**Chapter 1—The Importance of Business Ethics**

**MULTIPLE CHOICE**

1. Principles are

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| a. | laws and regulations that guide behavior in the world of business. |
| b. | mores, values, and customs that guide behavior in general. |
| c. | specific and pervasive boundaries for behavior that are universal and absolute. |
| d. | the obligations businesses assume to maximize their positive impact and minimize their negative impact on stakeholders. |
| e. | the mores, values, and customs that parents teach their children. |

ANS: C PTS: 1 REF: p. 7

2. Social responsibility is

|  |  |
| --- | --- |
| a. | an organization's obligation to maximize its positive effects and minimize its negative effects on stakeholders. |
| b. | principles and standards that guide behavior in the world of business. |
| c. | a business's responsibility not to pollute the environment. |
| d. | a business's responsibility to manufacture products that function properly. |
| e. | charitable contributions made by a business to enhance its image. |

ANS: A PTS: 1 REF: p. 13

3. The \_\_\_\_\_ was/were enacted to restore confidence in financial reporting and business ethics after the accounting scandals of the early 2000s.

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| --- | --- |
| a. | Defense Industry Initiative on Business Ethics and Conduct |
| b. | Sarbanes-Oxley Act |
| c. | Federal Sentencing Guidelines for Organizations |
| d. | Foreign Corrupt Practices Act |
| e. | Dodd-Frank Wall Street Reform and Consumer Protection Act |

ANS: B PTS: 1 REF: p. 14

4. The term *business ethics* is best described by the following statement:

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| --- | --- |
| a. | It is the study and philosophy of human conduct, with an emphasis on determining right and wrong. |
| b. | It is an "inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct." |
| c. | It is the "study of the general nature of morals and of specific moral choices; moral philosophy; and the rules or standards governing the conduct of the members of a profession." |
| d. | It is an organization's obligation to maximize its positive effects and minimize its negative effects on stakeholders. |
| e. | It comprises the principles, values, and standards that guide behavior in the world of business. |

ANS: E PTS: 1 REF: p. 7

5. Which of the following is *not* one of the rights spelled out by John F. Kennedy in his "Consumers' Bill of Rights"?

|  |  |
| --- | --- |
| a. | The right to choose |
| b. | The right to safety |
| c. | The right to be informed |
| d. | The right to be ethical |
| e. | The right to be heard |

ANS: D PTS: 1 REF: p. 12

6. During the 1990s the institutionalization of business ethics was largely driven by which piece of legislation?

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| --- | --- |
| a. | Sarbanes-Oxley Act |
| b. | Federal Sentencing Guidelines for Organizations |
| c. | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| d. | Foreign Corrupt Practices Act |
| e. | Global Sullivan Principles |

ANS: B PTS: 1 REF: p. 14

7. Business ethics, as a field, has passed through which of the following states?

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| --- | --- |
| a. | A field of study to theological discussion to recognition of social issues |
| b. | Recognition of social issues to a field of study to theological discussion |
| c. | A field of study to recognition of social issues to theological discussion |
| d. | Recognition of social issues to theological discussion to a field of study |
| e. | Theological discussion to recognition of social issues to a field of study |

ANS: E PTS: 1 REF: p. 12-14

8. The 1960s saw a rise of consumerism. What is consumerism?

|  |  |
| --- | --- |
| a. | An increase in consumer rights by organizations and governments |
| b. | The growth of international retail chain stores |
| c. | Activities undertaken by independent individuals, and groups to protect their rights as consumers |
| d. | The widespread adoption of consumer oriented marketing strategies among businesses |
| e. | Organizations’ tendency to seek ways to take advantage of consumers |

ANS: C PTS: 1 REF: p. 12

9. Ethics is a part of decision making

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| --- | --- |
| a. | at all levels of work and management. |
| b. | primarily at the upper management levels of an organization. |
| c. | mostly for policy makers. |
| d. | that is less important than other decision making processes. |
| e. | only at that lower levels of organizational management. |

ANS: A PTS: 1 REF: p. 5

10. Which of the following was developed in the 1980s to guide corporate support for ethical conduct by establishing a method for discussing best practices?

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| --- | --- |
| a. | Federal Sentencing Guidelines for Organizations |
| b. | Defense Industry Initiative on Business Ethics and Conduct |
| c. | Corporate codes of conduct |
| d. | United States Sentencing Commission |
| e. | MERCOSUR |

ANS: B PTS: 1 REF: p. 13

11. The \_\_\_\_\_ focus(es) on firms taking action to prevent and detect business misconduct in cooperation with government regulation.

|  |  |
| --- | --- |
| a. | United States Sentencing Commission |
| b. | Defense Industry Initiative on Business Ethics and Conduct |
| c. | World Trade Organization |
| d. | United Nations Global Compact |
| e. | Federal Sentencing Guidelines for Organizations |

ANS: E PTS: 1 REF: p. 14

12. The study of business ethics is important to better understand all of the following *except*

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| --- | --- |
| a. | that a person's own moral philosophies and decision-making experience may not be sufficient to guide him or her in the business world. |
| b. | how and why people make ethical or unethical decisions. |
| c. | how to cope with conflicts between a person's own values and those of the organization in which he or she works. |
| d. | that business ethics is entirely an extension of an individual's own personal ethics. |
| e. | how to identify ethical issues arising in the business world. |

ANS: D PTS: 1 REF: p. 10

13. According to the rule of ethical culture in performance, all of these are drivers of profit *except*

|  |  |
| --- | --- |
| a. | ethical culture. |
| b. | investor loyalty. |
| c. | employee commitment. |
| d. | customer satisfaction. |
| e. | opportunity for misconduct. |

ANS: E PTS: 1 REF: p. 17

14. More than a compliance program, business ethics is becoming

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| --- | --- |
| a. | a management issue to achieve competitive advantage. |
| b. | less accepted by society. |
| c. | mainly a government regulatory issue. |
| d. | an initiative led by nonprofit organizations. |
| e. | a program that decreases profits but increases societal benefits. |

ANS: A PTS: 1 REF: p. 22

15. Having acceptable personal ethics is probably *not* going to be sufficient to handle complex business ethical issues when an individual has

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| --- | --- |
| a. | family concerns. |
| b. | an unethical boss. |
| c. | limited business experience. |
| d. | financial training. |
| e. | a marketing background. |

ANS: C PTS: 1 REF: p. 10-11

16. One of the major ethical issues President Obama’s administration focused on was

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| --- | --- |
| a. | decreasing environmental legislation. |
| b. | deregulation. |
| c. | tax decreases. |
| d. | incentives to oil companies. |
| e. | health care and consumer protection. |

ANS: E PTS: 1 REF: p. 15

17. Which of the following isgenerally *not* considered a business ethics issue?

|  |  |
| --- | --- |
| a. | Insider trading |
| b. | Accounting fraud |
| c. | Deceptive advertising |
| d. | Misuse of organizational resources |
| e. | Type of government |

ANS: E PTS: 1 REF: p. 10

18. Which represented a far-reaching change to organizational control and accounting systems, making securities fraud a criminal offense?

|  |  |
| --- | --- |
| a. | Council on Economic Priorities and Social Accountability 8000. |
| b. | Sarbanes-Oxley Act. |
| c. | Consumer Protection Act. |
| d. | Defense Industry Initiative on Business Ethics and Conduct. |
| e. | Dodd-Frank Wall Street Reform and Consumer Protection Act. |

ANS: B PTS: 1 REF: p. 14-15

19. The Foreign Corrupt Practices Act outlawed

|  |  |
| --- | --- |
| a. | accounting fraud. |
| b. | price collusion. |
| c. | corruption in government. |
| d. | bribery of officials in other countries. |
| e. | executive misconduct. |

ANS: D PTS: 1 REF: p. 13

20. Which of the following was *not* a provision of the Sarbanes-Oxley Act?

|  |  |
| --- | --- |
| a. | It stiffened penalties for corporate fraud. |
| b. | It created an accounting oversight board that requires corporations to establish codes of ethics for financial reporting. |
| c. | It required top executives to sign off on their firms' financial statements. |
| d. | It outlawed bribery of officials in other countries. |
| e. | It made securities fraud a criminal offense. |

ANS: D PTS: 1 REF: p. 15

21. Because of Sarbanes-Oxley, publicly traded companies must develop \_\_\_\_\_ to assist in maintaining transparency in financial reporting.

|  |  |
| --- | --- |
| a. | ethics officers |
| b. | ethics programs |
| c. | codes of ethics |
| d. | legal counsel |
| e. | accountants |

ANS: C PTS: 1 REF: p. 15

22. Which of the following is *not* cited as an example of a global collaborative effort to establish standards of business conduct?

|  |  |
| --- | --- |
| a. | Council on Economic Priorities' Social Accountability 8000 |
| b. | Ethical Trading Initiative |
| c. | U.S. Apparel Industry Partnership |
| d. | United States Sentencing Commission |
| e. | World Trade Organization |

ANS: D PTS: 1 REF: p. 16

23. \_\_\_\_\_ is essential in building long-term relationships between businesses and consumers.

|  |  |
| --- | --- |
| a. | Profits |
| b. | Dividends |
| c. | Trust |
| d. | Hubris |
| e. | Codes of ethics |

ANS: C PTS: 1 REF: p. 20

24. The Dodd-Frank Wall Street Reform and Consumer Protection Act

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| --- | --- |
| a. | was very popular among Wall Street bankers. |
| b. | represented only modest reform. |
| c. | came out of theological discussions in the 1920s. |
| d. | was designed to make the financial services industry more responsible. |
| e. | made it mandatory for public corporations to hire ethics officers. |

ANS: D PTS: 1 REF: p. 15

25. In the Reagan/Bush eras, the major focus of the business world was on

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| --- | --- |
| a. | self-regulation rather than regulation by government. |
| b. | decreasing the number of mergers. |
| c. | decreasing the multinational presence in the U.S. marketplace. |
| d. | increasing government influence on the economic arena. |
| e. | improving business ethics. |

ANS: A PTS: 1 REF: p. 13-14

26. The six principles of the Defense Industry Initiative on Business Ethics and Conduct became the foundation for

|  |  |
| --- | --- |
| a. | Better Business Bureau ethical guidelines. |
| b. | the Federal Sentencing Guidelines for Organizations. |
| c. | the Ethical Trading Initiative. |
| d. | the Federal Trade Commission compliance requirements. |
| e. | the Sarbanes-Oxley Act. |

ANS: B PTS: 1 REF: p. 14

27. Ethical culture is defined as

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| --- | --- |
| a. | rules, standards, and moral principles regarding what is right or wrong in specific situations. |
| b. | the establishment and enforcement of ethical codes throughout the organization. |
| c. | the development of rules and norms that are socially enforced. |
| d. | the codification of laws to reward organizations for taking action to prevent misconduct. |
| e. | the character of the decision-making process that employees use to determine whether their responses to ethical issues are right or wrong based on values and norms. |

ANS: E PTS: 1 REF: p. 16

28. The Federal Sentencing Guidelines for Organizations set the tone for organizational ethics compliance programs by

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| --- | --- |
| a. | codifying into law incentives for organizations to take action such as developing ethical compliance programs to prevent misconduct. |
| b. | forcing all organizations to develop mandatory reporting systems. |
| c. | eliminating most of the federal legislation that created inefficient and time-consuming activities for businesses. |
| d. | providing a study of moral philosophies. |
| e. | providing an examination of company codes of ethics. |

ANS: A PTS: 1 REF: p. 14

29. Which of the following statements about the Federal Sentencing Guidelines for Organizations is *false*?

|  |  |
| --- | --- |
| a. | They use a routine mechanical approach that forces all firms to use the same means to avert serious penalties. |
| b. | They strive to prevent misconduct. |
| c. | They encourage companies to develop standards and procedures capable of detecting and preventing misconduct. |
| d. | They utilize a carrot and stick approach by taking preventive action against misconduct. |
| e. | They encourage the appointment of high-level personnel responsible for oversight of the compliance program. |

ANS: A PTS: 1 REF: p. 14

30. Which of the following is *not* one of the benefits of being ethical and socially responsible in business?

|  |  |
| --- | --- |
| a. | Greater employee commitment |
| b. | A high degree of employee dissent |
| c. | Improved customer trust and satisfaction |
| d. | Increased investor loyalty |
| e. | Better financial performance |

ANS: B PTS: 1 REF: p. 17-22

31. Employees' perceptions of their firm as having an ethical climate leads to

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| --- | --- |
| a. | lack of focus on goals. |
| b. | greater focus on education. |
| c. | increased community involvement. |
| d. | improved relationships with competitors. |
| e. | enhanced performance. |

ANS: E PTS: 1 REF: p. 18

32. Employees feel less pressure to compromise ethically, observe less misconduct, are more satisfied with their organizations, and feel more valued when

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| --- | --- |
| a. | they are new at their jobs. |
| b. | they are paid to ignore problems in the workplace. |
| c. | they do not agree with an organization’s values. |
| d. | they have very high compensation. |
| e. | they see honesty, respect, and trust applied in the workplace. |

ANS: E PTS: 1 REF: p. 18

33. Investors are concerned about business ethics because they know that misconduct can

|  |  |
| --- | --- |
| a. | foster stability. |
| b. | improve employee commitment. |
| c. | improve customer loyalty. |
| d. | lower stock value and prices. |
| e. | complicate business financial reporting. |

ANS: D PTS: 1 REF: p. 19

34. *Most* organizations with strong ethical climates usually focus on the core value of placing \_\_\_\_\_ interests first.

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| --- | --- |
| a. | customers' |
| b. | employees' |
| c. | stockholders' |
| d. | suppliers' |
| e. | distributors' |

ANS: A PTS: 1 REF: p. 20

35. Which of the following is *not* something a firm might do to encourage organizational ethics and compliance?

|  |  |
| --- | --- |
| a. | Employee ethics training |
| b. | Hiring a compliance officer |
| c. | Ignoring potential ethical issues |
| d. | Writing a code of ethics |
| e. | Conducting an ethics and compliance audit. |

ANS: C PTS: 1 REF: p. 16

**ESSAY**

36. How does ethics contribute to customer satisfaction?

ANS:

Pages 19-20

PTS: 1 REF: p. 19-20

37. Discuss the evolution of business ethics as a field of study from before 1960 to the present.

ANS:

Pages 11-16

PTS: 1 REF: p. 11-16

38. Why is it important that businesspeople study business ethics?

ANS:

Pages 8-11

PTS: 1 REF: p. 8-11

39. We all learn values from sources such as family, religion, and school. Why might these sources of individual values not prove very helpful when making complex business decisions?

ANS:

Pages 10-11

PTS: 1 REF: p. 10-11

40. Discuss the current state of business ethics in the twenty-first century.

ANS:

Pages 14-16

PTS: 1 REF: p. 14-16

41. How do values and judgments play a critical role when we make ethical decisions?

ANS:

Page 7

PTS: 1 REF: p. 7