

The Legal Environment of Business and Online Commerce, 7e (Cheeseman)
Chapter 2 Ethics and Social Responsibility of Business

1) All laws are framed to meet the highest ethical standards.

Answer: FALSE

Diff: 1

Topic: Ethics and the Law

Skill: Legal Concepts

2) An ethically wrong state or condition can still be legal.

Answer: TRUE

Diff: 1

Topic: Ethics and the Law

Skill: Legal Concepts

3) The False Claims Act permits private parties to sue the government on behalf of a corporation.

Answer: FALSE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

4) The False Claims Act grants the private party a share in the monetary recovery made in a whistleblower case.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

5) Under ethical fundamentalism, a person looks to an outside source for ethical rules or commands.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

6) The main criticism for ethical fundamentalism is that it does not allow people to decide what is right or wrong for themselves.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

7) Utilitarianism postulates doing the greatest good for the greatest number of people.

Answer: FALSE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

8) Kantian ethics is also known as duty ethics.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

9) Kant believed that people owe moral duties that are based on universal rules.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

10) Kantian ethics is based on the premise that people can use reasoning to reach ethical decisions.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

11) In Kantian ethics, the principle of inconsistency postulates treating all ethical cases differently.

Answer: FALSE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

12) According to Kantian ethics, one would be obligated to abide by a contract even if that contract turns out to be detrimental to the obligated party.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

13) Kantian ethics distinguishes between the morality one uses to judge others and the morality one uses on oneself.

Answer: FALSE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

14) The social contract theory is derived from Rawls's social justice theory.

Answer: FALSE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

15) According to Rawls's social justice theory, a person who is in a state of "veil of ignorance" is best fit to select the fairest possible ethical principles.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

16) According to Rawls's social justice theory, moral duties are based on an implied social contract.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

17) Ethical relativism holds that moral standards ought to be based on an individual's feelings of what is right or wrong.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

18) According to ethical relativism, an action that is usually thought to be unethical would not be considered unethical if the perpetrator thought it was ethical.

Answer: TRUE

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

19) The traditional view of social responsibility of business emphasized maximizing profits for employees rather than shareholders.

Answer: FALSE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

20) The theory of moral minimum emphasizes correcting social injuries caused by a business.

Answer: TRUE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

21) The theory of moral minimum stresses on making profit even while causing harm to others.

Answer: FALSE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

22) There are no specific governmental laws endorsing a moral minimum of social responsibility on corporations.

Answer: FALSE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

23) Section 406 of the Sarbanes-Oxley Act requires a public company to disclose whether it has adopted a code of ethics for senior financial officers.

Answer: TRUE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

24) The theory of stakeholder interest compels a corporation to consider the effects of its actions specifically on shareholders.

Answer: FALSE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

25) The theory of corporate citizenship contends that corporations owe a duty to promote the same social goals as individual members of society.

Answer: TRUE

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

26) _____ is a set of moral principles or values that governs the conduct of an individual or a group.

A) Rationality

B) Evolution

C) Ethics

D) Reason

Answer: C

Diff: 1

Topic: Ethics and the Law

Skill: Legal Concepts

27) Which of the following cases describes an agreement of ethics and laws?

- A) A company outsourcing its jobs to a foreign country.
- B) A person being penalized for bribing a judge to rule a case in the person's favor.
- C) A company not spending more money to keep its emission rates below the legal standard.
- D) A person hiring an illegal alien worker whose family is in destitute.

Answer: B

Diff: 2

Topic: Ethics and the Law

Skill: Legal Concepts

28) _____ is an ethical theory where a person adheres to rules or commands that are from an outside source, like a book or a central figure.

- A) Ethical fundamentalism
- B) Utilitarianism
- C) Ethical relativism
- D) Rawls's social justice theory

Answer: A

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

29) _____ Act is a federal statute that permits private parties to sue companies for fraud on behalf of the government and share in any monetary recovery.

- A) Business Norms
- B) Sarbanes-Oxley
- C) Glass-Steagall
- D) False Claims

Answer: D

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

30) Jules Renton, a financial accountant at Valkyrie Aviations, deals with the accounts Valkyrie has with the government. Valkyrie Aviations are in contract with the government to deliver a new bomber plane called Spearhead. While reviewing the Spearhead account, Renton noticed that Valkyrie has been falsely billing the government for Spearhead's production. If Renton chooses to be a whistleblower and expose the scam to the government, what Congress enacted statute must he invoke?

- A) Business Norms Act
- B) Sarbanes-Oxley Act
- C) Glass-Steagall Act
- D) False Claims Act

Answer: B

Diff: 2

Topic: Business Ethics

Skill: Factual Application

31) A government or political party that strictly derives its ethics and laws based on a specific religious book is an example of _____.

- A) utilitarianism
- B) ethical fundamentalism
- C) ethical relativism
- D) Kantian ethics

Answer: B

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

32) Which of the following statements describes the moral theory of utilitarianism?

- A) People must choose the action or follow the rule that provides the greatest good to society.
- B) People must follow actions that are in accordance with a specific moral rule or principle from a religious text.
- C) People must choose to follow actions of a virtuous person.
- D) People must follow actions based on moral duties imparted from one's community.

Answer: A

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

33) Which of the following is an apparent disadvantage of utilitarianism?

- A) It does not allow people to have subjective notions of right and wrong.
- B) It is based on moral duties derived from universal rules.
- C) It puts too much emphasis on one book or theory.
- D) It treats morality as if it were an impersonal mathematical calculation.

Answer: D

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

34) Which of the following moral theories lays emphasis on morality based on one's moral duties?

- A) moral relativism
- B) utilitarianism
- C) Kantian ethics
- D) ethical fundamentalism

Answer: C

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

35) Which of the following moral theories would closely follow the categorical imperative "Do unto others as you would have them do unto you?"

- A) Kantian ethics
- B) moral relativism
- C) utilitarianism
- D) Rawls's social justice theory

Answer: A

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

36) _____ is a moral theory which says that people owe moral duties that are based on universal rules.

- A) Rawls's social justice theory
- B) Kantian ethics
- C) Utilitarianism
- D) Moral relativism

Answer: B

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

37) Reversibility is a principle of Kantian ethics which says that _____.

- A) a person must be allowed to reverse his moral judgment to better suit his needs
- B) a person must treat all moral circumstances as one
- C) a person must be allowed to selectively choose moral judgments based on the circumstances
- D) a person must abide by the rule he or she uses to judge the morality of someone else's conduct

Answer: D

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

38) Consistency is one of the two important principles of _____ upon which its universal laws are based.

- A) utilitarianism
- B) Kantian ethics
- C) Rawls's social justice theory
- D) moral relativism

Answer: B

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

- 39) Which of the following is a perceived disadvantage of Kantian ethics?
- A) It treats morality as if it were an impersonal mathematical calculation.
 - B) It does not allow people to have subjective notions of right and wrong.
 - C) It is based on universal rules that have no common consensus.
 - D) It distinguishes between the morality one uses to judge others and the morality one uses on oneself.

Answer: C

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

- 40) Portman, who runs a computer hardware store, had signed a contract with Stewie Inc. to deliver 125 computer monitors. He was to deliver it by the 5th of August, but by the 3rd of August, Portman could not arrange for the monitors, as his usual supplier was not available. Portman then decided to go to another supplier who had a higher selling price rather than cancel the contract with Stewie Inc. as he believed it was his duty to do so. What of the following moral theories matches Portman's behavior?

- A) Kantian ethics
- B) utilitarianism
- C) Rawls's social justice theory
- D) moral relativism

Answer: A

Diff: 1

Topic: Business Ethics

Skill: Factual Application

- 41) How are ethical rules established in Kantian ethics?
- A) by a set of universal rules that are based on consistency and reversibility
 - B) by following principles that have been derived from holy books
 - C) by an individual's feelings on what is right and wrong
 - D) by choosing the alternative that's best for society as a whole

Answer: A

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

- 42) _____ is a moral theory which asserts that fairness is the essence of justice.

- A) utilitarianism
- B) Kantian ethics
- C) Rawls's social justice theory
- D) moral relativism

Answer: D

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

43) Which of the following theories of morality is Rawls's Social Justice Theory fundamentally derived from?

- A) the theory of utilitarianism
- B) the theory of ethical fundamentalism
- C) the social contract theory
- D) the theory of moral relativism

Answer: C

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

44) Which of the following is a perceived disadvantage of Rawls's social justice theory?

- A) It allows for those in advantageous positions to suppress people in least advantageous positions.
- B) It doesn't consider the fact that people would not want to maximize benefits for the least advantaged persons.
- C) It only allocates people in advantageous positions to set up rules on morality.
- D) It postulates that there are no universal ethical rules to guide a person's conduct.

Answer: B

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

45) Which of the following moral theories matches the dictum "I will keep the rules if everyone else does?"

- A) perspectivism
- B) social contract
- C) moral relativism
- D) utilitarianism

Answer: B

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

46) How are ethical rules established in Rawls's social justice theory?

- A) by a set of universal rules based on consistency and reversibility
- B) from an original position of a veil of ignorance
- C) by the ruling class or people in advantageous positions
- D) by following what's best for the society as a whole

Answer: B

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

47) _____ is a moral theory which holds that individuals must decide what is ethical based on their own feelings about what is right and wrong.

- A) Ethical relativism
- B) Kantian ethics
- C) Utilitarianism
- D) Rawls's social justice theory

Answer: A

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

48) Which of the following moral theories will help an anthropologist study ancient societies with an impartial and unprejudiced mindset, especially when it relates to ethics and customs followed by ancient societies to that being followed in present societies?

- A) Rawls's social justice theory
- B) utilitarianism
- C) Kantian ethics
- D) ethical relativism

Answer: D

Diff: 2

Topic: Business Ethics

Skill: Legal Concepts

49) According to ethical relativism, _____.

- A) ethics rely on duties based around universal rules which one is morally bound to follow
- B) each person is presumed to have entered into a social contract with all others in society to obey moral rules
- C) there are no universal ethical rules to guide a person's conduct
- D) people must choose an action or follow a rule that provides the greatest good to society

Answer: C

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

50) What is "maximizing profits" as a social responsibility theory in business?

- A) The theory that a corporation must consider the effects its actions have on persons other than its shareholders.
- B) The theory that a corporation's duty is to make a profit while avoiding causing harm to others.
- C) The theory that a corporation owes a duty to take actions that increases profits for shareholders.
- D) The theory that a business has a responsibility solely to its stakeholders that other than shareholders.

Answer: C

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

51) A social responsibility theory of business which says that a corporation's duty is to make a profit while avoiding causing harm to others is referred to as _____.

- A) stakeholder interest
- B) corporate citizenship
- C) maximizing profits
- D) moral minimum

Answer: D

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

52) The _____ Act enacted by Congress in 2002, requires public companies to adopt codes of ethics, and establishes criminal penalties for companies that partake in violations.

- A) Glass-Steagall
- B) Sarbanes-Oxley
- C) False Claims
- D) Business Norms

Answer: B

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

Steve Templeton, the CEO of Rolland Motor Company, is contemplating the shutdown of a plant in Kantron. The plant has been unprofitable for some time now, and there is increasing pressure from shareholders to shut it down so as to balance the loss being incurred by the shareholders. But closing the plant would be a blow to the employees as they will lose their jobs, and the local suppliers will lose a major buyer. There is also fear that the sudden closing of the plant will have an adverse effect on the community of Kantron, as the plant is one of the main sources of employment for the locals. Steve Templeton considered all these factors before making a decision on the fate of the plant.

53) If Steve Templeton, after weighing all the factors, finds that the loss to the employees and the community is far greater than the one incurred by the shareholders, and decides to keep the plant open in Kantron. Which of the following moral theory matches Steve Templeton's approach in keeping the plant open?

- A) Kantian ethics
- B) Rawls's social justice theory
- C) ethical fundamentalism
- D) utilitarianism

Answer: D

Diff: 2

Topic: Business Ethics

Skill: Factual Application

54) If Steve Templeton decides to not close the plant in Kantron, what business social responsibility will Steve Templeton be achieving?

- A) moral minimum
- B) corporate citizenship
- C) maximizing profits
- D) stakeholder interest

Answer: D

Diff: 2

Topic: Social Responsibility of Business

Skill: Factual Application

55) If Steve Templeton decides to close the plant in Kantron, what important business social responsibility will Steve Templeton accomplish?

- A) moral minimum
- B) corporate citizenship
- C) maximizing profits
- D) stakeholder interest

Answer: C

Diff: 2

Topic: Social Responsibility of Business

Skill: Factual Application

56) Sinbad Cola, a soft drink manufacturer, recently opened a plant in Buron. The wastages from the plant were dumped in the Buron Sea, situated a mile away from the plant. Dumping of wastes in the sea resulted in water pollution, which negatively affected the Buron fishing business, and also resulted in groundwater contamination. Sinbad Cola compensated by bringing contamination levels down with additional filters, and paying damages to the local fisheries. Which theory of business social responsibility did Sinbad Cola meet when they compensated for their harmful wastage disposal methods?

- A) moral minimum
- B) stakeholder interest
- C) corporate citizenship
- D) maximizing profits

Answer: A

Diff: 2

Topic: Social Responsibility of Business

Skill: Factual Application

57) ULab Inc., a biotechnology firm, recently had a fire in one of their offices which resulted in the office building being gutted. The employees were not trained for a fire drill, and the 10-storey building had no fire escape route which resulted in many employees being hospitalized for physical injuries, burns and toxic smoke inhalation. What important social responsibility theory was ULab negligent of by not training their employees in case of a fire and not installing a fire exit?

- A) corporate citizenship
- B) moral minimum
- C) stakeholder interest
- D) maximizing profits

Answer: B

Diff: 2

Topic: Social Responsibility of Business

Skill: Factual Application

58) _____ is a social responsibility theory of business which says that a corporation must consider the effects its actions have on persons other than its shareholders.

- A) Corporate citizenship
- B) Maximizing profits
- C) Moral minimum
- D) Stakeholder interest

Answer: D

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

59) What is "corporate citizenship" as a social responsibility theory in business?

- A) Businesses are responsible to even helping solve social problems that it did not cause.
- B) Businesses owe a duty to take actions that increase profits for shareholders.
- C) Businesses have a responsibility solely to its stakeholders, and should strive to maximize their well-being.
- D) Businesses are obliged to consider the effects its actions have on persons other than its shareholders.

Answer: A

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

60) Conch Corporation, a global oil and gas company, has plans to open a subsidized postsecondary vocational school in the town of Cristen, where one of their offices is situated. The plan was put to vote and approved despite some objection from shareholders. The school is being opened in collaboration of the local government, and the objective is to help the youth of that neighborhood, especially dropouts, learn a vocational skill. What social responsibility theory describes Conch Corporation's move to open the school?

- A) moral minimum
- B) maximizing profits
- C) corporate citizenship
- D) stakeholder interest

Answer: C

Diff: 2

Topic: Social Responsibility of Business

Skill: Factual Application

61) Give an account of the relationship between ethics and law.

Answer: Ethics and the law are intertwined. Although much of the law is based on ethical standards, not all ethical standards have been enacted as law. The law establishes a minimum degree of conduct expected by persons and businesses in society. Ethics demands more. Sometimes the rule of law and the rule of ethics demand the same response by a person confronted with a problem. However, in some situations, the law may permit an act that is ethically wrong. Another situation occurs where the law demands certain conduct but a person's ethical standards are contrary.

Diff: 1

Topic: Ethics and the Law

Skill: Legal Concepts

62) Explain the two principles used to derive the universal rules of Kantian ethics?

Answer: The universal rules of Kantian ethics are based on two important principles:

- (1) Consistency—that is, all cases are treated alike, with no exceptions—and
- (2) Reversibility—that is, the actor must abide by the rule he or she uses to judge the morality of someone else's conduct. Thus, if you are going to make an Exception for yourself, that exception becomes a universal rule that applies to all others.

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

63) What is ethical relativism?

Answer: Ethical relativism holds that individuals must decide what is ethical based on their own feelings about what is right and wrong. Under this moral theory, if a person meets his or her own moral standard in making a decision, no one can criticize him or her for it. Thus, there are no universal ethical rules to guide a person's conduct. This theory has been criticized because action that is usually thought to be unethical would not be unethical if the perpetrator thought it was in fact ethical. Few philosophers advocate ethical relativism as an acceptable moral theory.

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

64) Give an account the social responsibility of businesses and list out its four main theories.

Answer: Businesses do not operate in a vacuum. Decisions made by businesses have far reaching effects on society. In the past, many business decisions were based solely on a cost—benefit analysis and how they affected the bottom line. Such decisions, however, may cause negative externalities for others. Social responsibility requires corporations and businesses to act with awareness of the consequences and impact that their decisions will have on others. Thus, corporations and businesses are considered to owe some degree of responsibility for their actions. Four theories of the social responsibility of business are: maximize profits, moral minimum, stakeholder interest, and corporate citizenship.

Diff: 2

Topic: Social Responsibility of Business

Skill: Legal Concepts

65) What is theory of moral minimum in social responsibility for businesses?

Answer: Some proponents of corporate social responsibility argue that a corporation's duty is to make a profit while avoiding causing harm to others. This theory of social responsibility is called the moral minimum. Under this theory, as long as business avoids or corrects the social injury it causes, it has met its duty of social responsibility. The legislative and judicial branches of government have established laws that enforce the moral minimum of social responsibility on corporations.

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

66) Under the moral theory of _____, a person looks to an outside source for ethical rules or commands.

Answer: ethical fundamentalism

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

67) The _____ Statute is a federal statute that permits private parties to sue companies for fraud on behalf of the government and share in any monetary recovery.

Answer: Whistleblower

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

68) _____ is a moral theory with origins in the works of Jeremy Bentham and John Stuart.

Answer: Utilitarianism

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

69) The moral theory that dictates people choose the action or follow the rule that provides the greatest good to society is referred to as _____.

Answer: utilitarianism

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

70) _____ is one of the two principles of Kantian ethics that states that the actor must abide by the rule he or she uses to judge the morality of someone else's conduct.

Answer: Reversibility

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

71) Kantian ethics is also referred to as _____ ethics.

Answer: duty

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

72) According to Rawl's social justice theory, _____ is considered the essence of justice.

Answer: fairness

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

73) Rawl's social justice theory is based on the _____ theory of morality proposed by John Locke and Jean-Jacques Rousseau.

Answer: social contract

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

74) Under the moral theory of _____, if a person meets his or her own moral standard in making a decision, no one can criticize him or her for it.

Answer: ethical relativism

Diff: 1

Topic: Business Ethics

Skill: Legal Concepts

75) The social responsibility theories of businesses attempt to infuse a code of _____ in corporate behavior and its responsibilities.

Answer: ethics

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

76) The _____ theory of social responsibility compels corporations to correct social injuries it causes.

Answer: moral minimum

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

77) The legislative and judicial branches of government have established laws that enforce the _____ of social responsibility on corporations.

Answer: moral minimum

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

78) Section 406 of the _____ Act requires a public company to disclose whether it has adopted a code of ethics for senior financial officers.

Answer: Sarbanes-Oxley

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

79) The social responsibility theory of _____ tries to protect the interest of people, besides shareholders, who are connected to a corporation.

Answer: stakeholder interest

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts

80) The social responsibility theory of _____ instructs corporations to solve social issues, even ones that it may have not caused.

Answer: corporate citizenship

Diff: 1

Topic: Social Responsibility of Business

Skill: Legal Concepts