

LAW & ETHICS IN THE BUSINESS ENVIRONMENT 6e

Test Bank

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CHAPTER 1

Law, Ethics, Business: An Introduction

Questions

1. Select the best definition of ethics:

- a. a fairly clear cut set of guides for decision making.
- b. a set of relatively unclear principles regarding what we must do.
- c. a set of relatively unclear principles regarding what we should do.
- d. religious views about the world.

ANSWER: B

PAGE: 1

2. Laws must be static and unyielding in order to provide stability for a society.

- a. True
- b. False

ANSWER: B

PAGE: 1

3. Choose the statement regarding duty to rescue that is false:

- a. There is no general duty to rescue an individual.
- b. One basis for not imposing individual rescue liability is: An individual should have a right of freedom of action, privacy and personal autonomy not to intervene and perform rescue.
- c. Under a liberal–communitarian approach, citizens owe a duty to the state to rescue other citizens based on reciprocal rights and duties.

- d. When one taunts another person who then puts themselves in danger in response to the teasing, the teaser has a duty to rescue the other.

ANSWER: D

PAGE: 3-8

- 4. All of the following are considered exceptions to the general rule that there is no duty to rescue except:
 - a. Contract – lifeguards, for example, have signed contracts agreeing to rescue people in exchange for pay and benefits.
 - b. Witnessing an accident – this creates a duty to step in and help the injured
 - c. Child abuse- statutes in nearly all states require that one report suspected child abuse.
 - d. Endangerment – if one puts another in danger, then he/she is obligated to rescue that person.

ANSWER: B

Page 8-9

- 5. Which of the following views on outsourcing would be consistent with the free market ethics approach advocated by Milton Friedman?
 - a. Outsourcing is detrimental to the economy because it limits profitability.
 - b. Outsourcing decreases efficiency and productivity.
 - c. Outsourcing enhances competitiveness, modernization, and bigger market opportunities.
 - d. Automating processes and replacing workers is unethical since it does not serve a greater good.

ANSWER: C

PAGE: 11

- 6. Which of the following statements best illustrates the view of “utilitarianism”?
 - I. From each according to his abilities, to each according to his needs.
 - II. The risk reasonably to be perceived defines the duty to be obeyed and risks imports relation; it is risk to another or to others within the range of apprehension.

- III. An action is right when maximizing welfare and total well-being.
- IV. Individuals should pursue his or her own self-interest, even at the expense of others.

- a. I only
- b. III only
- c. I and II
- d. I, II, and III

ANSWER: B

PAGE: 14

7. The best example of a source for virtue ethics for a business is
- a. newspapers articles about the corporation.
 - b. the corporate mission statement.
 - c. the documentation in human resources justifying the hiring of new staff.
 - d. the resumes of the members of the board of directors and the officers.

ANSWER: B

Page 22-23

8. The Ethic of Care is
- a. A set of rules that explain how to prioritize those people affected by a decision so that a utilitarian analysis can be done successfully.
 - b. A set of universal principles, which applied evenly to all decisions will result in fairness and equity in ethical decisions.
 - c. The idea that we should all make decisions under the assumption that we don't know our station in life, that we could be the person most negatively impacted by the decision.

- d. A set of principles that encourage decision makers to look at human relationships as a primary motivator for a decision.

ANSWER: D

Page 24-25

9. Assuming a business ethical dilemma, which statement best illustrates Gilligan approach suggested in her theory of “The Ethics of Care”?
- a. individual rights and justice for all
 - b. applies only to women and not men
 - c. care and responsibility to others
 - d. obedience to independent moral rules or duties

ANSWER: C

PAGE: 25

10. Which of the following statements is INCORRECT regarding the rights of shareholders?
- I. voting power on major issues and ownership in a portion of the company
 - II. right to transfer ownership and dividend entitlement
 - III. hire and fire management and select and appoint a chief executive
- a. I and II
 - b. I, II, and III
 - c. I only
 - d. III only

ANSWER: D

PAGE: 30

11. According to Citizens United v. Federal Election Commission, which of the following is not a reason to allow corporations the right to spend money and advertise for political candidates?

- a. Political speech is the most important, and most protected, speech that exists. It is crucial to the democratic process that political speech be encouraged and heard.
- b. The immense wealth of a corporation allows it to be the most accurate in providing messages to people.
- c. Presidents and members of Congress often consult with corporate leaders on a number of issues, suppressing all corporate political speech would eliminate the ability for non-profits and smaller corporations to oppose or reject publicly the position of those larger corporations being consulted.
- d. Restrictions do not protect minority or dissenting shareholders because they can address disagreement through the corporate democratic process.

ANSWER: B

PAGE: 33-34

12. Corporate director or officer decisions to dedicate corporate funds for social causes is called:

- a. Corporate Social Responsibility (CSR)
- b. Social Activism (SA)
- c. Business Engagement in Environmental Situations (BEES)
- d. Strategic Investment in Stakeholder Issues (SISI)

ANSWER A

Page 36

Essay Questions

13. Describe the difference between the law and ethics.

ANSWER: Law provides for a set of rules for behavior. When these rules are broken, behavior is punishable. On the other hand, ethics presents a menu of options, perhaps disconnected from laws. Laws are “what a person must do,” and ethics addresses “what a person should do.”

Page 1

14. From where do ethical preferences originate?

ANSWER: Ethical preferences originate not from legislators or judges, but from an individual's own critical consciousness.

Page 2

15. Discuss how multinational corporations can be both a benefit and a detriment to society.

ANSWER: As a benefit, multinational corporations affect what we eat, how we transport ourselves, what our communities look like, and how we take care of ourselves when we get sick. They provide new jobs, pay higher taxes, and produce new or less expensive goods and services. They introduce technology, capital, and skills to their host countries and raise the standard of living.

As a detriment, they have been blamed for hastening the collapse of traditional ways of life; for taking advantage of weak and/or corrupt governments in countries where they do business; for addicting the world population to unsustainable technologies while blocking technologies counter to their interests; and for intensifying the disparities between rich and poor.

Page 2

16. Explain why laws exist that do not impose a duty to rescue.

ANSWER: Traditionally, our society has tended to grant maximum leeway to individual freedom of choice. Requiring that people help one another in emergencies would infringe on that freedom by forcing people to act when they might choose not to. Further, imposing a duty to rescue presupposes that there is agreement that rendering assistance is always the right thing to do, which in some cases, it is not.

Page 4

17. Describe the philosophy of noted economist, Milton Friedman, on the issue of “free market ethics.”

ANSWER: Friedman held that it is wrong for managers to use corporate resources to deal with problems in society at large. Decisions regarding such social problems should be addressed by governments in the political arena and funded by tax dollars. A decision by corporate managers to aid society is, in effect, theft of stockholders’ resources.

Page 11

18. The chapter discusses a number of different ethical theories or approaches to decision making. Discuss the potential dangers of relying solely on one theory or approach.

ANSWER: In relying on only one approach, a decision maker may be blind to potential problems. For example, a strict utilitarian analysis may lead to consequences that are socially unacceptable (the standard example being that a drug which cures 95% of the people but creates a much slower and painful death for the other 5% would be approved under a utilitarian analysis but may not be acceptable to the population). A strict values based decision may lead to great financial losses.

Page 11

19. Discuss the differences in utilitarianism and values ethics in making a decision.

ANSWER: Utilitarianism lends itself to a very business-like approach to the decision. Decision makers analyze the pros and cons of various alternatives, looking for potential dangers such as financial loss, negative publicity, physical harm to others and so forth. They also look for benefits such as the greatest profit, the best publicity and so forth. Values ethics has a more internal focus with an analysis of the mission statement, values and culture of an organization to make a decision that creates the best “fit” with the organization.

Page 14-15 and 20-22