

# 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.
- 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. Dodd-Frank Wall Street Reform and Consumer Protection 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.
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- 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.

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
6. During the 1990s the institutionalization of business ethics was largely driven by which piece of legislation?
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  - B. The growth of international retail chain stores
  - C. Activities undertaken by independent individuals, and groups to protect their rights as consumers
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  - E. Organizations' tendency to seek ways to take advantage of consumers
9. Ethics is a part of decision making
- A. at all levels of work and management.
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  - C. mostly for policy makers.
  - D. that is less important than other decision making processes.
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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
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
12. The study of business ethics is important to better understand all of the following *except*
- 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.
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.
14. More than a compliance program, business ethics is becoming
- 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.

15. Having acceptable personal ethics is probably *not* going to 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 training.
  - E. a marketing background.
16. One of the major ethical issues President Obama's administration focused on was
- A. decreasing environmental legislation.
  - B. deregulation.
  - C. tax decreases.
  - D. incentives to oil companies.
  - E. health care and consumer protection.
17. Which of the following is generally *not* considered a business ethics issue?
- A. Insider trading
  - B. Accounting fraud
  - C. Deceptive advertising
  - D. Misuse of organizational resources
  - E. Type of government
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.
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  - E. Dodd-Frank Wall Street Reform and Consumer Protection Act.
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.
- 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.

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

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

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

- A. Profits
- B. Dividends
- C. Trust
- D. Hubris
- E. Codes of ethics

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

- 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.

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 Ethical Trading Initiative.
- D. the Federal Trade Commission compliance requirements.
- E. the Sarbanes-Oxley Act.

27. Ethical culture is defined as

- 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.

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 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.

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.
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- 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.

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
31. Employees' perceptions of their firm as having an ethical climate leads to
- A. lack of focus on goals.
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  - C. increased community involvement.
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32. Employees feel less pressure to compromise ethically, observe less misconduct, are more satisfied with their organizations, and feel more valued when
- 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.
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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* organizations with strong ethical climates usually focus on the core value of placing \_\_\_\_\_ interests first.
- A. customers'
  - B. employees'
  - C. stockholders'
  - D. suppliers'
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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.

36. How does ethics contribute to customer satisfaction?

37. Discuss 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. 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?

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

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

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