

Chapter 2—Business Ethics and Social Responsibility

MATCHING

Complete the following using the terms listed.

a.	Securities and Exchange Commission (SEC)
b.	Occupational Safety and Health Administration (OSHA)
c.	False Claims Act
d.	social audit
e.	social responsibility
f.	business ethics
g.	sexual harassment
h.	code of conduct
i.	Product liability
j.	postconventional stage
k.	Regulation FD
l.	Whistle-blowing
m.	green marketing

1. A formal statement that defines how an organization expects and requires employees to resolve ethical questions is a(n) ____.
2. Some companies measure social performance by conducting a(n)_____ that identifies and evaluates the company's activities that relate to social issues.
3. The main federal regulatory agency in setting workplace safety and health standards is the ____.
4. _____ requires publicly traded companies to announce major information to the general public, rather than first disclosing the information to selected investors.
5. Management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the company's performance is ____.
6. When a publicly traded company is suspected of unethical or illegal behavior, the _____ will conduct an investigation.
7. Inappropriate actions of a sexual nature in the workplace is _____.
8. The standards of conduct and moral values governing actions and decisions in the work environment are _____.
9. A person in the _____ of ethical development is able to move beyond self-interest and take into account the larger needs of society.
10. A strategy that emphasizes a company's commitment to environmentally friendly products and production is _____.
11. The _____ is a law that protects whistle-blowers who file a lawsuit on behalf of the government if they believe that a company has somehow defrauded the government.
12. _____ is an employee's disclosure to company officials, government authorities, or the media of illegal, immoral, or unethical practices of his or her employer.
13. _____ refers to the responsibility of manufacturers for injuries and damages caused by their goods.

- | | | | |
|--------------------------------------|-------------|---------|-------------------------------------|
| 1. ANS: i | DIF: MEDIUM | LO: 2.3 | Section: Discuss how |
| organizations shape ethical conduct. | | AACSB | Ethical understanding and reasoning |
| BT: K | | | |

- | | | | | |
|-----|---|-------------|---------|---|
| 2. | ANS: d | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical |
| | businesses can act responsibly to satisfy society.
understanding and reasoning | | | BT: K |
| 3. | ANS: b | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical under- |
| | businesses can act responsibly to satisfy society.
standing and reasoning | | | BT: K |
| 4. | ANS: k | DIF: MEDIUM | LO: 2.5 | Section: Explain the eth-
ical responsibilities of businesses to investors and the financial community.
AACSB Ethical understanding and reasoning |
| | | | | BT: K |
| 5. | ANS: e | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical |
| | businesses can act responsibly to satisfy society.
understanding and reasoning | | | BT: K |
| 6. | ANS: a | DIF: MEDIUM | LO: 2.5 | Section: Explain the eth-
ical responsibilities of businesses to investors and the financial community.
AACSB Ethical understanding and reasoning |
| | | | | BT: K |
| 7. | ANS: g | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical |
| | businesses can act responsibly to satisfy society.
understanding and reasoning | | | BT: K |
| 8. | ANS: f | DIF: MEDIUM | LO: 2.1 | Section: Explain the
AACSB Ethical understanding and rea- |
| | concern for ethical and societal issues.
soning | | | BT: K |
| 9. | ANS: j | DIF: MEDIUM | LO: 2.2 | Section: Describe the
AACSB Ethical understanding and rea- |
| | contemporary ethical environment.
soning | | | BT: K |
| 10. | ANS: m | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical |
| | businesses can act responsibly to satisfy society.
understanding and reasoning | | | BT: K |
| 11. | ANS: c | DIF: MEDIUM | LO: 2.2 | Section: Describe the
AACSB Ethical under- |
| | contemporary ethical environment.
standing and reasoning | | | BT: K |
| 12. | ANS: l | DIF: MEDIUM | LO: 2.2 | Section: Describe the
AACSB Ethical under- |
| | contemporary ethical environment.
standing and reasoning | | | BT: K |
| 13. | ANS: i | DIF: MEDIUM | LO: 2.4 | Section: Describe how
AACSB Ethical |
| | businesses can act responsibly to satisfy society.
understanding and reasoning | | | BT: K |

ESSAY

14. What are business ethics and why are they important?

ANS:

Business ethics are standards of conduct and moral values that govern actions and decisions in the work environment. They are important because a company cannot prosper in the long run without considering ethics. Business ethics are also shaped by the ethical climate within an organization. Codes of conduct and ethical standards play increasingly significant roles in businesses in which doing the right thing is both supported and applauded.

DIF: EASY	LO: 2.1	Section:	Explain the concern for ethical
and societal issues.		AACSB	Ethical understanding and rea-
soning	BT: C		

15. List and briefly describe the three stages of moral and ethical development.

ANS:

The three stages of moral and ethical development are preconventional, conventional, and post-conventional. In the preconventional stage, individuals primarily consider their own needs and desires in making decisions. They obey rules only because they are afraid of the consequences. The next stage is the conventional stage. Individuals are aware of and act in response to their duties to others (family or an organization, for example). Self-interest still plays a role. The final stage is the postconventional stage. In this stage, the individual is able to move beyond self-interest and take the larger needs of society into account as well.

DIF: HARD	LO: 2.2	Section:	Describe the contemporary
ethical environment.	AACSB	Ethical understanding and reasoning	BT:
C			

16. Describe the factors that influence an individual's business ethics.

ANS:

An individual's business ethics is shaped by a huge number of factors. Experiences help shape responses to different situations. A person's family, educational, cultural, and religious backgrounds also can play a role, as can the environment within the company. Ethical climate of the company also plays a role.

DIF: MEDIUM	LO: 2.1	Section:	Explain the concern for ethical
and societal issues.		AACSB	Ethical understanding and rea-
soning	BT: C		

17. Describe examples of honesty and integrity violations in the workforce.

ANS:

Some people misrepresent their academic credentials and previous work experience on their résumés or job applications. Although it may seem tempting to embellish a résumé in a competitive job market, the act shows a lack of honesty and integrity—and eventually it will catch up with those using such methods to boost their resumes. A recent news report details how a college football coach resigned after information on his biography was questioned. Others steal from their employers by taking home supplies or products without permission or by carrying out personal business during the time they are being paid to work. For example, Internet misuse during the work day is increasing. Employees use the Internet for personal shopping, email, gaming, and social networking. This misuse costs U.S. companies an estimated \$85 billion annually in lost productivity.

DIF: MEDIUM	LO: 2.2	Section:	Describe the contemporary
ethical environment.		AACSB	Ethical understanding and rea-
soning	BT: C		

18. How could loyalty versus truth create an ethical dilemma for a businessperson?

ANS:

Businesses expect their employees to be loyal and to act in the best interests of the company. An ethical conflict can arise when an individual must decide between loyalty to the company and truthfulness in business relationships. But when the truth about a company is not favorable, an ethical conflict can arise.

DIF: MEDIUM	LO: 2.2	Section:	Describe the contemporary
ethical environment.		AACSB	Ethical understanding and rea-
soning	BT: C		

19. Explain how state and federal laws protect whistle-blowers.

ANS:

With the Sarbanes-Oxley Act, an individual can be prosecuted for retaliating against an employee for taking concerns of unlawful conduct to a public official. In addition, private companies must provide procedures for anonymous reporting of accusations. In addition, whistle-blowers can seek protection under the False Claims Act, under which they can file a lawsuit on behalf of the government if they believe that a company has somehow defrauded the government. Charges against health care companies for fraudulent billing for Medicare or Medicaid are examples of this type of lawsuit.

DIF: HARD	LO: 2.2	Section:	Describe the contemporary
ethical environment.		AACSB	Ethical understanding and rea-
soning	BT: C		

20. What might a company's code of conduct include?

ANS:

At the most basic level, a code of conduct may simply specify ground rules for acceptable behavior, such as identifying the laws and regulations that employees must obey. Other companies use their codes of conduct to identify key corporate values and provide frameworks that guide employees as they resolve moral and ethical dilemmas.

DIF: MEDIUM	LO: 2.3	Section:	Discuss how organizations
shape ethical conduct.		AACSB	Ethical understanding and rea-
soning	BT: C		

21. The development of a corporate culture to support business ethics happens on four levels. Explain each of the four levels.

ANS:

The four levels of development of a corporate culture to support business ethics are ethical awareness, ethical education, ethical action, and ethical leadership. Ethical awareness is the foundation of an ethical climate. Employees need help in identifying ethical problems and need guidance in how to respond. Ethical education involves ethics training programs to provide employees with the tools they need to evaluate ethical dilemmas and arrive at suitable decisions. Ethical action involves the structures and procedures that companies establish to enable their employees to follow ethical behavior. Companies encourage ethical action by providing support for employees

faced with dilemmas, such as an employee hotline. Ethical leadership charges each employee at every level with the responsibility for being an ethical leader. This principle requires that all employees be personally committed to the company's core values and be willing to base their actions on them.

DIF: HARD	LO: 2.3	Section:	Discuss how organizations
shape ethical conduct.		AACSB	Ethical understanding and rea-
soning	BT: C		

22. Explain social responsibility.

ANS:

In a general sense, social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the company's performance. It is the recognition that business must be concerned with the qualitative dimensions of consumer, employee, and societal benefits, as well as the quantitative measures of sales and profits, by which business performance is traditionally measured.

DIF: HARD	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Ethical under-
standing and reasoning		BT: C	

23. What is a social audit? Who conducts it?

ANS:

A social audit is a formal procedure to identify and evaluate all company activities that relate to social issues such as conservation, employment practices, environmental protection, and philanthropy. The audit informs management about how well the company is performing in these areas. Social audits often are conducted internally by companies.

DIF: MEDIUM	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Ethical under-
standing and reasoning		BT: K	

24. What is green marketing?

ANS:

Green marketing is a marketing strategy that promotes environmental friendly products and production methods. The Federal Trade Commission (FTC) has issued guidelines for businesses to follow in making environmental claims.

DIF: EASY	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Ethical under-
standing and reasoning		BT: K	

25. What are the objectives of consumerism?

ANS:

Consumerism refers to the public demand that a business consider the wants and needs of its customers in making decisions. Consumerism is based on the belief that consumers have certain rights. President Kennedy summarized many of the ideals of consumerism in a speech in which he listed four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard.

DIF: HARD	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Ethical understanding and rea-
soning BT:	C		

26. Explain product liability and briefly describe what this means in terms of social responsibility.

ANS:

Product liability refers to the responsibility of manufacturers for injuries and damages caused by their products. Items that lead to injuries, either directly or indirectly, can have disastrous consequences for their makers.

Many companies put their products through rigorous testing to avoid safety problems. Still, testing alone cannot foresee every eventuality. Companies must try to consider all possibilities and provide adequate warning of potential dangers.

DIF: MEDIUM	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Ethical under-
standing and reasoning		BT: C	

27. Explain how the Food and Drug Administration (FDA) promotes the consumers' right to be informed.

ANS:

The Food and Drug Administration (FDA), which sets standards for advertising conducted by drug manufacturers, eased restrictions for prescription drug advertising on television. In print ads, drug makers are required to spell out potential side effects and the proper uses of prescription drugs. Because of the requirement to disclose this information, prescription drug television advertising was limited. Now, however, the FDA says drug ads on radio and television can directly promote a prescription drug's benefits if they provide a quick way for consumers to learn about side effects, such as displaying a toll-free number or website.

DIF: MEDIUM	LO: 2.4	Section:	Describe how businesses can
act responsibly to satisfy society.		AACSB	Diverse and
multicultural work environments		BT: C	

28. Why do investors expect a company to act ethically and exhibit social responsibility?

ANS:

Even though the primary purpose of a company is to make a profit, investors also expect the company to act ethically, as well as legally, and exhibit social responsibility. Investors know that the failure of a company to act ethically, legally, or without a sense of social responsibility can result in substantial monetary losses to investors. For instance, ethical or legal problems can cause a sudden and substantial drop in a company's stock price.

DIF: MEDIUM LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community. AACSB
 Ethical understanding and reasoning BT: C

29. Explain how state and federal agencies carry out their responsibilities of protecting investors from financial misdeeds. Include examples of specific organizations and agencies.

ANS:

At the federal level, the Securities and Exchange Commission (SEC) investigates suspicions of unethical or illegal behavior by publicly traded companies. It investigates accusations that a business is using faulty accounting practices to inaccurately portray its financial resources and profits to investors. Regulation FD (Fair Disclosure) is an SEC rule that requires publicly traded companies to announce major information to the general public, rather than first disclosing the information to selected major investors. The agency also operates an Office of Internet Enforcement to target fraud in online trading and online sales of stock by unlicensed sellers.

DIF: MEDIUM LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community. AACSB Ethical understanding and reasoning BT: C

30. Identify the guidelines established by the Federal Trade Commission (FTC) concerning environmental claims in green marketing.

ANS: According to the FTC, if a business says that a product is biodegradable, it must break down and return to nature in a reasonably short period of time. Recyclable products must be entirely reusable as new materials in the manufacture or assembly of a new product or package. Refillable products must be included in a system for the collection and return of the package for refill. If consumers have to find a way to refill it themselves, it is not refillable. Ozone-friendly products must not contain any ozone-depleting ingredient. Compostable products must break down into, or otherwise become a part of, usable compost in a safe and timely manner.

DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

31. Identify the reasons why Starbucks is ranked number one in the area of corporate responsibility according to Fortune Magazine.

ANS: Starbucks is one of the first retailers to offer comprehensive health coverage to part-time employees (and their families) working 20 hours or more per week. The Starbucks College Achievement Plan provides full tuition reimbursement to eligible part- and full-time employees who wish to earn a college degree. In addition, Starbucks's C.A.F.E. practices (Coffee and Farmer Equity) include four key areas: quality, economic accountability and transparency, social responsibility, and environmental leadership. Starbucks also uses ethically sourced coffee beans.

DIF: HARD LO: 2.2 Section: Describe the contemporary ethical environment. AACSB Ethical understanding and reasoning BT: AN

32. A consulting firm has been hired to help an educational institution in an underprivileged neighborhood raise funds to build fully equipped laboratories for students. Explain the process required for a successful fundraiser.

ANS: Fundraising involves researching, identifying, and contacting potential donors; devising fundraising strategies and creating a message that appeals to targeted donors; organizing a campaign to solicit contributions; maintaining records of donor information; training volunteers in fundraising procedures and practices; planning and organizing events, galas, sponsorships, and other fundraisers; and ensuring that all legal reporting requirements are satisfied.

It is also necessary to craft letters of solicitation and thanks to donors, as well as to highlight the various types of projects undertaken as a result of donations and grants. Effective communication skills are also crucial to cultivate relationships with prospective donors so that people will make donations on an ongoing basis. Fundraisers evaluate large amounts of data to determine past (and future) giving trends, so being detail oriented matters. Leadership skills are also crucial because fundraisers often manage teams of unpaid volunteers. As nonprofits continue to use social media channels to raise funds, knowledge of digital and social media tools is also important.

DIF: HARD LO: Section: AACSB Ethical
understanding and reasoning BT: AN

33. How has whistle-blowing in the healthcare and pharmaceutical industry benefited customers?

ANS: In the healthcare and pharmaceutical industries, whistle-blower cases have become an essential tool in uncovering fraud. Consumers have benefitted from whistle-blowers who have identified unethical practices such as overcharging for medical devices and mislabeling prescription medications.

DIF: MEDIUM LO: 2.3 Section: Describe how organizations
shape ethical conduct. AACSB Ethical understanding and reasoning BT:
K

34. Why are consumers increasingly seeking out non-GMO foods?

ANS: Both consumers and environmentalists fear that plants not damaged when sprayed with weed killer will lead to the development of “superweeds,” and ultimately lead to the use of more and more chemical herbicides. This has led to an anti-GMO movement and consumer concerns over environmental damage and the health and safety of using GMOs.

DIF: MEDIUM LO: 2.4 Section: Describe how businesses can
act responsibly to satisfy society. AACSB Ethical understanding and rea-
soning BT: K

35. Explain how the toy company Hasbro improved its social and environmental performance.

ANS: Hasbro has improved its packaging and printing processes while reducing greenhouse emissions and landfill waste. To save 34,000 miles of wire in a single year, Hasbro eliminated the wire ties that typically come with games and toys. To eliminate 800,000 pounds of waste world-wide, the company no longer wraps toy and game instructions in plastic bags. Its board games,

puzzles, boxes, and components are manufactured using vegetable-based printing inks and water-based coatings in its printing process.

On the topic of human rights, Hasbro employees carefully monitor factory facilities on an ongoing basis both in Massachusetts and in China where its products are made. In addition, employees are given four hours a month of paid time off to volunteer. The company's recent philanthropic efforts include more than \$12 million in grants and toys to various organizations.

Hasbro's corporate social responsibility group is charged with advancing the company's social and environmental performance while remaining committed to achievements in several key areas, including product safety, environmental sustainability, and diversity.

DIF: MEDIUM LO: 2.4
act responsibly to satisfy society.
BT: C

Section:
AACSB

Describe how businesses can
Ethical understanding and rea-

MULTIPLE CHOICE

36. When management considers social and economic issues in decision making, the company is practicing ____.

a.	gatekeeping
b.	consumerism
c.	social responsibility
d.	altruism

ANS: c DIF: EASY LO: 2.4
businesses can act responsibly to satisfy society.
standing and reasoning BT: K

Section: Describe how
AACSB Ethical under-

37. Businesses have responsibilities to ____.

a.	investors and customers only
b.	investors, customers, employees, and society
c.	investors, customers, and government
d.	investors only

ANS: b DIF: EASY LO: 2.1
concern for ethical and societal issues.
reasoning BT: K

Section: Explain the
AACSB Ethical understanding and rea-

38. Which of the following statements is correct?

a.	Ethical conflicts usually arise in trying to serve the needs of separate constituents.
b.	Setting ethical standards is always clear-cut.
c.	The ethical values of individual employees have no influence on the decisions and actions a business takes.
d.	Setting ethical standards is easy.

ANS: a DIF: EASY LO: 2.1 Section: Explain the concern for ethical and societal issues.
AACSB Ethical understanding and reasoning
BT: K

39. According to the National Business Ethics Survey, why is workplace misconduct at an all-time low?

a.	Misconduct is more difficult to uncover.
b.	Companies offer incentive for reporting misconduct.
c.	More employees are willing to report misconduct.
d.	Fewer employees engage in misconduct.

ANS: c DIF: EASY LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Ethical understanding and reasoning
BT: K

40. Taking or borrowing of company goods without company knowledge undermines that employee's _____.

a.	integrity
b.	loyalty
c.	truthfulness
d.	morals

ANS: a DIF: EASY LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Ethical understanding and reasoning
BT: K

41. Jennifer and her husband Tony work full-time jobs and are struggling to manage their time efficiently. They have a seven-year-old child and are also responsible for caring for Jennifer's mother, who needs to be taken to physical therapy every day. Which of the following do Jennifer and Tony best exemplify?

a.	The silent generation
b.	The sandwich generation
c.	The baby boomer generation
d.	Generation X

ANS: b DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning
BT: AP

42. Which of the following is an example of workplace discrimination?

a.	Nate, a young manager, is passed over for a promotion in favor of John, who has worked with the company for 30 years.
b.	Bob is ignored when the manager selects female employees as project leads as the manager prefers that female employees lead teams.
c.	Roy has to work more hours a week than Kara, a working mother.
d.	Employees who drive electric or hybrid cars in Lee's company get better parking spots

	than employees who drive other cars.
--	--------------------------------------

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: AP

43. A publicly traded company did not reveal the performance of its stocks to its individual investors. Under which rule or act can the company be investigated?

a.	The Civil Rights Act of 1991
b.	The Wheeler-Lea Act
c.	The Civil Rights Act of 1964
d.	Regulation FD (Fair Disclosure)

ANS: d DIF: MEDIUM LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community. AACSB
Ethical understanding and reasoning BT: AP

44. When Pat has to audit a restaurant owned by his brother-in-law, which of the following ethical challenges does he face?

a.	Conflict of interest
b.	Loyalty versus truth
c.	Breach of trust
d.	Honesty and integrity

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment. AACSB Ethical understanding and reasoning BT: AP

45. When Sarah discovers that the pharmaceutical company she works for is marketing a drug that has no effect on the disease it is supposed to treat, what should ideally be her first action?

a.	She should resign from her job on ethical grounds.
b.	She should report it to the media.
c.	She should file a legal suit against the company.
d.	She should report it to the company's higher officials.

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment. AACSB Ethical understanding and reasoning BT: AP

46. _____ are responsible for conducting employee training programs that help spot potential fraud and abuse within a company.

a.	Department supervisors
b.	Ethics compliance officers
c.	Human Resource managers
d.	Social behaviorists

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: C

47. Which of the following is not a minimum requirement for ethics compliance programs?

a.	High-level personnel responsible for compliance
b.	Government regulation
c.	Consistent enforcement
d.	Consistent improvement

ANS: d DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

48. Which of the following is not an example of unethical or illegal acts in the workplace?

a.	Misreporting time on the job
b.	Internet abuse
c.	Whistle-blowing
d.	Safety violations

ANS: c DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: C

49. Technology has _____ ethical issues.

a.	expanded the range of
b.	further complicated
c.	made little difference on the range of
d.	eliminated most

ANS: a DIF: EASY LO: 2.2 Section: Describe the contemporary ethi-
cal environment. AACSB Information technology BT: K

50. Which of the following is not a factor in determining an individual's ethical development?

a.	Experiences
b.	Religion
c.	Culture
d.	Social audit

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the contempo-
rary ethical environment. AACSB Ethical understanding and reasoning
BT: K

51. Many people rationalize unethical acts at work because they _____.

a.	feel pressured on their jobs to meet performance goals
b.	know they can always get away with it
c.	have no personal or moral values

d.	are fundamentally unethical
----	-----------------------------

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical understanding and rea-
soning BT: C

52. Arwan decides not to cheat on his exam because he fears he will be caught and receive no credit if he is caught. Arwan is in the _____ stage of his ethical development.

a.	postconventional
b.	preconventional
c.	traditional
d.	conventional

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

53. Hemi is a reckless driver and always jumps the red light in the absence of any patrol officers, but he refrains from speeding on highways as he is fearful of paying up hefty fines to patrol officers. Hemi is most likely to be in the _____ stage of ethical development.

a.	preconventional
b.	postconventional
c.	conventional
d.	unconventional

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the contempo-
rary ethical environment. AACSB Application of knowledge
BT: AP

54. When an individual moves beyond his or her own needs and desires and takes the needs of society into consideration when making decisions, in which stage of ethical development is this individual?

a.	Preconventional
b.	Conventional
c.	Postconventional
d.	Traditional

ANS: c DIF: MEDIUM LO: 2.2 Section: Describe the contempo-
rary ethical environment. AACSB Ethical understanding and rea-
soning BT: C

55. Individuals who focus only on their own interests when making decisions are at the _____ stage of ethical development.

a.	preconventional
b.	conventional

c.	postconventional
d.	unconventional

ANS: a DIF: EASY LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Ethical understanding and reasoning
BT: K

56. Why was the ALS Ice-Bucket Challenge successful in raising funds for the ALS Association?

a.	A leading fund-raising firm planned it.
b.	ALS was a well-known disease to the public.
c.	It involved the participation of celebrities.
d.	It used multichannel integrated social media strategies.

ANS: d DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning
BT: C

57. Manelin avoids using his office computer for personal use, even though his company does not have a specific policy forbidding it. Manelin is at the _____ stage of ethical development.

a.	preconventional
b.	unconventional
c.	postconventional
d.	conventional

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Application of knowledge
BT: AP

58. A pharmaceutical company has developed a drug to manage multiple sclerosis. If the company wishes to uphold the customer's right to choose, which of the following actions should it take?

a.	It should sell the drug for a low price.
b.	It should mention the drug's side effects on the label.
c.	It should set up a forum for customers to lodge complaints about the drug.
d.	It should perform stringent pre-clinical trials to ensure the drug's safety.

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning
BT: AP

59. If an individual follows personal principles for resolving ethical dilemmas and considers personal, group, and societal interests, he or she is at the _____ stage of ethical development.

a.	preconventional
b.	conventional
c.	postconventional
d.	concentrations

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB
Ethical understanding and reasoning BT: AP

60. If a company wants to improve its employees' quality of life, which of the following should it do?

a.	Provide safety gear to all employees
b.	Allow employees to take 12 weeks of leave when sick or injured
c.	Increase diversity in its workforce
d.	Provide special health insurance plans to its senior employees

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB
Ethical understanding and reasoning BT: C

61. When an employee comes forward with a complaint of sexual harassment, which of the following steps should the company take?

a.	It should ask the employee to resign.
b.	It should assure the employee that he or she will be protected from retaliation.
c.	It should let the offender know that the employee has lodged a complaint against him or her.
d.	It should set up a committee comprising of employees who know the offender to investigate the claim.

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB
Ethical understanding and reasoning BT: K

62. Alezae does not make personal long-distance phone calls at work because it will cost her employer money. Alezae is in the _____ stage of ethical development.

a.	conventional
b.	traditional
c.	postconventional
d.	preconventional

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment. AACSB
Application of knowledge BT: AP

63. Aimon makes a point of turning off the lights in his office when he is not using it because it saves his company money and saves energy for the environment. Aimon is in the _____ stage of ethical development.

a.	conventional
b.	postconventional
c.	preconventional
d.	traditional

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Application of knowledge
BT: AP

64. Brianna focuses on her duty to family and work and bases her actions on the expectations of various groups in her life. Brianna is in _____ stage of ethical development.

a.	postconventional
b.	traditional
c.	conventional
d.	preconventional

ANS: c DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Application of knowledge
BT: AP

65. Jeffrey Wigand, a former executive of Brown & Williamson who exposed his company's practice of intentionally manipulating the effect of nicotine in cigarettes on the CBS news program *60 Minutes*, had moved beyond self-interest and company duty to which stage of individual ethics?

a.	preconventional
b.	postconventional
c.	unconventional
d.	conventional

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Application of knowledge
BT: AP

66. Glafira is an investment advisor and wants to recommend a stock she happens to own. How should Glafira best deal with this potential conflict of interest?

a.	She should not make the recommendation.
b.	She should make a negative recommendation.
c.	She should make a positive recommendation and then sell the stock.
d.	She should disclose the fact that she owns the stock while making the recommendation.

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Ethical understanding and reasoning
BT: C

67. Branka is a diabetes educator at a local clinic. Recently, she was offered a lavish trip by a sales representative who has been pushing the clinic to use his company's diabetes supplies. Branka declined the gift. Which ethical challenge did she face?

a.	Whistle-blowing
b.	Honesty and integrity
c.	Culture shock
d.	Conflict of interest

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

68. How should a businessperson deal with a conflict of interest?

a.	Ignore it
b.	Send an email to the superior
c.	Disclose it or avoid it
d.	Report it only to close friends

ANS: c DIF: EASY LO: 2.2 Section: Describe the contemporary ethi-
cal environment. AACSB Ethical understanding and reasoning
BT: K

69. External auditors are examining Benito's company's financial records. Benito knows there may be an error and will tell them about it but only if they ask. They do not ask. In this scenario, Benito's _____ is most likely to be questioned.

a.	integrity
b.	social responsibility
c.	truthfulness
d.	loyalty

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

70. During a meeting with government regulators, Nicole voluntarily points out a potential problem with a new product her company is testing. Nicole has shown _____.

a.	honesty
b.	loyalty
c.	truthfulness
d.	integrity

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

71. Daichi takes responsibility for an error made by his assistant on a project. Daichi has shown _____.

a.	loyalty
b.	honesty
c.	integrity
d.	truthfulness

ANS: c DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: C

72. Horus is a new employee at an IT company. Soon he learns of the unethical practices done by his superiors and other employees at the company. He immediately informs such instances and behaviors to the upper management and other officials at the company. This act by Horus is known as _____.

a.	whistle-blowing
b.	scaremongering
c.	auditing
d.	fear mongering

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

73. Embellishing one's résumé shows a lack of _____ and _____.

a.	honesty, loyalty
b.	honesty, integrity
c.	integrity, loyalty
d.	competence, loyalty

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

74. Bente knows of a defect in a product his company sells. He will disclose the defect but only if the customer specifically asks about it. Bente's _____ could be called into question.

a.	altruism
b.	integrity
c.	loyalty
d.	truthfulness

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of
knowledge BT: AP

75. Kanai learns that her company is secretly dumping untreated waste into the city sewer systems, and she informs the local EPA office. Which of the following does NOT describe Kanai's ethical situation?

a.	She is acting as a whistle-blower.
b.	She has a conflict of interest.
c.	She is showing integrity.
d.	She is showing loyalty.

ANS: d DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: C

76. Veata's supervisor asks her to conceal information from external auditors examining the company's financial records. What is Veata's ethical challenge?

a.	Loyalty versus truth
b.	Conflict of interest
c.	Honesty and integrity
d.	No ethical challenge

ANS: a DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

77. Rangsey was a foreman at Hi-Way Construction and discovered his company was deliberately using faulty materials for a project. Although Rangsey was worried about his family's financial security if he lost his job, he went to authorities and informed them of the potentially dangerous construction. Rangsey's action is called ____.

a.	ethical compliance
b.	whistle-blowing
c.	ethical allegations
d.	fear mongering

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Application of knowledge
BT: AP

78. Development of a corporate culture to support business ethics occurs on each of the following levels EXCEPT ethical ____.

a.	success
b.	awareness
c.	reasoning
d.	leadership

ANS: a DIF: MEDIUM LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Ethical under-
standing and reasoning BT: K

79. ____ requires that companies in the private sector provide procedures for anonymous reporting of accusations of fraud.

a.	Americans with Disabilities Act
b.	Sarbanes-Oxley Act
c.	Consumer Rights Act
d.	Genetic Information Nondiscrimination Act of 2008

ANS: b DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

80. Macrozine Inc. provides support for employees faced with ethical dilemmas. An ethics compliance officer is available in the Human Resources office or through an employee hotline. This is an example of ethical ____.

a.	reasoning
b.	awareness
c.	whistle-blowing
d.	action

ANS: d DIF: EASY LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Application of knowledge BT: AP

81. After meeting with employees, a manager realizes she has set performance goals unrealistically high for her department's employees. If she makes employee performance goals more realistic, what will likely happen to the department's ethical climate?

a.	It will stay about the same.
b.	It will improve.
c.	It will create uncertainty among employees.
d.	It will deteriorate.

ANS: b DIF: MEDIUM LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Ethical understanding and reasoning BT: C

82. Ethical ____ changes each employee personally to uphold the company's core values and be willing to base their actions on them.

a.	leadership
b.	awareness
c.	action
d.	reasoning

ANS: a DIF: MEDIUM LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Ethical understanding and reasoning BT: K

83. The sales manager decides to double each salesperson's monthly quota. What impact is this action likely to have on the company's ethical climate?

a.	It will improve.
b.	It will remain the same.
c.	It will deteriorate.
d.	It will generate healthy competition.

ANS: c DIF: MEDIUM LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Ethical understanding and reasoning BT: K

84. Jack Welch, former CEO of The General Electric, is respected in business circles for focusing his company on the welfare of its customers and investors and for ensuring that GE would thrive in the long run. This type of environment is an example of ethical _____.

a.	action
b.	reasoning
c.	awareness
d.	leadership

ANS: d DIF: MEDIUM LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Application of knowledge BT: AP

85. Which of the following would be LEAST likely to be a factor in evaluating a company's social performance?

a.	Providing a safe, healthy workplace
b.	Respecting the cultural diversity of employees
c.	Holding company-sponsored social events
d.	Producing safe, high-quality products

ANS: c DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning BT: C 81. A company removes a profitable product from the market because it may be dangerous. This company is demonstrating _____.

a.	ethical behavior
b.	green marketing
c.	conflict of interest
d.	contango

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning BT: K

86. Businesses exercise social responsibility for all of the following reasons EXCEPT _____.

a.	stakeholders expect it
b.	profits are guaranteed
c.	the company's image is enhanced
d.	management believes it is the ethical course of action

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning BT: K

87. When Target Inc. donates 5 percent of its federally taxable income to non-profit groups, the company is highlighting its _____.

a.	social responsibility
b.	code of conduct

c.	social audit
d.	altruism

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning
BT: C

88. A formal procedure that identifies and evaluates all company activities relating to social issues is known as a(n) _____.

a.	ethical profile
b.	social audit
c.	social inventory
d.	mission analysis

ANS: b DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning
BT: K

89. In addition to financial assessments, Dominic has arranged for his company to conduct a(n) _____ to evaluate activities that relate to social issues such as employment practices, environmental protection, and philanthropy.

a.	EEOC evaluation
b.	code of conduct
c.	social audit
d.	social responsibility inventory

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Application of knowledge
BT: AP

90. The Bristanie Corp. uses a company-wide team of employees to identify company activities related to social issues, report on how the company is responding to those issues, and evaluate how effectively the company has met those issues. The Bristanie team is conducting a(n) _____.

a.	environmental impact audit
b.	government-mandated audit
c.	internal accounting audit
d.	social audit

ANS: d DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Application of knowledge
BT: AP

91. The _____ of a coffee-growing company usually include its employees, customers, suppliers, and the community members where the company is located.

a.	social responsibility
b.	corporate philanthropy
c.	social audit

d.	stakeholders
----	--------------

ANS: d DIF: MEDIUM LO: 2.3 Section: Discuss how organizations shape ethical conduct.
AACSB Ethical understanding and reasoning BT: K

92. Reprocessing used materials so that they can be reused is known as ____.

a.	rotation
b.	reinvigoration
c.	recycling
d.	ecology

ANS: c DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning BT: K

93. A strategy that promotes environmentally friendly products and production methods is called ____.

a.	consumerism
b.	recycling
c.	ethical awareness
d.	green marketing

ANS: d DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Ethical understanding and reasoning BT: K

94. Timbonei Inc. allows its employees to take paid six-month sabbatical leaves to work for non-profit organizations. This is an example of ____.

a.	corporate philanthropy
b.	green marketing
c.	whistle-blowing
d.	consumerism

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Analytical thinking BT: C

95. Which of the following is NOT an example of corporate philanthropy?

a.	Supporting the local public radio station
b.	Sponsoring a Red Cross blood drive
c.	Paying local property taxes
d.	Giving employees release time to participate in volunteer activities

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Analytical thinking BT: C

96. Emiko works in an organization that manufactures goods that is in compliance with the standards set by the Federal Trade Commission. All of its products have little or no ill effect on the environment and hence has earned itself a nice reputation in the industry. The company's marketing strategy is therefore developed on its reliance on safer and cleaner uses of resources. The company is practicing _____ marketing.

a.	green
b.	guerrilla
c.	loyalty
d.	freebie

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how
businesses can act responsibly to satisfy society. AACSB Application of
knowledge BT: AP

97. During the Olympics, several Nike ads were aired that demonstrated the company's sponsorship of various events. Nike was using _____ to align their marketing efforts with charitable giving.

a.	cybersquatting
b.	cause-related marketing
c.	social responsibility
d.	ethical awareness

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how busi-
nesses can act responsibly to satisfy society. AACSB Application of
knowledge BT: AP

98. The public demand that businesses give proper consideration to consumer wants and needs in making its decisions is known as _____.

a.	conservation
b.	political activism
c.	ethics
d.	consumerism

ANS: d DIF: EASY LO: 2.4 Section: Describe how busi-
nesses can act responsibly to satisfy society. AACSB Analytical thinking BT:
K

99. Consumer Rights include all of the following EXCEPT the right to _____.

a.	boycott
b.	choose
c.	be heard
d.	be informed

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how busi-
nesses can act responsibly to satisfy society. AACSB Ethical understanding and rea-
soning BT: K

100. Owing to the vast devastation caused by a hurricane in Gyvenopolis, Pandaal Inc., a food company, decided to supply its 1000 cartons of food products for free to the affected region. This is an example of _____.

a.	corporate philanthropy
b.	cross-selling
c.	upselling
d.	corporate disinvestment

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Application of knowledge BT: AP

101. According to _____ standards, when a drug company purchases a television ad, the company is required to describe potential side effects of the drug, or at least provide a phone number or Web site address for additional information.

a.	Occupational Safety and Health Administration (OSHA)
b.	Food and Drug Administration (FDA)
c.	Consumer Compliance
d.	Securities and Exchange Commission (SEC)

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

102. Which federal agency is responsible for ensuring the safety of prescription drugs?

a.	FDA
b.	FTC
c.	SEC
d.	FCC

ANS: a DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

103. The doctrine of “the right to be heard” would be best reflected by _____.

a.	product safety
b.	disclosure of true annual interest rates on revolving charge accounts
c.	disclosure of sodium content on labels of processed foods
d.	a company establishing a consumer appeals board

ANS: d DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

104. Which federal agency is responsible for setting workplace health and safety standards?

a.	FCC
b.	FDA
c.	FTC
d.	OSHA

ANS: d DIF: EASY LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

105. All of the following are current social issues related to business's responsibilities to employees EXCEPT _____.

a.	sexual harassment
b.	discrimination against workers over 40 years of age
c.	discrimination against workers under 40 years of age
d.	quality of life issues

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Ethical understanding and reasoning BT: K

106. Matt was diagnosed with a serious illness that requires aggressive treatment. Because his company employs 50 or more people, it must allow Matt up to 12 weeks unpaid time off in one year, as granted by the _____.

a.	Family and Medical Leave Act
b.	Equal Employment Opportunity Commission
c.	Occupational Safety and Health Administration
d.	Vocational Rehabilitation Act

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Application of knowledge BT: AP

107. An employee at a leading IT company is subjected to sexual harassment on a regular basis. The employee also learns that there are other such cases in the company, and that very few people have reported them to the appropriate authority. Which of the following laws will best protect employees from such harassment?

a.	Civil Rights Act of 1991
b.	Americans with Disabilities Act of 1990
c.	Equal Pay Act of 1963
d.	Vocational Rehabilitation Act of 1973

ANS: a DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society. AACSB Application of knowledge BT: AP

108. Rene's boss has offered him a raise if Rene agrees to spend the night with her. This is an example of _____.

a.	red tape
b.	sexual harassment
c.	nepotism
d.	whistle-blowing

ANS: b DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Diverse and multicultural work environments BT: K

109. On average, women with a college degree earn less money than men with a college degree. This is an example of ____.

a.	social responsibility
b.	nepotism
c.	sexism
d.	whistle-blowing

ANS: c DIF: MEDIUM LO: 2.4 Section: Describe how businesses can act responsibly to satisfy society.
AACSB Diverse and multicultural work environments BT: K

110. At the federal level, the ____ investigates suspicions of unethical or illegal behavior by publicly traded companies.

a.	SEC
b.	EEOC
c.	FDA
d.	OSHA

ANS: a DIF: EASY LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community.
AACSB Ethical understanding and reasoning BT: K

TRUE/FALSE

111. Bayarmaa discovered unlawful conduct at her company and notified authorities. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against Bayarmaa can be prosecuted.

ANS: T DIF: EASY LO: 2.2 Section: Describe the contemporary ethical environment.
AACSB Ethical understanding and reasoning BT: K

112. Ethical corporations consider first and foremost what is profitable.

ANS: F DIF: MEDIUM LO: 2.1 Section: Explain the concern for ethical and societal issues.
AACSB Ethical understanding and reasoning BT: K

113. Codes of conduct are playing an increasingly important role in business ethics.

ANS: T	DIF: EASY	LO: 2.1	Section: AACSB	Explain the concern for ethical and societal issues. standing and reasoning
		BT: K		

114. The Sarbanes-Oxley Act aims to punish corporate fraud and corruption.

ANS: T	DIF: EASY	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. reasoning
	BT: K			

115. Individual employees have a major influence over ethical expectations and behavior.

ANS: T	DIF: EASY	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. standing and reasoning
		BT: K		

116. The U.S. Sentencing Commission was created to protect employees who claim that they were unaware of ethical violations that they were accused of committing.

ANS: F	DIF: MEDIUM	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. standing and reasoning
		BT: K		

117. Some employees rationalize questionable or unethical behavior by saying, “Everyone does it.”

ANS: T	DIF: EASY	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. standing and reasoning
		BT: K		

118. Preconventional behavior is the term used to describe an employee’s disclosure to the media or government authorities of illegal, immoral, or unethical practices of the organization.

ANS: F	DIF: EASY	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. standing and reasoning
		BT: K		

119. Divya refrains from “padding” her expense account because it will hurt the company. Divya is at the preconventional stage of moral and ethical development.

ANS: F	DIF: MEDIUM	LO: 2.2	Section: AACSB	Describe the contemporary ethical environment. standing and reasoning
		BT: K		

120. Batzorig is a lawyer whose work habits help his company, as well as society in general. Batzorig is at the postconventional stage of moral and ethical development.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

121. On-the-job ethical dilemmas are common.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

122. An advertising agency representing two companies that compete with one another has an obvious conflict of interest.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the contempo-
rary ethical environment. AACSB Ethical understanding and rea-
soning BT: K

123. A conflict of interest exists when a person is faced with a decision in which an action will harm one individual or group while benefiting another.

ANS: T DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

124. Developing a close personal relationship with a client or supplier is only a conflict of interest if others find out about the relationship.

ANS: F DIF: MEDIUM LO: 2.2 Section: Describe the contempo-
rary ethical environment. AACSB Ethical understanding and reasoning
BT: K

125. The only safe way to handle a potential conflict of interest is to avoid situations in which one might occur.

ANS: F DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

126. Adhering to deeply felt ethical principles in business situations is known as loyalty.

ANS: F DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

127. Employers expect employees to generally act in the best interests of the organization.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

128. Loyalty and truthfulness often conflict with one another in the business world.

ANS: T DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

129. Every business person places the highest value only on loyalty, even at the expense of truth.

ANS: F DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical understanding and rea-
soning BT: K

130. An employee who “goes public” with the evidence of improper actions by his or her employer is known as a whistle-blower.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

131. Whistle-blowing can be effective with the cooperation of higher-level managers.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

132. Under the Sarbanes-Oxley Act of 2002, anyone who retaliates against an employee for taking concerns of unlawful conduct to a public official can be prosecuted.

ANS: T DIF: MEDIUM LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

133. Some people resort to whistle-blowing because they believe the unethical behavior is causing significant damage that outweighs the risk that the company will retaliate against the whistle-blower.

ANS: T DIF: EASY LO: 2.2 Section: Describe the
contemporary ethical environment. AACSB Ethical under-
standing and reasoning BT: K

134. A code of conduct is an informal statement that defines how the organization expects employees to resolve ethical questions.

ANS: F DIF: EASY LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Ethical under-
standing and reasoning BT: K

135. A code of conduct is a formal document that must be printed.

ANS: F DIF: EASY LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Ethical under-
standing and reasoning BT: K

136. If companies provide a code of conduct and ethical training, there is no need to hire a compliance officer or to provide an anonymous employee hotline to report unethical behavior they have witnessed.

ANS: F DIF: MEDIUM LO: 2.2 Section: Describe the contem-
porary ethical environment. AACSB Ethical understanding and rea-
soning BT: K

137. Formally stating that employees must not discriminate on the basis of race, gender, or age in their dealings with customers is something that could be found in a company code of conduct.

ANS: T DIF: MEDIUM LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Diverse and
multicultural work environments BT: K

138. "Maintaining an atmosphere of cultural integrity" is an example of something that might be found in a company's code of conduct.

ANS: T DIF: EASY LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Ethical under-
standing and reasoning BT: K

139. A code of conduct is part of the ethical awareness stage of ethical development.

ANS: T DIF: EASY LO: 2.3 Section: Discuss how organi-
zations shape ethical conduct. AACSB Ethical understanding and rea-
soning BT: K

140. Starbucks' efforts to go green with recyclable cups is an example of social responsibility.

ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
nesses can act responsibly to satisfy society. AACSB Ethical under-
standing and reasoning BT: K

141. A manager who doubles employee performance goals every quarter most likely will see an increase in the number of ethically questionable actions by employees.

ANS: T DIF: MEDIUM LO: 2.3 Section: Discuss how organi-
 zations shape ethical conduct. AACSB Ethical understanding and rea-
 soning BT: K

142. Some companies issue a code of conduct or statement of values in the form of a small card that employees and managers can carry with them.

ANS: T DIF: EASY LO: 2.3 Section: Discuss how organi-
 zations shape ethical conduct. AACSB Ethical under-
 standing and reasoning BT: K

143. In a general sense, social responsibility is management's acceptance of the obligation to consider profit, consumer satisfaction, and societal well-being of equal value in evaluating the company's performance.

ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

144. The primary social responsibility of a company is to its customers.

ANS: F DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

145. Corporations often neglect to consider that electronic products are extremely recyclable.

ANS: F DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

146. Social audits measure the level of volunteer work conducted in communities.

ANS: F DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

147. Social audits conducted internally are of no value because they are always biased in favor of the company.

ANS: F DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

148. To demonstrate their social responsibility, many corporations highlight charitable contributions and community service in their annual reports and on their websites.

- ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K
149. Social audits are informal business surveys that report customer satisfaction with a company's products.
- ANS: F DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K
150. Corporate philanthropy is the belief that businesses should put the needs of society over the needs of managers and employees.
- ANS: F DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K
151. Helping employees stop smoking is an example of a social responsibility revolving around public health.
- ANS: T DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K
152. Historically, a company's social performance has been measured by its contribution to the overall economy and the employment opportunities it provides.
- ANS: T DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K
153. A "green" product that claims to be environmentally friendly must be substantiated in accordance with guidelines presented by the Federal Trade Commission.
- ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Analytical
 thinking BT: K
154. Most job positions in developed countries prefer to hire applicants with college degrees.
- ANS: T DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Analytical
 thinking BT: K
155. Paying corporate taxes is an example of corporate philanthropy.

ANS: F DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

156. Consumerism is the public demand that a business consider the wants and needs of its customers in making decisions.

ANS: T DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Analytical
 thinking BT: K

157. Employers have a responsibility to their employees to provide a safe working environment.

ANS: T DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Analytical
 thinking BT: K

158. The Occupational Safety and Health Administration (OSHA) sets standards for workplace safety and investigates workplace accidents.

ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Analytical
 thinking BT: K

159. The Equal Employment Opportunity Commission is beginning to focus on individual situations rather than systemic discrimination.

ANS: F DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Diverse and multicultural work
 environments BT: K

160. There are more male victims of sexual harassment than females.

ANS: F DIF: EASY LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical under-
 standing and reasoning BT: K

161. Sexual harassment is divided into two categories: pressure to comply with unwelcome advances for job security and a hostile work environment.

ANS: T DIF: MEDIUM LO: 2.4 Section: Describe how busi-
 nesses can act responsibly to satisfy society. AACSB Ethical understanding and rea-
 soning BT: K

162. Under the Security and Exchange Commission (SEC), publicly traded companies are required to announce major information to the general public, rather than first disclosing the information to selected major investors.

ANS: T DIF: EASY LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community.

AACSB Ethical understanding and reasoning BT: K

163. Sexism is a form of sex discrimination that violates the Civil Rights Act of 1964, which gives both men and women the right to file lawsuits for intentional sexual harassment.

ANS: F DIF: EASY LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community.

AACSB Ethical understanding and reasoning BT: K

164. The principal federal agency responsible for protecting investors from financial misdeeds is the Federal Trade Commission.

ANS: F DIF: EASY LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community.

AACSB Ethical understanding and reasoning BT: K

165. Ethical standards are not proven to affect a company's stock prices.

ANS: F DIF: MEDIUM LO: 2.5 Section: Explain the ethical responsibilities of businesses to investors and the financial community. AACSB

Ethical understanding and reasoning BT: K