

Dynamic Business Law: The Essentials, 4e (Kubasek)
Chapter 2 Business Ethics and Social Responsibility

1) Ethics is the study and practice of decisions that meet, but do not exceed, minimum standards of behavior prescribed by law.

Answer: FALSE

Explanation: Ethics is the study and practice of decisions about what is good or right.

Difficulty: 2 Medium

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

2) Business ethics refers to standards of business conduct, not a set of correct decisions.

Answer: TRUE

Explanation: The definition of business ethics refers to standards of business conduct. It does not result in a set of correct decisions.

Difficulty: 2 Medium

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

3) An ethical dilemma is a problem about what a firm should do for which no clear, right decision is available.

Answer: TRUE

Explanation: An ethical dilemma is a problem about what a firm should do for which no clear, right decision is available.

Difficulty: 2 Medium

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

4) Reasonable people can expect to disagree about optimal solutions to ethical dilemmas.

Answer: TRUE

Explanation: An ethical dilemma is a problem about what a firm should do for which no clear, right decision is available. Reasonable people can expect to disagree about optimal solutions to ethical dilemmas.

Difficulty: 2 Medium

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

5) A business decision cannot be legal but unethical.

Answer: FALSE

Explanation: A business decision can be legal but unethical.

Difficulty: 2 Medium

Topic: Business Law and Business Ethics

Learning Objective: 02-02 How are business law and business ethics related?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

6) Ethical standards are uniform globally.

Answer: FALSE

Explanation: Different countries have different ethical standards. Thus, ethical conceptions shape business law and business relationships uniquely in each country.

Difficulty: 1 Easy

Topic: Business Law and Business Ethics

Learning Objective: 02-02 How are business law and business ethics related?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

7) The stakeholders of a business are limited to those who have an ownership interest in the business.

Answer: FALSE

Explanation: The stakeholders of a business consist of many different groups of people who are affected by the business's decisions. They include owners or shareholders, employees, customers, management, the general community where the firm operates, and future generations.

Difficulty: 1 Easy

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

8) Business managers should make sure they consider all relevant stakeholders when they engage in ethical reasoning.

Answer: TRUE

Explanation: Business managers should consider all relevant stakeholders when they engage in ethical reasoning, since any given managerial decision affects, in varying degrees, owners or shareholders, employees, customers, management, the general community where the firm operates, and future generations.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

9) Employees are not stakeholders of a business.

Answer: FALSE

Explanation: The stakeholders of a firm are the many groups of people affected by the firm's decision, including its employees.

Difficulty: 1 Easy

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

10) The social responsibility of business consists of the expectations the community imposes on firms doing business within its borders.

Answer: TRUE

Explanation: The social responsibility of business consists of the expectations the community imposes on firms doing business within its borders. These expectations must be honored to a certain extent, even when a firm wishes to ignore them, because firms are always subject to the implicit threat that legislation will impose social obligations on them.

Difficulty: 2 Medium

Topic: Introduction

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

11) We derive our ethics from the interplay of values.

Answer: TRUE

Explanation: Values are positive abstractions that capture one's sense of what is good and desirable. They are ideas that underlie conversations about business ethics. We derive our ethics from the interplay of values.

Difficulty: 2 Medium

Topic: What Are Values?

Learning Objective: 02-03 What are values?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

12) The Golden Rule is the idea that we should interact with other people in a manner consistent with the way we would like them to interact with us.

Answer: TRUE

Explanation: The Golden Rule is the idea that we should interact with other people in a manner consistent with the way we would like them to interact with us. This guideline urges us to be aware that other people, including their rights and needs, matter.

Difficulty: 1 Easy

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

13) An ethical _____ is a problem about what a firm should do for which no clear, right decision is available.

- A) construct
- B) postulate
- C) standard
- D) dilemma
- E) hypothesis

Answer: D

Explanation: An ethical dilemma is a problem about what a firm should do for which no clear, right decision is available. Reasonable people can expect to disagree about optimal solutions to ethical dilemmas.

Difficulty: 2 Medium

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

14) The social responsibility of business consists of the expectations _____ impose(s) on firms.

- A) the community
- B) future generations
- C) management
- D) employees
- E) shareholders

Answer: A

Explanation: The expectations that a community places on the actions of a business is referred to as the social responsibility of business. If the community expects businesses to obey certain standards of fairness, even when the standards interfere with profit maximization, firms that choose to ignore this expectation do so at their peril.

Difficulty: 1 Easy

Topic: Business Ethics and Social Responsibility

Learning Objective: 02-01 What are business ethics and the social responsibility of business?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

15) Which of the following is an incorrect statement regarding values?

- A) Values are positive abstractions.
- B) Values capture our sense of what is good or desirable.
- C) Values come from the interplay of ethics.
- D) Values are ideas that underlie conversations about business ethics.
- E) Values represent our understanding of the purposes we will fulfill by making particular decisions.

Answer: C

Explanation: Values are positive abstractions that capture our sense of what is good or desirable. They are ideas that underlie conversations about business ethics. We derive our ethics from the interplay of values. Values represent our understanding of the purposes we will fulfill by making particular decisions.

Difficulty: 2 Medium

Topic: What Are Values?

Learning Objective: 02-03 What are values?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

16) Which of the following is an example of the primary value of freedom?

- A) To be safe from those wishing to interfere with your property rights
- B) To possess the capacity or resources to act as one wishes
- C) To provide resources in proportion to need
- D) To maximize the amount of wealth in society
- E) To get the most from a particular output

Answer: B

Explanation: The primary value of freedom includes possessing the capacity or resources to act as one wishes, acting without restriction from rules imposed by others, and escaping the cares and demands of this world entirely.

Difficulty: 2 Medium

Topic: How do Values Provide a Starting Point for Thinking about Business Ethics?

Learning Objective: 02-04 How do values provide a starting point for thinking about business ethics?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

- 17) In 2007, Dole was sued by a group of its employees for:
- A) Low wages
 - B) Age Discrimination
 - C) Bribery
 - D) Sex discrimination
 - E) Ignoring safety recommendations in their use of pesticides

Answer: E

Explanation: In 2007, Dole was sued by a group of its employees for ignoring safety recommendations in its use of pesticides.

Difficulty: 1 Easy

Topic: How do Values Provide a Starting Point for Thinking about Business Ethics?

Learning Objective: 02-04 How do values provide a starting point for thinking about business ethics?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

- 18) The "W" in the WH process of ethical decision making stands for:

- A) Why
- B) When
- C) Where
- D) Wherewithal
- E) Who

Answer: E

Explanation: The "W" in the WH process of ethical decision making stands for "Who"; namely, the stakeholders who are affected by the decisions a firm makes. Those stakeholders include customers, owners or investors, management, employees, the community, and future generations.

Difficulty: 1 Easy

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

- 19) Positive abstractions that capture our sense of what is good or desirable are _____.
A) ethical ideations
B) values
C) subconscious demands
D) ethical standards
E) action-oriented goals

Answer: B

Explanation: Values are positive abstractions that capture our sense of what is good or desirable. They are ideas that underlie conversations about business ethics.

Difficulty: 2 Medium

Topic: What Are Values?

Learning Objective: 02-03 What are values?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

- 20) The idea that we should interact with other people in a manner consistent with the manner in which we would like for them to interact with us is called the _____.
A) Purpose-Driven Life Rule
B) Ethical Self-Actualization Rule
C) Eighth Commandment of the Ten Commandments
D) Golden Rule
E) Ninth Commandment of the Ten Commandments

Answer: D

Explanation: The Golden Rule is the idea that we should interact with other people in a manner consistent with the way we would like for them to interact with us.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

21) The "public disclosure" test is also known as the _____.

- A) television test
- B) universalization test
- C) Golden Rule
- D) Biden Rule
- E) means test

Answer: A

Explanation: The public disclosure test is sometimes called the "television test," for it requires us to imagine that our actions are being broadcast on national television.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

22) If we consider what the world would be like if a decision is copied by everyone else, we would be using which of the following ethical guidelines?

- A) The Golden Rule
- B) The universalization test
- C) The public disclosure test
- D) The television test
- E) The ethical plagiarism standard

Answer: B

Explanation: Before we act, the universalization test asks us to consider what the world would be like were our decision copied by everyone else. Applying the universalization test causes us to wonder aloud: "Is what I am about to do the kind of action that, if others followed my example, makes the world a better place for me and those I love?"

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

23) Environmental Concerns. Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and was also committed to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper products and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics. Which of the following is the minimal standard that a business must meet in a consideration of business ethics?

- A) Decisions must be legal.
- B) Decisions must meet the criteria of a follower of the WPH Framework for Business Ethics.
- C) Decisions must meet the requirements of the most important stakeholders.
- D) Decisions must receive a majority vote of acceptance by employees.
- E) Both that decisions must be legal and that decisions receive a majority vote of acceptance by employees.

Answer: A

Explanation: The legality of a decision is the minimal standard that must be met in a consideration of business ethics. The existence of that minimum standard is essential for the development of business ethics. Think of the law as the most recent consensus about the lower level of business ethics. Law and business ethics serve as an interactive system—informing and assessing each other.

Difficulty: 3 Hard

Topic: Business Law and Business Ethics

Learning Objective: 02-02 How are business law and business ethics related?

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

24) Environmental Concerns. Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and was also committed to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper products and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics. Which of the following would be a stakeholder in the company?

- A) The community only
- B) The shareholders only
- C) Future generations only
- D) The community and shareholders only
- E) The community, shareholders, and future generations

Answer: E

Explanation: Stakeholders of a firm are the many groups of people affected by the firm's decisions. They include owners or shareholders, employees, customers, management, the general community where the firm operates, and future generations.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

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

- A) Golden Rule
- B) public disclosure test
- C) universalization test
- D) Sarbanes-Oxley Rule
- E) television test

Answer: A

Explanation: The Golden Rule represents the idea that we should interact with other people in a manner consistent with the way we would like them to interact with us. This guideline urges us to be aware that other people, including their rights and needs, matter.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

26) Explain the WH process of ethical decision-making.

Answer: With regard to the WH framework, students should reference who is involved, meaning stakeholders; the reason decisions are made, referencing values; and how decisions are made, referencing ethical guidelines such as the Golden Rule.

Difficulty: 2 Medium

Topic: The WH Framework for Business Ethics

Learning Objective: 02-05 How can we use the WH framework to make ethical business decisions?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation