to meet performance goals
b.	know they can always get away with it
c.	have no personal or moral values
d.	are fundamentally unethical

ANS: a                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: C

47. Arwan decides not to cheat on his exam because he fears he will be caught and receive no credit if he is caught. Arwan is in the \_\_\_\_\_ stage of his ethical development.

a.	postconventional
b.	preconventional
c.	traditional
d.	conventional

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

48. Hemi is a reckless driver and always jumps the red light in the absence of any patrol officers, but he refrains from speeding on highways as he is fearful of paying up hefty fines to patrol officers. Hemi is most likely to be in the stage of ethical development.

a.	preconventional
b.	postconventional
c.	conventional
d.	unconventional

ANS: a                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

49. When an individual moves beyond his or her own needs and desires and takes the needs of society into consideration when making decisions, in which stage of ethical development is this individual?

a.	Preconventional
b.	Conventional
c.	Postconventional
d.	Traditional

ANS: c                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

50. Individuals who focus only on their own interests when making decisions are at the \_\_\_\_\_ stage of ethical development.

a.	preconventional
b.	conventional
c.	postconventional
d.	unconventional

ANS: a                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K

51. Manelin avoids using his office computer for personal use, even though his company does not have a specific policy forbidding it. Manelin is at the \_\_\_\_\_ stage of ethical development.

a.	preconventional
b.	unconventional
c.	postconventional

d.	conventional
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ANS: d                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of knowledge  
BT: AP

52. If an individual follows personal principles for resolving ethical dilemmas and considers personal, group, and societal interests, he or she is at the \_\_\_\_\_ stage of ethical development.

a.	preconventional
b.	conventional
c.	postconventional
d.	concentrations

ANS: c                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

53. Alezae does not make personal long-distance phone calls at work because it will cost her employer money. Alezae is in the \_\_\_\_\_ stage of ethical development.

a.	conventional
b.	traditional
c.	postconventional
d.	preconventional

ANS: a                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

54. Aimon makes a point of turning off the lights in his office when he is not using it because it saves his company money and saves energy for the environment. Aimon is in the stage of ethical development.

a.	conventional
b.	postconventional
c.	preconventional
d.	traditional

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

55. Brianna focuses on her duty to family and work and bases her actions on the expectations of various groups in her life. Brianna is in \_\_\_\_\_ stage of ethical development.

a.	postconventional
b.	traditional
c.	conventional
d.	preconventional

ANS: c                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

56. Jeffrey Wigand, a former executive of Brown & Williamson who exposed his company's practice of intentionally manipulating the effect of nicotine in cigarettes on the CBS news program *60 Minutes*, had moved beyond self-interest and company duty to which stage of individual ethics?

a.	preconventional
b.	postconventional
c.	unconventional
d.	conventional

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.      AACSB      Application of  
knowledge                      BT: AP

57. Glafira is an investment advisor and wants to recommend a stock she happens to own. How should Glafira best deal with this potential conflict of interest?

a.	She should not make the recommendation.
b.	She should make a negative recommendation.
c.	She should make a positive recommendation and then sell the stock.
d.	She should disclose the fact that she owns the stock while making the recommendation.

ANS: d                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.      AACSB      Ethical  
understanding and reasoning                      BT: C

58. Branka is a diabetes educator at a local clinic. Recently, she was offered a lavish trip by a sales representative who has been pushing the clinic to use his company's diabetes supplies. Branka declined the gift. Which ethical challenge did she face?

a.	Whistle-blowing
b.	Honesty and integrity
c.	Culture shock
d.	Conflict of interest

ANS: d                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.      AACSB      Application of  
knowledge                      BT: AP

59. How should a businessperson deal with a conflict of interest?

a.	Ignore it
b.	Send an email to the superior
c.	Disclose it or avoid it
d.	Report it only to close friends

ANS: c                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.      AACSB      Ethical  
understanding and reasoning                      BT: K

60. External auditors are examining Benito's company's financial records. Benito knows there may be an error and will tell them about it but only if they ask. They do not ask. In this scenario, Benito's \_\_\_\_\_ is most likely to be questioned.

a.	integrity
b.	social responsibility

c.	truthfulness
d.	loyalty

ANS: a                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

61. During a meeting with government regulators, Nicole voluntarily points out a potential problem with a new product her company is testing. Nicole has shown\_\_\_\_\_.

a.	honesty
b.	loyalty
c.	truthfulness
d.	integrity

ANS: d                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

62. Daichi takes responsibility for an error made by his assistant on a project. Daichi has shown \_\_\_\_\_.

a.	loyalty
b.	honesty
c.	integrity
d.	truthfulness

ANS: c                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

63. Horus is a new employee at an IT firm. Soon he learns of the unethical practices done by his superiors and other employees at the firm. He immediately informs such instances and behaviors to the upper management and other officials at the firm. This act by Horus is known as \_\_\_\_\_.

a.	whistle-blowing
b.	scaremongering
c.	auditing
d.	fear mongering

ANS: a                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

64. Embellishing one's résumé shows a lack of\_\_\_\_\_and\_\_\_\_\_.

a.	honesty and loyalty
b.	honesty and integrity
c.	integrity and loyalty
d.	competence and loyalty



ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

65. \_\_\_\_\_ goes beyond truthfulness.

a.	Honesty
b.	Loyalty
c.	Integrity
d.	Competence

ANS: c                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

66. Bente knows of a defect in a product his company sells. He will disclose the defect but only if the customer specifically asks about it. Bente's \_\_\_\_\_ could be called into question.

a.	altruism
b.	integrity
c.	loyalty
d.	truthfulness

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of  
knowledge                      BT: AP

67. Kanai learns that her company is secretly dumping untreated waste into the city sewer systems, and she informs the local EPA office. Which of the following does NOT describe Kanai's ethical situation?

a.	She is acting as a whistle-blower.
b.	She has a conflict of interest.
c.	She is showing integrity.
d.	She is showing loyalty.

ANS: d                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

68. Veata's supervisor asks her to conceal information from external auditors examining the company's financial records. What is Veata's ethical challenge?

a.	Loyalty versus truth
b.	Conflict of interest
c.	Honesty and integrity
d.	No ethical challenge

ANS: a                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

69. Rangsey was a foreman at Hi-Way Construction and discovered his company was deliberately using faulty materials for a project. Although Rangsey was worried about his family's financial

security if he lost his job, he went to authorities and informed them of the potentially dangerous construction. Rangsey's action is called\_\_\_\_\_.

a.	ethical compliance
b.	whistle-blowing
c.	ethical allegations
d.	fear mongering

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Application of knowledge  
BT:                      AP

70. Development of a corporate culture to support business ethics occurs on each of the following levels EXCEPT ethical\_\_\_\_\_.

a.	success
b.	awareness
c.	reasoning
d.	leadership

ANS: a                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

71. \_\_\_\_\_requires that firms in the private sector provide procedures for anonymous reporting of accusations of fraud.

a.	Americans with Disabilities Act
b.	Sarbanes-Oxley Act
c.	Consumer Rights Act
d.	Genetic Information Nondiscrimination Act of 2008

ANS: b                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

72. A formal statement that defines how the organization expects and requires employees to resolve ethical questions is\_\_\_\_\_.

a.	social responsibility statement
b.	an organizational culture
c.	a code of conduct
d.	an ethical environmental statement

ANS: c                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

73. Which of the following can improve ethical reasoning in a company?

a.	Whistle-blowing
b.	Practical training sessions
c.	Mission statement
d.	Organizational culture

ANS: b                      DIF: EASY                      LO: 2.3                      Section: Discuss how  
 organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
 reasoning                      BT:                      K

74. Online simulation training such as the Ethics Challenge can help to improve ethical\_\_\_\_\_.

a.	awareness
b.	reasoning
c.	leadership
d.	action

ANS: b                      DIF: MEDIUM                      LO: 2.3                      Section: Discuss how  
 organizations shape ethical conduct.                      AACSB                      Ethical  
 understanding and reasoning                      BT: K

75. Macrozine Inc. provides support for employees faced with ethical dilemmas. An ethics compliance officer is available in the Human Resources office or through an employee hotline. This is an example of ethical\_\_\_\_\_.

a.	reasoning
b.	awareness
c.	whistle-blowing
d.	action

ANS: d                      DIF: EASY                      LO: 2.3                      Section: Discuss how  
 organizations shape ethical conduct.                      AACSB                      Application of  
 knowledge                      BT:                      AP

76. After meeting with employees, a manager realizes she has set performance goals unrealistically high for her department’s employees. If she makes employee performance goals more realistic, what will likely happen to the department’s ethical climate?

a.	It will stay about the same.
b.	It will improve.
c.	It will create uncertainty among employees.
d.	It will deteriorate.

ANS: b                      DIF: MEDIUM                      LO: 2.3                      Section: Discuss how  
 organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
 reasoning                      BT:                      C

77. Ethical\_\_\_\_\_changes each employee personally to uphold the company’s core values and be willing to base their actions on them.

a.	leadership
b.	awareness
c.	action
d.	reasoning

ANS: a                      DIF: MEDIUM                      LO: 2.3                      Section: Discuss how  
 organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
 reasoning                      BT:                      K

78. The sales manager decides to double each salesperson’s monthly quota. What impact is this action likely to have on the company’s ethical climate?

a.	It will improve.
b.	It will remain the same.
c.	It will deteriorate.
d.	It will generate healthy competition.

ANS: c                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
reasoning                      BT:                      K

79. Jack Welch, former CEO of The General Electric, is respected in business circles for focusing his company on the welfare of its customers and investors and for ensuring that GE would thrive in the long run. This type of environment is an example of ethical\_\_\_\_\_.

a.	action
b.	reasoning
c.	awareness
d.	leadership

ANS: d                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Application of  
knowledge                      BT:                      AP

80. Which of the following would be LEAST likely to be a factor in evaluating a firm's social performance?

a.	Providing a safe, healthy workplace
b.	Respecting the cultural diversity of employees
c.	Holding company-sponsored social events
d.	Producing safe, high-quality products

ANS: c                      DIF: EASY                      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: C

81. A company removes a profitable product from the market because it may be dangerous. This company is demonstrating\_\_\_\_\_.

a.	ethical behavior
b.	green marketing
c.	conflict of interest
d.	contango

ANS: a                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

82. Businesses exercise social responsibility for all of the following reasons EXCEPT\_\_\_\_\_.

a.	stakeholders expect it
b.	profits are guaranteed
c.	the company's image is enhanced
d.	management believes it is the ethical course of action

ANS: b                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
 businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
 understanding and reasoning                    BT: K

83. When Target Inc. donates 5 percent of its federally taxable income to non-profit groups, the company is highlighting its\_\_\_\_\_.

a.	social responsibility
b.	code of conduct
c.	social audit
d.	altruism

ANS: a                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
 businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
 understanding and reasoning                    BT: C

84. A formal procedure that identifies and evaluates all company activities relating to social issues is known as a(n)\_\_\_\_\_.

a.	ethical profile
b.	social audit
c.	social inventory
d.	mission analysis

ANS: b                    DIF: EASY            LO: 2.4                    Section: Describe how  
 businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
 understanding and reasoning                    BT: K

85. In addition to financial assessments, Dominic has arranged for his company to conduct a(n) \_\_\_\_\_to evaluate activities that relate to social issues such as employment practices, environmental protection, and philanthropy.

a.	EEOC evaluation
b.	code of conduct
c.	social audit
d.	social responsibility inventory

ANS: c                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
 businesses can act responsibly to satisfy society.                    AACSB                    Application of  
 knowledge                    BT: AP

86. The Bristanie Corp. uses a company-wide team of employees to identify company activities related to social issues, report on how the firm is responding to those issues, and evaluate how effectively the firm has met those issues. The Bristanie team is conducting a(n)\_\_\_\_\_.

a.	environmental impact audit
b.	government-mandated audit
c.	internal accounting audit
d.	social audit

ANS: d                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
 businesses can act responsibly to satisfy society.                    AACSB                    Appli-  
 cation of knowledge                    BT: AP

87. The \_\_\_\_\_ of a coffee-growing company usually include its employees, customers, suppliers, and the community members where the company is located.

a.	social responsibility
b.	corporate philanthropy
c.	social audit
d.	stakeholders

ANS: d                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how organizations shape ethical conduct. AACSB      Ethical understanding and reasoning                      BT: K

88. Reprocessing used materials so that they can be reused is known as \_\_\_\_\_.

a.	rotation
b.	reinvigoration
c.	recycling
d.	ecology

ANS: c                      DIF: EASY                      LO: 2.4                      Section: Describe how businesses can act responsibly to satisfy society. AACSB      Ethical understanding and reasoning BT:                      K

89. A strategy that promotes environmentally friendly products and production methods is called \_\_\_\_\_.

a.	consumerism
b.	recycling
c.	ethical awareness
d.	green marketing

ANS: d                      DIF: EASY                      LO: 2.4                      Section: Describe how businesses can act responsibly to satisfy society. AACSB      Ethical understanding and reasoning BT:                      K

90. Timbonei Inc. allows its employees to take paid six-month sabbatical leaves to work for non-profit organizations. This is an example of \_\_\_\_\_.

a.	corporate philanthropy
b.	green marketing
c.	whistle-blowing
d.	consumerism

ANS: a                      DIF: MEDIUM      LO: 2.4                      Section: Describe how businesses can act responsibly to satisfy society. AACSB      Analytical thinking                      BT: C

91. Which of the following is NOT an example of corporate philanthropy?

a.	Supporting the local public radio station
b.	Sponsoring a Red Cross blood drive
c.	Paying local property taxes
d.	Giving employees release time to participate in volunteer activities

ANS: c                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB                      Analytical thinking                      BT: C

92. Emiko works in an organization that manufactures goods that is in compliance with the standards set by the Federal Trade Commission. All of its products have little or no ill effect on the environment and hence has earned itself a nice reputation in the industry. The firm's marketing strategy is therefore developed on its reliance on safer and cleaner uses of resources. The firm is practicing\_\_\_\_\_marketing.

a.	green
b.	guerrilla
c.	loyalty
d.	freebie

ANS: a                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB                      Application of knowledge                      BT: AP

93. During the Olympics, several Nike ads were aired that demonstrated the company's sponsorship of various events. Nike was using\_\_\_\_\_to align their marketing efforts with charitable giving.

a.	cybersquatting
b.	cause-related marketing
c.	social responsibility
d.	ethical awareness

ANS: b                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB                      Application of knowledge                      BT: AP

94. The public demand that businesses give proper consideration to consumer wants and needs in making its decisions is known as\_\_\_\_\_.

a.	conservation
b.	political activism
c.	ethics
d.	consumerism

ANS: d                      DIF: EASY                      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB                      Analytical thinking                      BT: K

95. Consumer Rights include all of the following EXCEPT the right to\_\_\_\_\_.

a.	boycott
b.	choose
c.	be heard
d.	be informed

ANS: a                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB                      Ethical understanding and reasoning                      BT: K

96. Owing to the vast devastation caused by a hurricane in Gyvenopolis, Pandaal Inc., a food company, decided to supply its 1000 cartons of food products for free to the affected region. This is an example of\_\_\_\_\_.

a.	corporate philanthropy
b.	cross-selling
c.	upselling
d.	corporate disinvestment

ANS: a                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society..                      AACSB                      Appli-  
cation of knowledge      BT: AP

97. According to\_\_\_\_\_ standards, when a drug company purchases a television ad, the company is required to describe potential side effects of the drug, or at least provide a phone number or Web site address for additional information.

a.	Occupational Safety and Health Administration (OSHA)
b.	Food and Drug Administration (FDA)
c.	Consumer Compliance
d.	Securities and Exchange Commission (SEC)

ANS: b                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

98. Which federal agency is responsible for ensuring the safety of prescription drugs?

a.	FDA
b.	FTC
c.	SEC
d.	FCC

ANS: a                      DIF: EASY                      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

99. The doctrine of “the right to be heard” would be best reflected by\_\_\_\_\_.

a.	product safety
b.	disclosure of true annual interest rates on revolving charge accounts
c.	disclosure of sodium content on labels of processed foods
d.	a firm establishing a consumer appeals board

ANS: d                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

100. Which federal agency is responsible for setting workplace health and safety standards?

a.	FCC
b.	FDA
c.	FTC



d.	OSHA
----	------

ANS: d                      DIF: EASY              LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB              Ethical  
 understanding and reasoning                      BT: K

101. All of the following are current social issues related to business's responsibilities to employees EXCEPT \_\_\_\_\_.

a.	sexual harassment
b.	discrimination against workers over 40 years of age
c.	discrimination against workers under 40 years of age
d.	quality of life issues

ANS: c                      DIF: MEDIUM              LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB              Ethical  
 understanding and reasoning BT: K

102. Matt was diagnosed with a serious illness that requires aggressive treatment. Because his company employs 50 or more people, it must allow Matt up to 12 weeks unpaid time off in one year, as granted by the \_\_\_\_\_.

a.	Family and Medical Leave Act
b.	Equal Employment Opportunity Commission
c.	Occupational Safety and Health Administration
d.	Vocational Rehabilitation Act

ANS: a                      DIF: MEDIUM              LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB              Application of  
 knowledge                      BT: AP

103. An employee at a leading IT firm is subjected to sexual harassment on a regular basis. The employee also learns that there are other such cases in the firm, and that very few people have reported them to the appropriate authority. Which of the following laws will best protect employees from such harassment?

a.	Civil Rights Act of 1991
b.	Americans with Disabilities Act of 1990
c.	Equal Pay Act of 1963
d.	Vocational Rehabilitation Act of 1973

ANS: a                      DIF: MEDIUM              LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB              Application of  
 knowledge                      BT: AP

104. All of the following are specifically identified by federal equal employment opportunity laws EXCEPT \_\_\_\_\_.

a.	women
b.	obese people
c.	people with disabilities
d.	people over age 40

ANS: b                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.      AACSB      Diverse and multicultural work  
 environments                      BT: K

105. Rene’s boss has offered him a raise if Rene agrees to spend the night with her. This is an example of\_\_\_\_\_.

a.	red tape
b.	sexual harassment
c.	nepotism
d.	whistle-blowing

ANS: b                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB      Diverse  
 and multicultural work environments                      BT: K

106. On average, women with a college degree earn less money than men with a college degree. This is an example of\_\_\_\_\_.

a.	social responsibility
b.	nepotism
c.	sexism
d.	whistle-blowing

ANS: c                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB      Diverse  
 and multicultural work environments                      BT: K

107. Companies that adhere to high ethical standards\_\_\_\_\_.

a.	often make poorer investments in the long run
b.	always make higher profits
c.	often make better investments in the long run
d.	always make lower profits

ANS: c                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
 businesses can act responsibly to satisfy society.                      AACSB      Ethical  
 understanding and reasoning                      BT: K

108. At the federal level, the\_\_\_\_\_investigates suspicions of unethical or illegal behavior by publicly traded firms.

a.	SEC
b.	EEOC
c.	FDA
d.	OSHA

ANS: a                      DIF: EASY                      LO: 2.5                      Section: Explain the  
 ethical responsibilities of businesses to investors and the financial community.  
                     AACSB      Ethical understanding and reasoning                      BT: K

**TRUE/FALSE**

109. Social and ethical issues are a bigger concern in smaller companies than larger companies.
- ANS: F                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
110. Social responsibility is a concept that pertains only to small businesses.
- ANS: F                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
111. The Sarbanes-Oxley Act requires companies that have a code of ethics to publish them.
- ANS: T                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
112. Bayarmaa discovered unlawful conduct at her company and notified authorities. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against Bayarmaa can be prosecuted.
- ANS: T                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
113. Ethical corporations consider first and foremost what is profitable.
- ANS: F                      DIF: MEDIUM                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
114. Fundamentally, a business is responsible for customers, employees, investors, and the community alike.
- ANS: T                      DIF: MEDIUM                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
115. In business, as in life, deciding what is right or wrong in a given situation does not always involve a clear-cut choice.
- ANS: T                      DIF: MEDIUM                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
116. Businesses must find a balance between doing what is right and doing what is profitable.
- ANS: T                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

117. Codes of conduct are playing an increasingly important role in business ethics.
- ANS: T                      DIF: EASY                      LO: 2.1                      Section: Explain the  
concern for ethical and societal issues.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
118. The Sarbanes-Oxley Act aims to punish corporate fraud and corruption.
- ANS: T                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
119. Individual employees have a major influence over ethical expectations and behavior.
- ANS: T                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
120. An individual employee acting ethically will have little influence on his or her coworkers.
- ANS: F                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
121. The U.S. Sentencing Commission was created to protect employees who claim that they were unaware of ethical violations that they were accused of committing.
- ANS: F                      DIF: MEDIUM                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
122. Technology has helped decrease the amount of unethical behavior exhibited by businesses.
- ANS: F                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Information technology  
BT: K
123. Some employees rationalize questionable or unethical behavior by saying, "Everyone does it."
- ANS: T                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
124. The highest level of ethical and moral behavior is known as the postconventional stage.
- ANS: T                      DIF: EASY                      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
125. Some people engage in activities that are contrary to their personal and moral values because they feel pressured on their jobs.

ANS: T                    DIF: EASY                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

126. Individuals at the same stage of ethical development always adopt the same style for resolving ethical dilemmas.

ANS: F                    DIF: MEDIUM                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical understanding and  
reasoning                    BT: K

127. Preconventional behavior is the term used to describe an employee's disclosure to the media or government authorities of illegal, immoral, or unethical practices of the organization.

ANS: F                    DIF: EASY                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

128. Divya refrains from "padding" her expense account because it will hurt the company. Divya is at the preconventional stage of moral and ethical development.

ANS: F                    DIF: MEDIUM                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

129. Batzorig is a lawyer whose work habits help his company, as well as society in general. Batzorig is at the postconventional stage of moral and ethical development.

ANS: T                    DIF: MEDIUM                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

130. Successful managers are often able to discover that there is a clear-cut answer between what's right and what's wrong.

ANS: F                    DIF: EASY                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

131. On-the-job ethical dilemmas are common.

ANS: T                    DIF: MEDIUM                    LO: 2.2                    Section: Describe the  
contemporary ethical environment.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

132. An advertising agency representing two companies that compete with one another has an obvious conflict of interest.

- ANS: T                    DIF: MEDIUM      LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
133. A conflict of interest exists when a person is faced with a decision in which an action will harm one individual or group while benefiting another.
- ANS: T                    DIF: EASY              LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
134. Developing a close personal relationship with a client or supplier is only a conflict of interest if others find out about the relationship.
- ANS: F                    DIF: MEDIUM      LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical understanding and  
reasoning                    BT: K
135. The only safe way to handle a potential conflict of interest is to avoid situations in which one might occur.
- ANS: F                    DIF: MEDIUM      LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
136. Truthfulness is more significant than integrity.
- ANS: F                    DIF: EASY              LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
137. Adhering to deeply felt ethical principles in business situations is known as loyalty.
- ANS: F                    DIF: MEDIUM      LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
138. Employers expect employees to generally act in the best interests of the organization.
- ANS: T                    DIF: MEDIUM      LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
139. Loyalty and truthfulness often conflict with one another in the business world.
- ANS: T                    DIF: EASY              LO: 2.2                    Section: Describe the  
contemporary ethical environment.      AACSB                    Ethical  
understanding and reasoning                    BT: K
140. Every business person places the highest value only on loyalty, even at the expense of truth.

ANS: F                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical understanding and  
reasoning                      BT: K

141. An employee who “goes public” with the evidence of improper actions by his or her employer is known as a whistle-blower.

ANS: T                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

142. Whistle-blowing can be effective with the cooperation of higher-level managers.

ANS: T                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

143. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against an employee for taking concerns of unlawful conduct to a public official can be prosecuted.

ANS: T                      DIF: MEDIUM      LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

144. Some people resort to whistle-blowing because they believe the unethical behavior is causing significant damage that outweighs the risk that the company will retaliate against the whistle-blower.

ANS: T                      DIF: EASY              LO: 2.2                      Section: Describe the  
contemporary ethical environment.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

145. A code of conduct is an informal statement that defines how the organization expects employees to resolve ethical questions.

ANS: F                      DIF: EASY              LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

146. A code of conduct is a formal document that must be printed.

ANS: F                      DIF: EASY              LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical  
understanding and reasoning                      BT: K

147. If companies provide a code of conduct and ethical training, there is no need to hire a compliance officer or to provide an anonymous employee hotline to report unethical behavior they have witnessed.

ANS: F                    DIF: MEDIUM      LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

148. One of the first steps in the establishment of sound business ethics is to help employees identify ethical problems when they occur.

ANS: T                    DIF: EASY                    LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical understanding and  
reasoning                    BT: K

149. Formally stating that employees must not discriminate on the basis of race, gender, or age in their dealings with customers is something that could be found in a company code of conduct.

ANS: T                    DIF: MEDIUM      LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Diverse and  
multicultural work environments                    BT: K

150. "Maintaining an atmosphere of cultural integrity" is an example of something that might be found in a company's code of conduct.

ANS: T                    DIF: EASY                    LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

151. A code of conduct is part of the ethical awareness stage of ethical development.

ANS: T                    DIF: EASY                    LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical understanding and  
reasoning                    BT: K

152. Many ethical dilemmas involve gray areas that may require individuals to sort through several courses of actions, each with its own set of consequences.

ANS: T                    DIF: EASY                    LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

153. Companies never use a code of conduct to guide employees' online behavior.

ANS: F                    DIF: MEDIUM      LO: 2.3                    Section: Discuss how  
organizations shape ethical conduct.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

154. Starbucks' efforts to go green with recyclable cups is an example of social responsibility.

ANS: T                    DIF: MEDIUM      LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K



155. A manager who doubles employee performance goals every quarter most likely will see an increase in the number of ethically questionable actions by employees.
- ANS: T                      DIF: MEDIUM      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
156. Some firms issue a code of conduct or statement of values in the form of a small card that employees and managers can carry with them.
- ANS: T                      DIF: EASY                      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
157. A company's CEO alone determines the ethical climate of the business.
- ANS: F                      DIF: EASY                      LO: 2.3                      Section: Discuss how  
organizations shape ethical conduct.                      AACSB                      Ethical understanding and  
reasoning                      BT: K
158. In a general sense, social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the firm's performance.
- ANS: T                      DIF: MEDIUM      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
159. The primary social responsibility of a company is to its customers.
- ANS: F                      DIF: EASY                      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
160. Corporations often neglect to consider that electronic products are extremely recyclable.
- ANS: F                      DIF: EASY                      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
161. Social audits measure the level of volunteer work conducted in communities.
- ANS: F                      DIF: EASY                      LO: 2.4                      Section: Describe how  
businesses can act responsibly to satisfy society.                      AACSB                      Ethical  
understanding and reasoning                      BT: K
162. External groups often conduct their own evaluations of businesses, and reports of these evaluations are usually available to public.

ANS: T                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Analytical thinking  
BT: K

163. Social audits conducted internally are of no value because they are always biased in favor of the company.

ANS: F                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

164. To demonstrate their social responsibility, many corporations highlight charitable contributions and community service in their annual reports and on their websites.

ANS: T                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

165. Social audits are informal business surveys that report customer satisfaction with a company's products.

ANS: F                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

166. Corporate philanthropy is the belief that businesses should put the needs of society over the needs of managers and employees.

ANS: F                    DIF: EASY                    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

167. Helping employees stop smoking is an example of a social responsibility revolving around public health.

ANS: T                    DIF: EASY                    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

168. Historically, a company's social performance has been measured by its contribution to the overall economy and the employment opportunities it provides.

ANS: T                    DIF: EASY                    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

169. Hewlett-Packard's use of new and recycled plastics in the manufacture of its scanners is an example of acting responsibly to satisfy societal demands.

- ANS: T            DIF: EASY            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
170. A “green” product that claims to be environmentally friendly must be substantiated in accordance with guidelines presented by the Federal Trade Commission.
- ANS: T            DIF: MEDIUM            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
171. Most job positions in developed countries prefer to hire applicants with college degrees.
- ANS: T            DIF: EASY            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
172. Paying corporate taxes is an example of corporate philanthropy.
- ANS: F            DIF: MEDIUM            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Ethical  
understanding and reasoning            BT: K
173. Consumerism is the public demand that a business consider the wants and needs of its customers in making decisions.
- ANS: T            DIF: EASY            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
174. Product liability protects the reputation of consumers against consumer allegations.
- ANS: F            DIF: EASY            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
175. Employers have a responsibility to their employees to provide a safe working environment.
- ANS: T            DIF: EASY            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
176. The Occupational Safety and Health Administration (OSHA) sets standards for workplace safety and investigates workplace accidents.
- ANS: T            DIF: MEDIUM            LO: 2.4            Section: Describe how  
businesses can act responsibly to satisfy society.            AACSB            Analyt-  
ical thinking            BT: K
177. The Equal Employment Opportunity Commission is beginning to focus on individual situations rather than systemic discrimination.

ANS: F                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Diverse and  
multicultural work environments                    BT: K

178. There are more male victims of sexual harassment than females.

ANS: F                    DIF: EASY                    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical  
understanding and reasoning                    BT: K

179. Sexual harassment is divided into two categories: pressure to comply with unwelcome advances for job security and a hostile work environment.

ANS: T                    DIF: MEDIUM    LO: 2.4                    Section: Describe how  
businesses can act responsibly to satisfy society.                    AACSB                    Ethical understanding and  
reasoning                    BT: K

180. Under the Security and Exchange Commission (SEC), publicly traded companies are required to announce major information to the general public, rather than first disclosing the information to selected major investors.

ANS: T                    DIF: EASY                    LO: 2.5                    Section: Explain the ethical  
responsibilities of businesses to investors and the financial community.                    AACSB                    Ethical understanding and reasoning                    BT: K

181. Sexism is a form of sex discrimination that violates the Civil Rights Act of 1964, which gives both men and women the right to file lawsuits for intentional sexual harassment.

ANS: F                    DIF: EASY                    LO: 2.5                    Section: Explain the ethical  
responsibilities of businesses to investors and the financial community.                    AACSB                    Ethical understanding and reasoning                    BT: K

182. The principal federal agency responsible for protecting investors from financial misdeeds is the Federal Trade Commission.

ANS: F                    DIF: EASY                    LO: 2.5                    Section: Explain the ethical  
responsibilities of businesses to investors and the financial community.                    AACSB                    Ethical understanding and reasoning                    BT: K

183. Ethical standards are not proven to affect a company's stock prices.

ANS: F                    DIF: MEDIUM    LO: 2.5                    Section: Explain the ethical  
responsibilities of businesses to investors and the financial community.                    AACSB  
Ethical understanding and reasoning                    BT: K