

Chapter 1--The Importance of Business Ethics

Student: _____

1. Principles are
 - 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.
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 without harming consumers.
 - E. charitable contributions made by a business to enhance its image.
3. The ____ was(were) enacted to restore confidence in financial reporting and business ethics after the accounting scandals of the early 2000s.
 - 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. Ferrell-Fraedrich Act
4. The term *business ethics* is best described by the following statement:
 - 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 and standards that guide behavior in the world of business.

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
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8. The rise of consumerism occurred during the
- A. 1940s.
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9. Before the 1960s, ethical issues related to business were often discussed
- A. theologically and philosophically.
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 - C. politically.
 - D. sociologically.
 - E. psychologically.
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?
- 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

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. Caux Round Table
 - E. Federal Sentencing Guidelines for Organizations
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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 merely an extension of an individual's own personal ethics.
 - E. how to identify ethical issues arising in the business world.
13. Individuals' personal ethics play a major role in the evaluation of business decisions only when their preferences or values
- A. differ from those of their employer.
 - B. influence their performance in the workplace.
 - C. are unethical.
 - D. are ethical.
 - E. result in negative publicity for their employer.
14. The ability of a business organization to achieve its business goals is directly affected by whether its behavior is judged to be right or wrong by
- A. society.
 - B. its union members.
 - C. its employees.
 - D. Congress.
 - E. its competitors.
15. Having acceptable personal ethics may *not* be sufficient to handle complex business ethical issues when an individual has
- A. family concerns.
 - B. an unethical boss.
 - C. limited business experience.
 - D. financial concerns.
 - E. a marketing background.

16. The study of business ethics in North America has evolved through ____ distinct stages.
- A. five
 - B. four
 - C. three
 - D. ten
 - E. nine
17. Which of the following is *not* generally considered a business ethics issue?
- A. Insider trading
 - B. Accounting fraud
 - C. Deceptive advertising
 - D. Employee theft
 - E. Abortion
18. Business professors began to teach and write about social responsibility during the
- A. 1960s.
 - B. 1970s.
 - C. 1980s.
 - D. 1990s.
 - E. 2000s
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.
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 and to develop greater transparency in financial reports.
 - C. It requires 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.
21. Because of Sarbanes-Oxley, publicly traded companies must now develop ____ to assist in creating transparency in financial reporting.
- A. ethics officers.
 - B. ethics programs.
 - C. codes of ethics.
 - D. legal counsel.
 - E. accountants.

22. Which of the following was *not* cited by your text 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
23. ____ is essential in building long-term relationships between businesses and consumers.
- A. Profits
 - B. Dividends
 - C. Trust
 - D. Confidence
 - E. Codes of ethics
24. In the 1920s, the "living wage" was
- A. opposed by the Progressive Movement.
 - B. developed for the benefit of businesses.
 - C. used to improve the state of the elderly.
 - D. income sufficient for education, recreation, health, and retirement.
 - E. intended to check the rapid increase in wages.
25. In the Reagan/Bush eras, the major focus of the business world was on
- 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.
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 Good Citizen Corporate Compliance Program.
 - D. the Federal Trade Commission compliance requirements.
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27. According to the Millennium Poll, ____ percent of respondents focus on social responsibility ahead of brand reputation or financial factors when forming impressions of companies.
- A. 100
 - B. 0
 - C. 20
 - D. 40
 - E. 60
28. The Federal Sentencing Guidelines for Organizations set the tone for organizational ethics compliance programs by
- A. codifying into law incentives for organizations to take action such as developing effective internal legal and ethical compliance programs to prevent misconduct.
 - B. establishing required ethical compliance programs and a systematic reporting system to obtain guaranteed protection from organizational fines.
 - C. eliminating most of the federal legislation that created inefficient and time-consuming activities by businesses.
 - D. providing a study of moral philosophies.
 - E. providing an examination of company codes of ethics.
29. Which of the following statements about the Federal Sentencing Guidelines for Organizations is *false*?
- A. They use a mechanical approach with legalistic logic 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 take advantage of the carrot and stick approach by taking preventive action against misconduct.
 - E. They encourage appointment of high-level personnel responsible for oversight of the compliance program.
30. Which of the following is *not* one of the benefits of being ethical and socially responsible in business?
- A. Greater employee commitment
 - B. Greater employee turnover
 - C. Improved customer trust and satisfaction
 - D. Increased investor loyalty
 - E. Better financial performance
31. Employees' perceptions of their firm as having an ethical climate leads to
- A. lack of focus on goals.
 - B. negative performance.
 - C. increased community involvement.
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 - E. performance-enhancing outcomes.

32. When employees see honesty, respect, and trust applied frequently in the workplace, they
- A. feel less pressure to compromise ethical standards.
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 - C. are more satisfied with their organizations overall.
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33. Investors are concerned about business ethics because they know that misconduct can
- A. foster stability.
 - B. improve employee commitment.
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34. *Most* strong organizational climates usually focus on the core value of placing ____ interests first.
- A. customers'
 - B. employees'
 - C. stockholders'
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 - E. distributors'
35. According to the text, disaster-relief programs, like those at Home Depot, help foster
- A. government regulation.
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 - E. profitability.
36. How does ethics contribute to customer satisfaction?

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

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

39. How does ethics contribute to employee commitment?

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

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Pages 11-16

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