Student name:__________

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) In a general sense, a business stakeholder is one who has made substantial financial investments in the business.

⊙ true
⊙ false

2) A firm's ethical reputation can provide a competitive advantage in the marketplace with customers, suppliers, and employees.

⊙ true
⊙ false

3) Ethics refers to how human beings should properly live their lives.

⊙ true
⊙ false

4) Norms appeal to certain values that would be promoted or attained by acting in a certain way.

⊙ true
⊙ false

5) Values are the only guidance individuals need to act in ways that are positive or ethical.

⊙ true
⊙ false

6) Ethical values are

personal codes of ethics that ensure that a person meets his or her individual standards of well-being.

- ⊚ true
- ⊚ false

7) The well-being promoted by ethical values is not a personal and selfish well-being.

- ⊚ true
- ⊚ false

8) Societies that value individual freedom legally stipulate codes of personal integrity and common decency to safeguard this freedom.

- ⊚ true
- ⊚ false

9) In civil law, there is no room for ambiguity in applying the law because much of the law is established by past precedent.

- ⊚ true
- ⊚ false

10) Ethical theories are patterns of thinking, or methodologies, to help us decide what to do.

- ⊚ true
- ⊚ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

11) Which of the following represents the role of philosophical ethics in the field of business ethics?

A) providing the fundamental language and categories of ethics

B) understanding how business organizations fit into a broader social and political context

C) recognizing how and why people behave as they do

D) promoting a culture in which ethical behavior flourishes

12) Identify a true statement about the field of business ethics.

A) It is rooted in the more general principle of social ethics.

B) It is not a multidisciplinary field.

C) It is mainly relevant to decision making within an organization.

D) It involves decisions at the individual, at the organizational, and at a broader social and governmental level.

13) Which of the following is a goal of a business ethics class?

A) understanding how and why people behave unethically

B) doing everything required to satisfy business stakeholders

C) separating ordinary ethical consideration from business decisions

D) recognizing that business has its own standards of good and bad

14) ________ is a theory of human motivation that claims that all human actions are selfish and motivated by self-interest.

A) Theoretical reasoning

B) The stakeholder theory

C) Psychological egoism

D) The separation thesis

15) The ________

asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad.

A) scientific method
B) separation thesis
C) concept of theoretical reasoning
D) social ethics model

16) In a general sense, anyone who affects or is affected by decisions made within a firm can be called a business ________.

A) nominee
B) stakeholder
C) analyst
D) insider

17) Which of the following best describes a business stakeholder?

A) only the minority shareholders in a business entity
B) only those who have acquired significant shares in a firm
C) anyone who audits a firm
D) anyone who affects or is affected by decisions made within a firm

18) Which of the following best describes ethics?

A) an academic discipline that originated in the early 1900s
B) a descriptive approach that provides an account of how and why people do act the way they do
C) the study of how human beings should properly live their lives
D) a descriptive approach such as psychology and sociology

19) Which of the following is an approach advocated while teaching ethics?

A) Teachers should teach ethical dogma to a passive audience.

B) Teachers should consider acceptance of customary norms as an adequate ethical perspective.

C) Teachers should understand that their role is only to tell the right answers to their students.

D) Teachers should challenge students to think for themselves.

20) Philosophers often state that ethics is ________, which means that it focuses on people's reasoning about how they should act.

A) normative
B) derivative
C) circumstantial
D) clinical

21) Which of the following observations is true of ethics?

A) It is descriptive in nature.
B) It deals with our reasoning about how we should act.
C) It provides an account of how and why people act the way they do.
D) It is equivalent to law-abiding behavior.

22) Social sciences such as psychology and sociology are different from ethics owing to the fact that they are ________.

A) normative in nature
B) descriptive in nature
C) conjectural in nature
D) clinical in nature

23) ________ seeks an account of the how and why people should act a certain way, rather than how they do act.

A) Sociology
B) Psychology
C) Ethics
D) Anthropology

24) Which of the following is a factor that distinguishes social sciences, such as psychology and sociology, from ethics?

A) Unlike ethics, these disciplines inquire why people act the way they do.
B) Unlike ethics, these disciplines are normative rather than descriptive.
C) Unlike ethics, these disciplines provide an account of how people should act.
D) Unlike ethics, these disciplines give directives about how people should act.

25) The ________ discipline provides an account of how and why people do act the way they do.

A) descriptive
B) supererogatory
C) normative
D) stipulative

26) Individual codes of conduct based on one's value structures regarding how one should live, how one should act, what one should do, and what kind of a person should one be is sometimes referred to as ________.

A) morality
B) independence
C) leadership
D) rationality

27) Morality is the aspect of ethics that we can refer to by the phrase "________."

A) personal freedom
B) individual rationality
C) personal integrity
D) persuasive rationality

28) Ethics refers to the applications of ________ on which people's decisions are

A) values
B) morals
C) etiquettes
D) norms

29) Identify the area of ethics that raises questions about justice, law, civic virtues, and political philosophy.

A) stipulative ethics
B) existential ethics
C) virtue ethics
D) social ethics

30) The aspect of business ethics that examines business institutions from a social rather than an individual perspective is referred to as

A) decision making for social responsibility.
B) corporate cultural responsibility.
C) organizational ethical responsibility.
D) institutional morality.

31) ________ establish the guidelines or standards for determining what one should do, how one should act, what type of person one should be.

A) Roles
B) Attitudes
C) Norms
D) Laws

32) Which of the following is a true statement about norms?

A) They are underlying beliefs that cause people to choose one way or another.
B) They are standards of appropriate and proper behavior.
C) They provide benchmarks of desirable societal conditions.
D) They consist of guidelines for bringing about positive behavioral change.

33) The crux of normative ethics is that these disciplines

A) presuppose some underlying values.
B) describe what people do.
C) should always involve the study or discipline of ethics.
D) branch away from social ethics to personal ethics.

34) Which of the following refers to an underlying belief that causes people to choose between plausible courses of action?

A) norms
B) paradigms
C) protocols
D) values

35) Which of the following is true about values?

A) Values are the highest standards of appropriate and proper behavior.
B) Corporate scandals prove the fact that individuals have personal values, but institutions lack values.
C) Values cannot lead to unethical results.
D) Values are underlying beliefs that cause us to act or to decide in a certain way.

36) ________ are beliefs and principles that provide the ultimate guide to a company's decision making.

A) Mission statements
B) Core values
C) Historical milestones
D) Vision statements

37) Which of the following is a way of saying that a corporation has a set of identifiable values that establish the expectations for what is normal within the firm?

A) organizational culture
B) organizational policy
C) organizational code
D) organizational

structure

38) Ethics requires that the promotion of human welfare be done

A) based on the personal opinions of the decision maker.
B) based on the level of need of the beneficiaries.
C) understanding the religious beliefs of the beneficiary.
D) in a manner that is acceptable and reasonable from all relevant points of view.

39) Dramatic examples of tyrannical regimes in history demonstrate that

A) societies valuing freedom welcome laws that require more than the ethical minimum.
B) just societies can only be achieved through strict enforcement of ethical codes.
C) obedience to the law almost always makes people apathetic towards their ethical duties.
D) one's ethical responsibility may run counter to the law.

40) Telling organizations that their ethical responsibilities end with obedience to the law

A) is just inviting more legal regulation.
B) is enough to maintain an ethical business environment.
C) reduces the frequency of corporate scandals.
D) eliminates ambiguity while making personal ethics-related decisions.

41) The failure of personal ethics among companies like Enron and WorldCom led to the creation of the

A) Brooks Act.
B) Gramm-Leach-Bliley Act.
C) Clinger-Cohen Act.
D) Sarbanes-Oxley Act.

42) Which of the following observations is true?

A) Obedience to the law is sufficient to fulfill one's ethical duties.
B) The law is very effective at promoting "goods."
C) The law cannot anticipate every new dilemma that businesses might face.
D) An individual's ethical responsibility can never run counter to the law.

43) Which of the following is a true statement about the Americans with Disabilities Act (ADA)?

A) What counts as a disability remains ambiguous under the law.
B) The law lays out clear-cut rules for reasonable accommodation.
C) The law has not been put into practice till date.
D) Mental disabilities have been left out of the purview of the law.

44) A process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives is called ________.

A) risk assessment
B) practical reasoning
C) theoretical reasoning
D) risk pooling

45) Practical reasoning is reasoning about

A) what we should think.
B) what we should do.
C) what we should believe.
D) what we should share.

46) Reasoning about what should be done is known as ________ reasoning.

A) practical
B) objective
C) theoretical
D) predictive

47) Theoretical reasoning is reasoning about

A) what we actually do.
B) what we should do.
C) what we should believe.
D) what we should implement.

48) ________ reasoning is reasoning about what we should believe.

A) Practical
B) Abstract
C) Theoretical
D) Descriptive

49) Which of the following is the pursuit of the highest standard for what we should believe?

A) theoretical reason
B) notional reason
C) emotional reason
D) practical reason

50) Which of the following is the great arbiter of truth according to the tradition of theoretical reason?

A) religion
B) customs
C) science
D) norms

51) Which of the following can be thought of as the answer to the fundamental questions of theoretical reason?

A) the scientific method
B) the practical approach
C) the contingency approach
D) the normative model

FILL IN THE BLANK. Write the word or phrase that best completes each statement or answers the question.

52) A ________ is anyone affected, for better or for worse, by the decisions made within a particular firm.

53) ________ is a theory of human motivation that claims that all human actions are selfish and motivated by self-interest.

54) The ________ asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad.

55) A process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives is called ________.

56) As a discipline, ________ deals with norms and standards of appropriate and proper (normal) behavior.

57) ________ is the aspect of ethics that is referred to by the phrase "personal integrity."

58) Normative disciplines presuppose some underlying ________.

59) Acts and decisions that seek to promote human welfare are based on ________.

60) The aspect of business integrity that focuses on examining business institutions from a collective rather than from an individual perspective falls under the area of ________.

61) ________ reasoning is reasoning about what we should believe.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

62) Explain how the study of ethics was viewed until recently, and what kind of shift in focus has occurred post the scandals.

63) Describe the advantages associated with ethical decision making.

64) Discuss the hesitation (that may be justified) associated with teaching ethics. Explain briefly how the authors of this text believe that ethics can be taught constructively in a class.

65) Define ethics. How is it different from social sciences such as psychology and sociology?

66) Differentiate the concepts of morality and social ethics.

67) Why is "ethics" considered a normative discipline?

68) Define values and discuss the element of corporate culture in detail.

69) Describe the two elements of ethical values.

70) Discuss the impact of maintaining that holding to the law is sufficient to fulfill one's ethical duties, and what it says about the law itself.

71) Explain the difficulties associated with telling a business that its ethical responsibilities end with obedience to the law.

72) Discuss the importance of precedents for most laws concerning business.

73) Define risk assessment.

74) While using the risk assessment model, what might the decision makers include in their assessment before taking action?

75) Differentiate between practical reason and theoretical reason.

Answer Key

Test name: ch1

1) FALSE

2) TRUE

3) TRUE

4) TRUE

5) FALSE

6) FALSE

7) TRUE

8) FALSE

9) FALSE

10) TRUE

11) A

12) D

13) A

14) C

15) B

16) B

17) D

18) C

19) D

20) A

21) B

22) B

23) C

24) A

25) A

26) A

27) C

28) B

29) D

30) A

31) C

32) B

33) A

34) D

35) D

36) B

37) A

38) D

39) D

40) A

41) D

42) C

43) A

44) A

45) B

46) A

47) C

48) C

49) A

50) C

51) A

52) stakeholder

53) Psychological egoism

54) separation thesis

55) risk assessment

56) normative ethics

57) Morality

58) values

59) ethical values

60) social ethics

61) Theoretical

62) As recently as the mid-1990s, articles in such major publications as *The Wall Street Journal, the Harvard Business*

Review, and *U.S. News and World Report* questioned the legitimacy and value of teaching classes in business ethics. Few disciplines face the type of skepticism that commonly confronted courses in business ethics. Many students believed that "business ethics" was an oxymoron. Many also viewed ethics as a mixture of sentimentality and personal opinion that would interfere with the efficient functioning of business.

Leaders realize that they can no longer afford this approach in contemporary business. The questions today are less about why or should ethics be a part of business, than they are about which values and principles should guide business decisions and how ethics should be integrated within business. Students unfamiliar with the basic concepts and categories of ethics will find themselves as unprepared for careers in business as students who are unfamiliar with accounting and finance. Indeed, it is fair to say that students will not be fully prepared, even within fields such as accounting, finance, human resource management, marketing, and management unless they are familiar with the ethical issues that arise within those specific fields.

63) Unethical behavior not only creates legal risks for a business, it creates financial and marketing risks as well. Managing these risks requires managers and executives to remain vigilant about their company's ethics. It is now clearer than ever that a company can lose in the marketplace, go out of business, and its employees can go to jail if no one is paying attention to the ethical standards of the firm. A firm's ethical reputation can provide a competitive advantage in the marketplace and with customers, suppliers, and employees. Managing ethically can also pay significant dividends in

organizational structure and efficiency. Trust, loyalty, commitment, creativity, and initiative are just some of the organizational benefits that are more likely to flourish within ethically stable and credible organizations.

64) Part of the hesitation about teaching ethics involves the potential for abuse; expecting teachers to influence behavior may be viewed as permission for teachers to impose their own views on students. Many believe that teachers should remain value-neutral in the classroom and respect a student's own views. Another part of this concern is that the line between motivating students and manipulating students is a narrow one. There are many ways to influence someone's behavior, including threats, guilt, pressure, bullying, and intimidation.But not all forms of influencing behavior raise such concerns. There is a major difference between manipulating someone and persuading someone, between threatening and reasoning. The tension between knowledge and behavior can be resolved by emphasizing ethical judgment, ethical deliberation, and ethical decision making. The only academically and ethically legitimate way to do this is through careful and reasoned decision making. The fundamental assumption is that a process of rational decision making, a process that involves careful thought and deliberation, can and will result in behavior that is more reasonable, accountable, and ethical.

65) Ethics refers not only to an academic discipline, but to that arena of human life studied by this academic discipline, namely, how human beings should properly live their lives.Philosophers often emphasize that ethics is normative, which means that it deals with our reasoning about how we should act. Social

sciences such as psychology and sociology also examine human decision making and actions, but these sciences are descriptive rather than normative. They provide an account of how and why people do act the way they do; as a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they do act.

66) The fundamental question of ethics "How should we live?" can be interpreted in two ways.

"We" can mean each one of us individually, or it might mean all of us collectively. In the first sense, this is a question about how I should live my life, how I should act, what I should do, and what kind of person I should be. This meaning of ethics is sometimes referred to as morality, and it is the aspect of ethics that we refer to by the phrase "personal integrity." There will be many times within a business setting where an individual will need to step back and ask: "What should I do? How should I act?"

In the second sense, "How should we live?" refers to how we live together in a community. This is a question about how a society and social institutions such as corporations ought to be structured and about how we ought to live together. This area is sometimes referred to as social ethics and it raises questions of justice, public policy, law, civic virtues, organizational structure, and political philosophy. In this sense, business ethics is concerned with how business institutions ought to be structured, about corporate social responsibility, and about making decisions that will impact many people other than the individual decision maker. This aspect of business ethics asks us to examine business institutions from a social rather than an individual perspective. This broader social aspect of ethics is referred to as decision making for social responsibility.

67) To say that ethics is a normative discipline is to say that it deals with norms: those standards of appropriate and proper (or "normal") behavior. Norms establish the guidelines or standards for determining what we should do, how we should act, what type of person we should be.

68) In general, values were earlier thought of as those beliefs that incline us to act or to choose one way rather than another. A company's core values, for example, are those beliefs and principles that provide the ultimate guide in its decision making. Individuals can have their own personal values and, importantly, institutions also have values. A corporation's "culture" is a way of saying that a corporation has a set of identifiable values that establish the expectations for what is "normal" within that firm. These norms guide employees, implicitly more often than not, to behave in ways that the firm values and finds worthy. One important implication of this is that an individual or a corporation's set of values may lead to either ethical or unethical result. The corporate culture at Enron, for example, seems to have been committed to pushing the envelope of legality as far as possible in order to get away with as much as possible in pursuit of as much money as possible.

69) First, ethical values serve the ends of human well-being. Acts and choices that aim to promote human welfare are acts and choices based on ethical values.Second, the well-being promoted by ethical values is not a personal and selfish well-being. Ethical values are those beliefs and

principles that impartially promote human well-being.

70) Holding that obedience to the law is sufficient to fulfill one's ethical duties begs the question of whether or not the law itself is ethical. Examples from history, Nazi Germany and apartheid in South Africa being the most obvious, demonstrate that one's ethical responsibility may run counter to the law.On a more practical level, this question can have significant implications in a global economy in which businesses operate in countries with legal systems different from those of their home country. For instance, some countries permit discrimination on the basis of gender; but businesses that choose to adopt such practices remain ethically accountable to their stakeholders for those decisions.

71) Telling a business that its ethical responsibilities end with obedience to the law is just inviting more legal regulation. The difficulty of trying to create laws to cover each and every possible business challenge would be enormous. The task would require such specificity that the number of regulated areas would become unmanageable.Additionally, it was the failure of personal ethics among such companies as Enron and WorldCom, after all that led to the creation of the Sarbanes-Oxley Act and many other legal reforms. If business restricts its ethical responsibilities to obedience to the law, it should not be surprising to find a new wave of government regulations that require what were formerly voluntary actions.

72) Most of the laws that concern business are based on past cases that establish legal precedents. Each precedent applies general rules to the specific circumstances of an individual case. In most business situations, asking "Is this legal?" is

really asking "Are these circumstances similar enough to past cases that the conclusions reached in those cases will also apply here?" Since there will always be some differences between cases, the question will always remain somewhat open.

73) Risk assessment is defined as a process to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

74) Using the risk assessment model, decision makers might include in their assessment before taking action:the likelihood of being challenged in courtthe likelihood of losing the casethe likelihood of settling for financial damagesa comparison of those coststhe financial benefits of taking the actionthe ethical implication of the options available

75) Practical reason is described as reasoning about what we should do, whereas theoretical reason involves reasoning about what we should believe.