

MATCHING

Match the term with its definition.

- | | |
|--------------------------|-------------------------------|
| a. code of ethics | g. social responsibilities |
| b. environmentalism | h. skimming |
| c. ethical imperialism | i. stakeholders |
| d. ethical relativism | j. sustainable small business |
| e. integrity | k. underlying values |
| f. intellectual property | |

1. The belief that ethical standards are subject to local interpretation
2. A company's ethical obligations to the community
3. Beliefs that provide a foundation for ethical behavior in a firm
4. The belief that the ethical standards of one's own country can be applied universally
5. A general sense of honesty and reliability that is expressed in a strong commitment to doing the right thing, regardless of the circumstances
6. Individuals or groups who either can affect or are affected by the performance of the company
7. The effort to protect and preserve the environment
8. Original intellectual creations, including inventions, literary creations, and works of art, that are protected by patents or copyrights
9. A profitable company that responds to customers' needs while showing reasonable concern for the environment
10. Official standards of employee behavior formulated by a business owner

- | | | |
|-------------------------|---------------------|---------------------------|
| 1. ANS: D | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | NAT: BUSPROG: Ethics |
| KEY: Bloom's: Knowledge | | |
| 2. ANS: G | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 3. ANS: K | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 4. ANS: C | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 5. ANS: E | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 6. ANS: I | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 7. ANS: B | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 8. ANS: F | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 9. ANS: J | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |
| 10. ANS: A | PTS: 1 | DIF: Difficulty: Moderate |
| REF: p. 32-53 | OBJ: LO: 2-1to 2-5a | KEY: Bloom's: Knowledge |

MULTIPLE CHOICE

1. Abner sometimes shorts the customer when weighing out bulk merchandise, believing the practice leads to higher profits so it is acceptable. We could infer that
- Abner lacks integrity.
 - Abner is not an entrepreneur.
 - Abner cheats on his taxes.
 - Abner is skimming.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 34 OBJ: LO: 2-1 NAT: BUSPROG: Ethics
KEY: Bloom's: Evaluation

2. While unethical practices do exist, it is good that the great majority of small firms strive to achieve the highest standards of ____ in their quest for profits.
- integrity
 - relativism
 - synchronous behavior
 - congruity

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 34 OBJ: LO: 2-1 NAT: BUSPROG: Ethics
STA: DISC: Finance KEY: Bloom's: Evaluation

3. Ethical issues
- seldom involve legal issues.
 - are questions of right and wrong.
 - are always clearly defined.
 - often resolve themselves.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 34 OBJ: LO: 2-2 NAT: BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom's: Evaluation

4. Annabelle often shops for clothing and household goods online while at work. Which of the following best describes this situation?
- Abusive behavior
 - Lying to employees
 - Improper use of company resources
 - Inappropriate Internet use at work

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 34 OBJ: LO: 2-2 NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

5. A firm's employees would be considered _____ in the business.
- investors
 - stakeholders
 - customers
 - stockholders

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 35 OBJ: LO: 2-2 NAT: BUSPROG: Analytic
KEY: Bloom's: Analysis

6. The owner of LMN Company has been asked to sponsor a Little League team by donating money to buy team shirts. In return, the team will print the company name on the shirts. To which stakeholder group does this team belong?
- a. Owners
 - b. Customers
 - c. Employees
 - d. Community

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 35 OBJ: LO: 2-2 NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

7. Of all the possible stakeholders, the three primary ones are
- a. the government, the community, and the customers.
 - b. the customers, the employees, and the owners.
 - c. the creditors, the investors, and the employees.
 - d. the suppliers, the customers, and society at large.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 35-36 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

8. A small computer retailer makes every effort to satisfy customer needs both before and after the sale. However, this retailer regards social problems as being beyond the scope of his business. This firm's management has recognized
- a. some degree of social responsibility in its commitment to customers.
 - b. the existence of social responsibilities but having failed to do anything about them.
 - c. ethical obligations to customers but not social responsibilities.
 - d. social responsibility as the domain of big business.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 36-39 OBJ: LO: 2-2 NAT: BUSPROG: Ethics
STA: DISC: Value Creation KEY: Bloom's: Comprehension

9. Milton Friedman argues that businesses
- a. should avoid social responsibility whenever it is possible to do so.
 - b. should be required to use their resources meet their social responsibilities.
 - c. can only earn profits if they do so in a socially responsible manner.
 - d. are justified in being socially responsible only if doing so increases the firm's value.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 36 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Knowledge

10. Because a firm has considerable discretion in reporting performance results, financial reports can sometimes be _____ without technically being illegal.
- a. inaccurate
 - b. misleading
 - c. unreliable
 - d. bellicose

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 36 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
STA: DISC: Finance KEY: Bloom's: Analysis

11. Providing inaccurate or misleading financial information to stakeholders can:
- a. damage critical relationships.
 - b. reduce profits.
 - c. increase profits.
 - d. enhance critical relationships.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 36 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

12. When a company delivers an excellent product with excellent service, _____ are likely to follow.
- a. profits and a good reputation
 - b. customer satisfaction and profits
 - c. healthy sales and profits
 - d. customer satisfaction and healthy sales

ANS: D PTS: 1 DIF: Difficulty: Challenging
REF: p. 37 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
KEY: Bloom's: Evaluation

13. After issues related to customers and competitors, the second most common category of ethical issues that challenge small businesses is concerned with
- a. the treatment of employees.
 - b. international relations.
 - c. public relations.
 - d. harmful production processes.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 37 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
STA: DISC: Dynamics KEY: Bloom's: Comprehension

14. Bernard praises his employees as often as he catches someone doing something right. He often hosts family get-togethers for his few employees. Bernard knows:
- a. a little money spent on his people will be returned many times over in profits.
 - b. happy employees make for satisfied customers.
 - c. this will lead to his employees being more engaged and productive.
 - d. it's a waste of time and money but he enjoys the camaraderie.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 37 OBJ: LO: 2-2a NAT: BUSPROG: Organizational Behavior
KEY: Bloom's: Evaluation

15. Clark, the owner of DEF LLC, bragged about hiding company income from the IRS but was surprised when he learned his sales manager was accepting kickbacks from customers. Clark should have remembered:
- a. kickbacks are common in his industry.
 - b. lapses in integrity can easily be passed down from superiors to subordinates.
 - c. his sales manager could alert the IRS and Clark could be prosecuted for tax evasion.
 - d. bragging nearly always leads to trouble.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 37 OBJ: LO: 2-2a NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

16. An example of an employee acting unethically towards employer is:

- a. Taking a vacation
- b. Taking unjustified sick leave
- c. Working overtime
- d. Taking a 15 minute break

ANS: B

PTS: 1

DIF: Difficulty: Easy

REF: p. 37

OBJ: LO: 2-2a

NAT: BUSPROG: Ethics

STA: DISC: Dynamics

KEY: Bloom's: Comprehension | Bloom's: Application

17. The term for when an employee steals money from a firm is

- a. cheating.
- b. fraud.
- c. embezzlement.
- d. promotion.

ANS: C

PTS: 1

DIF: Difficulty: Moderate

REF: p. 38

OBJ: LO: 2-2a

NAT: BUSPROG: Ethics

STA: DISC: Finance

KEY: Bloom's: Knowledge

18. An ethical business not only treats customers and employees honestly, but also acts as a good citizen in the community. These broader obligations of citizenship are called

- a. community commitment.
- b. philanthropy.
- c. environmentalism.
- d. social responsibilities.

ANS: D

PTS: 1

DIF: Difficulty: Moderate

REF: p. 39

OBJ: LO: 2-2b

NAT: BUSPROG: Ethics

STA: DISC: Economic Environments

KEY: Bloom's: Knowledge

19. Entrepreneurs should think carefully about their community commitments because "doing good" may add to a small company's

- a. bottom line.
- b. financial burden.
- c. payroll.
- d. local profile.

ANS: B

PTS: 1

DIF: Difficulty: Moderate

REF: p. 39

OBJ: LO: 2-2b

NAT: BUSPROG: Ethics

STA: DISC: Finance

KEY: Bloom's: Knowledge

20. Candace sells the muffins in her bakery at a higher price than the big-box grocery but she has a steady stream of customers willing to pay what she asks. Candace also supports local charities. What would likely happen if she lowered her prices and stopped her charitable contributions?

- a. Nothing
- b. Customers would go elsewhere.
- c. Business would increase.
- d. Income taxes would decrease.

ANS: B

PTS: 1

DIF: Difficulty: Moderate

REF: p. 39

OBJ: LO: 2-2b

NAT: BUSPROG: Ethics

KEY: Bloom's: Evaluation

21. Entrepreneurs must reconcile their social obligations with _____.

- a. their family commitments.
- b. their personal schedule.
- c. the need to earn profits.
- d. their religious beliefs.

ANS: C PTS: 1 DIF: Difficulty: Easy
 REF: p. 39 OBJ: LO: 2-2b NAT: BUSPROG: Ethics
 STA: DISC: Dynamics KEY: Bloom's: Knowledge

22. Many types of socially responsible actions can be consistent with a firm's long-term profit resulting in some degree of _____ being earned by such behavior.

- a. money
- b. respect
- c. goodwill
- d. management expertise

ANS: C PTS: 1 DIF: Difficulty: Moderate
 REF: p. 40 OBJ: LO: 2-2b NAT: BUSPROG: Ethics
 STA: DISC: Finance KEY: Bloom's: Evaluation

23. A band who fails to record the cash they collected for admission to their shows could be charged with what illegal practice?

- a. cash diversion
- b. tax evasion
- c. skimming
- d. payroll tax avoidance

ANS: C PTS: 1 DIF: Difficulty: Moderate
 REF: p. 40 OBJ: LO: 2-2c NAT: BUSPROG: Ethics
 STA: DISC: Finance KEY: Bloom's: Comprehension

24. A person understating income or claiming personal expenses as business expenses is guilty of _____.

- a. bait and switch
- b. skimming
- c. scaling
- d. relativism

ANS: B PTS: 1 DIF: Difficulty: Moderate
 REF: p. 40 OBJ: LO: 2-2c NAT: BUSPROG: Ethics
 STA: DISC: Finance KEY: Bloom's: Knowledge

25. Skimming is an unethical business practice involving

- a. failure to report all income on tax returns.
- b. employees taking cash from the cash register.
- c. sales associates offering gifts and inducements to purchasers.
- d. managers of competing firms agreeing to charge high prices.

ANS: A PTS: 1 DIF: Difficulty: Moderate
 REF: p. 40 OBJ: LO: 2-2c NAT: BUSPROG: Ethics
 STA: DISC: Finance KEY: Bloom's: Comprehension

26. Entrepreneurs often come up short on their tax commitments because of a single-minded focus on their product or service and/or _____.

- a. casual accounting systems
- b. low-cost accounting software

- c. incompetent in-house accountant
- d. cash-basis accounting systems

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 40 OBJ: LO: 2-2c NAT: BUSPROG: Ethics
STA: DISC: Finance KEY: Bloom's: Knowledge

27. The type of tax most likely to be a problem for entrepreneurs is:
- a. federal income tax.
 - b. employee payroll taxes.
 - c. state withholding tax.
 - d. state sales tax.

ANS: B PTS: 1 DIF: Difficulty: Challenging
REF: p. 40 OBJ: LO: 2-2c NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

28. Damon landed his first contract as an entrepreneur then submitted to the local newspaper a news release that gave the impression this was just one of a series of contracts and that business was booming. Damon has:
- a. told a legitimacy lie.
 - b. inflated his income.
 - c. evaded taxes.
 - d. violated the law.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 41 OBJ: LO: 2-3 NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

29. Giving the impression a business is something it is not
- a. is ingenious and resourceful.
 - b. is illegal.
 - c. is acceptable so long as no one is hurt by the transactions.
 - d. is a way to manipulate customers.

ANS: D PTS: 1 DIF: Difficulty: Challenging
REF: p. 41 OBJ: LO: 2-3a NAT: BUSPROG: Ethics
KEY: Bloom's: Evaluation

30. PRO factors include
- a. products, resources, and outputs.
 - b. products, representatives, and organizations
 - c. people, resources, and outputs.
 - d. performance, relationships, and options.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 42 OBJ: LO: 2-3a NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

31. When Evelyn hired a new sales manager, she issued a press release emphasizing the new hire's education and industry experience because:
- a. she wanted to introduce the sales manager to the community.
 - b. this was her first new hire and she wanted everyone to know her business was expanding.
 - c. She had stolen the sales manager from a competitor and wanted to gloat publicly.
 - d. she wanted to bolster the sales manager's credibility.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 42 OBJ: LO: 2-3a KEY: Bloom's: Knowledge

32. An effective way for an entrepreneur to establish legitimacy is:
- a. to hire experienced employees from competitors.
 - b. to insist on professional behavior from all customer-contact employees.
 - c. to communicate the company's mission clearly and frequently.
 - d. to out-perform the competition by underbidding and over-promising.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 42 OBJ: LO: 2-3a NAT: BUSPROG: Ethics
KEY: Bloom's: Analysis

33. Of all the concerns regarding Internet use, the greatest is:
- a. how users' personal information is being protected.
 - b. whether the content of a website is truthful.
 - c. how soon a Web customer will receive an order.
 - d. hacking.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 43 OBJ: LO: 2-3b NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

34. A digital ID tag that is electronically sent to the customer's computer when other requested materials are downloaded from a Web site is known as
- a. a cookie.
 - b. a saucer.
 - c. an inverted collector.
 - d. a contact signature.

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 43 OBJ: LO: 2-3b NAT: BUSPROG: Technology
STA: DISC: Ethical and Legal KEY: Bloom's: Knowledge

35. Floyd would like to be able to monitor his employees' Internet activity because:
- a. his customers cannot view his company website if his employees are surfing the Web.
 - b. employees have to share Internet access and he wants to be fair to everyone.
 - c. such activity hinders workplace productivity.
 - d. his data plan allows only 5 gigabytes of access every month and overage charges are expensive.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 43 OBJ: LO: 2-3b NAT: BUSPROG: Technology
KEY: Bloom's: Analysis

36. If Floyd elects to monitor the personal email accounts of his employees at work, he should:
- a. install screening software to avoid hiring another IT employee.
 - b. first develop a carefully worded and legally sound policy and make sure all employees are aware of it.
 - c. consult an attorney before terminating an employee for viewing personal email at work.
 - d. block access to all personal email servers from company computers.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 43 OBJ: LO: 2-3b NAT: BUSPROG: Technology
KEY: Bloom's: Evaluation

37. An eBay retailer selling counterfeit *Gucci* and *Louis Vuitton* handbags is a violation of laws related to
- Internet fraud.
 - intellectual property.
 - bait-and-switch marketing.
 - ethical imperialism.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 44 OBJ: LO: 2-3b NAT: BUSPROG: Ethics
STA: DISC: Global Dynamics | DISC: Ethical and Legal KEY: Bloom's: Knowledge

38. If a student copies a favorite CD and gives it away to a friend to use, the student is engaged in the theft of _____ property.
- collective
 - intangible
 - intellectual
 - real

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 44 OBJ: LO: 2-3b NAT: BUSPROG: Ethics
STA: DISC: Global Dynamics | DISC: Ethical and Legal
KEY: Bloom's: Evaluation | Bloom's: Comprehension

39. The saying "When in Rome, do as the Romans do" reflects a philosophy of _____.
- ethical insensitivity
 - ethical elitism
 - ethical imperialism
 - ethical relativism

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 44 OBJ: LO: 2-3b NAT: BUSPROG: Ethics | BUSPROG: Diversity
STA: DISC: Global Dynamics | DISC: Ethical and Legal KEY: Bloom's: Knowledge

40. A U.S. manager is upset with the company's overseas representative for paying a small "access fee" to a local customs official to ensure the expedited release of a customer order. The manager's belief such payments are wrong reflects a sense of _____.
- cultural insensitivity
 - ethical elitism
 - ethical imperialism
 - cultural integrity

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 44 OBJ: LO: 2-3c NAT: BUSPROG: Ethics
STA: DISC: Global Dynamics | DISC: Ethical and Legal KEY: Bloom's: Comprehension

41. The application of U.S. standards to ethical issues that are clouded by cultural differences abroad is sometimes categorized as _____.
- overly idealistic.
 - ethical imperialism.
 - USA arrogance.
 - situation ethics.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 44 OBJ: LO: 2-3c NAT: BUSPROG: Ethics
STA: DISC: Global Dynamics | DISC: Ethical and Legal KEY: Bloom's: Comprehension

42. The price of integrity is high, but the potential payoff is incalculable because it is impossible to compute
- a. the price of a clear conscience.
 - b. the cost of environmental destruction.
 - c. the value of ethical imperialism.
 - d. the profit margin on good deeds.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 45 OBJ: LO: 2-3d NAT: BUSPROG: Ethics
STA: DISC: Dynamics KEY: Bloom's: Comprehension

43. Karl Eller reports in his book, *Integrity Is All You've Got*, which of the following characterizes entrepreneurial businesses with integrity?
- a. The entrepreneur with integrity gives the company a competitive edge.
 - b. The management of these companies understand the bottom line so that is still their singular focus.
 - c. For the most part, founders with integrity are stressed to balance growing the business and following their principles.
 - d. A solid financial performance needs to be achieved so that customers will know about the company's integrity.

ANS: A PTS: 1 DIF: Difficulty: Challenging
REF: p. 45 OBJ: LO: 2-3d NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Comprehension

44. Members of a community will react _____ to a business they trust.
- a. negatively
 - b. positively
 - c. indifferently
 - d. indecisively

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 45 OBJ: LO: 2-3d NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Comprehension

45. Perhaps the greatest benefit of integrity in business is the _____ it generates.
- a. trust
 - b. profit
 - c. reputation
 - d. sales

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 45 OBJ: LO: 2-3d NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Knowledge

46. The ethical influence of a leader of a small business is
- a. relatively minor.
 - b. overpowered by profit concerns of stockholders.
 - c. less important than the views of others within the firm.
 - d. more pronounced than that of a leader of a large corporation.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 46 OBJ: LO: 2-4b NAT: BUSPROG: Ethics
STA: DISC: Dynamics KEY: Bloom's: Knowledge

47. In a small business, the most important key to ethical performance is
- a code of ethics.
 - the personal integrity of the founder or owner.
 - a training program based on the code of ethics.
 - the amount of legislation affecting the organization.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 47 OBJ: LO: 2-4b NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Comprehension

48. The most important influence on ethics in a small business is
- the accountant or bookkeeper who keeps honest financial records.
 - the salesperson who quotes a fair price to customers.
 - the founder or owner whose values are put into practice.
 - the existence of a written code of ethics.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 47 OBJ: LO: 2-4b NAT: BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom's: Comprehension

49. A code of ethics becomes increasingly appropriate and necessary as a small business
- expands its credit sales and acquires more customers who buy on credit.
 - begins to market products in other countries.
 - grows larger, with a consequent lessening of the owner's personal influence.
 - increases borrowing to the extent that one-third of its assets are financed by borrowing.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 47 OBJ: LO: 2-4c NAT: BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom's: Knowledge

50. Garner developed a code of ethics for his growing business because:
- he wanted to define the ethical expectations for all his employees.
 - he wanted to have a legal defense should any of his people violate the law.
 - he wanted to create an informal channel of communication for discussions about ethical issues.
 - he wanted to give his suppliers a formal document dictating how they should behave.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 48 OBJ: LO: 2-4c NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

51. In drawing up a code of ethics, a small business owner should adopt a code
- provided by the Ethics Resource Center of Washington, D.C.
 - that outlines ethical principles and gives examples.
 - that outlines ethical principles but avoids examples.
 - suggested by the Better Business Bureau.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 48 OBJ: LO: 2-4c NAT: BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom's: Knowledge

52. The purpose of the Better Business Bureau is:
- to provide an outlet for customer complaints about a business.
 - to promote ethical conduct on the part of all businesses in a region.

- c. to report relevant information to law enforcement agencies.
- d. to impose penalties on companies that engage in unethical business practices.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 48 OBJ: LO: 2-4d NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

53. In order to make an ethical decision, the key to problem definition is to
- a. go with the obvious solution.
 - b. look at the surface of the problem.
 - c. find the most cost effective solution.
 - d. identify the root of the problem.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 49 OBJ: LO: 2-4e NAT: BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom's: Knowledge

54. The most widely recommended principle for ethical behavior is to do what
- a. is best for yourself.
 - b. will yield the most profits.
 - c. you would want others to do for you.
 - d. will reduce product prices.

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 49 OBJ: LO: 2-4e NAT: BUSPROG: Ethics
STA: DISC: Dynamics KEY: Bloom's: Comprehension

55. When evaluating alternatives, the entrepreneur will select one that is truthful, beneficial to all parties, fair, and
- a. exploitable.
 - b. publishable
 - c. profitable
 - d. repeatable.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 50 OBJ: LO: 2-4e NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

56. PortionPac Chemical's dedication to its customers, employees, and the environment is an example of:
- a. a sustainable small business.
 - b. ethical relativism.
 - c. social entrepreneurship.
 - d. ethical imperialism.

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 32-33 | p. 51 OBJ: LO: 2-5 NAT: BUSPROG: Ethics
KEY: Bloom's: Comprehension

57. Environmentalism poses the greatest threat to small
- a. medical waste disposal businesses.
 - b. drugstores.
 - c. movie theaters.
 - d. auto repair shops.

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 51 OBJ: LO: 2-5a NAT: BUSPROG: Ethics

STA: DISC: Economic Environments KEY: Bloom's: Comprehension

58. An example of an industry especially vulnerable to efforts to protect the environment is the _____ industry.
- a. glass manufacturing
 - b. military construction
 - c. restaurants
 - d. asbestos removal

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 51 OBJ: LO: 2-5a NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Knowledge

59. An example of a small business that actually benefits from the growing interest in environmentalism would be
- a. a fast-lube and oil change center.
 - b. a producer of ethanol from farm waste.
 - c. a self-service car wash.
 - d. an asbestos removal service.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 51 OBJ: LO: 2-5a NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Comprehension

60. A baker looking for new retail space has returned from a seminar on environmentalism and wishes to act responsibly in this area. Which action will best accomplish this purpose?
- a. Looking into leasing a LEED certified space
 - b. Reduce product prices
 - c. Eliminate undesirable processing odors
 - d. Increase service to customers

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 51 OBJ: LO: 2-5a NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Comprehension

61. U.S. Government assistance is available to lead the entrepreneur in compliance with environmental law through the
- a. Small Business Administration.
 - b. Department of Energy.
 - c. Department of Commerce.
 - d. Interior Department.

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 51-52 OBJ: LO: 2-5a NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Knowledge

COMPLETION

1. Millicent, founder of a small company that markets baked goods made from organic ingredients, emphasis honesty in all transactions. In this respect, Millicent acts with _____.

ANS: integrity.

PTS: 1 DIF: Difficulty: Easy REF: p. 33-34

OBJ: LO: 2-1 NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

2. Among the many _____ of any small business are owners, employees, and customers.

ANS: stakeholders

PTS: 1 DIF: Difficulty: Easy REF: p. 35
OBJ: LO: 2-2 NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

3. Suppliers, creditors, and the community are examples of _____ of a business.

ANS: stakeholders

PTS: 1 DIF: Difficulty: Moderate REF: p. 35
OBJ: LO: 2-2 NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

4. Owners, customers, and employees are considered to be the _____ of a business.

ANS: primary stakeholders

PTS: 1 DIF: Difficulty: Moderate REF: p. 34-35
OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Knowledge

5. Milton Friedman believed the only _____ of a business is to make a profit while operating within the rules of the game.

ANS: social responsibility

PTS: 1 DIF: Difficulty: Moderate REF: p. 35-36
OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Knowledge

6. Sales people are often asked to walk a fine line between _____ and _____.

ANS:
persuasion, deception
deception, persuasion

PTS: 1 DIF: Difficulty: Moderate REF: p. 37
OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Knowledge

7. Malcolm is careful to share with his employees information about customer orders, financial performance, and quality concerns. Malcolm is exercising _____.

ANS: managerial integrity

PTS: 1 DIF: Difficulty: Challenging REF: p. 37
OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

8. Rhoda, the bookkeeper for a small company, has been diverting company funds into her personal bank account. Rhoda is engaging in _____.

ANS: embezzlement

PTS: 1 DIF: Difficulty: Easy REF: p. 38

OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Analysis

9. Tyrone gives 1% of the profits of his company to local organizations like the Little League and the Boys and Girls Club. In this way, Tyrone is fulfilling his _____.

ANS: social responsibilities

PTS: 1 DIF: Difficulty: Moderate REF: p. 39
OBJ: LO: 2-2a NAT: BUSPROG: Ethics KEY: Bloom's: Analysis

10. Entrepreneurs should think carefully about their community commitments because charitable acts may be a _____ to the organization.

ANS:
burden, or financial burden
burden
financial burden

PTS: 1 DIF: Difficulty: Moderate REF: p. 39
OBJ: LO: 2-2b NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

11. Ralph has vending machines on his business property for the convenience of his employees. He reports on his income tax form only half the cash collected by these machines. The rest is hidden Ralph's personal account. This practice is an example of _____.

ANS: skimming

PTS: 1 DIF: Difficulty: Moderate REF: p. 40
OBJ: LO: 2-2c NAT: BUSPROG: Ethics KEY: Bloom's: Analysis

12. Sometimes Vincent doesn't have enough cash on hand to send in the monthly taxes withheld from his employees' paychecks. This could be the result of a single-minded focus on production or because of a casual _____.

ANS: accounting system

PTS: 1 DIF: Difficulty: Challenging REF: p. 40
OBJ: LO: 2-2c NAT: BUSPROG: Ethics KEY: Bloom's: Comprehension

13. William wants everyone to think his business is growing faster than it actually is so he built an impressive website with an exaggerated company history. His efforts to mislead are known as _____.

ANS: legitimacy lies

PTS: 1 DIF: Difficulty: Moderate REF: p. 41
OBJ: LO: 2-3a NAT: BUSPROG: Ethics KEY: Bloom's: Analysis

14. Entrepreneurs would do well to remember that customers who have questions about the _____ (products, representatives, or the organization) are less likely to make purchases.

ANS: PRO factors

PTS: 1 DIF: Difficulty: Challenging REF: p. 42

OBJ: LO: 2-3a NAT: BUSPROG: Ethics

KEY: Bloom's: Knowledge

15. Richard believes the United States is the greatest nation on earth and that all other countries should subscribe to our system of democracy and human rights. Therefore, he expects his overseas sales reps to follow American business practices. This is an example of _____.

ANS: ethical imperialism

PTS: 1 DIF: Difficulty: Moderate

REF: p. 44

OBJ: LO: 2-3c NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

16. Carlos understands that cultures develop different standards and practices that govern how business is conducted. He is careful to observe local customs when he interacts with foreign companies. Carlos is practicing _____.

ANS: ethical relativism

PTS: 1 DIF: Difficulty: Moderate

REF: p. 44

OBJ: LO: 2-3c NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

17. Franco treats his customers with respect. He is always truthful, even if it means losing a sale. He uses high quality materials and careful craftsmanship. If he can't meet a customer's deadline, he says so. His customers appreciate his integrity, which has helped to build _____ between them and Franco.

ANS: trust

PTS: 1 DIF: Difficulty: Challenging

REF: p. 45

OBJ: LO: 2-3d NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

18. When her employees review a situation, they sometimes ask themselves, "What would Marcella do in this situation?" They know her _____ have helped to build the business on a foundation of integrity and serve as a guide for their own decisions.

ANS: underlying values

PTS: 1 DIF: Difficulty: Moderate

REF: p. 46

OBJ: LO: 2-4a NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

19. As her business grew, Gretchen could not spend as much time individually with her employees. She wanted to make sure her values and beliefs permeated the entire organization so she prepared a _____ for distribution to all her employees so everyone could follow the same guiding principles.

ANS: code of ethics

PTS: 1 DIF: Difficulty: Moderate

REF: p. 47

OBJ: LO: 2-4c NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

20. The purpose of the _____ is to promote ethical conduct on the part of all businesses in a region.

ANS: Better Business Bureau

PTS: 1 DIF: Difficulty: Easy

REF: p. 48

OBJ: LO: 2-4d NAT: BUSPROG: Ethics

KEY: Bloom's: Knowledge

21. Itzakh uses a list of questions to help him decide among alternatives. These questions include:
1. Is it the _____?
 2. Is it _____ to all concerned?
 3. Will it build _____?
 4. Will it be _____ to all concerned?

ANS: truth; fair; goodwill; beneficial

PTS: 1 DIF: Difficulty: Challenging

REF: p. 49

OBJ: LO: 2-4e NAT: BUSPROG: Ethics

KEY: Bloom's: Knowledge

22. Waverly Corporation ensures the temperature of water released back into the river is the same temperature as water drawn from the river for its production needs. It does the same for its exhausted air. Its products are made with a minimal environmental impact and it has won many awards in its industry. Waverly Corporation is an example of a _____.

ANS: sustainable small business

PTS: 1 DIF: Difficulty: Moderate

REF: p. 51

OBJ: LO: 2-5a NAT: BUSPROG: Ethics

KEY: Bloom's: Analysis

23. PQR Company promotes its practice of using only recycled and recyclable materials in its products. In the customer waiting area, recycle bins are available for plastic, glass, and aluminum drink containers. PQR is riding the wave of _____, a concern for the protection of nature.

ANS: environmentalism

PTS: 1 DIF: Difficulty: Moderate

REF: p. 51

OBJ: LO: 2-5a NAT: BUSPROG: Ethics

KEY: Bloom's: Comprehension

24. Companies that use renewable resources, reduce emissions of harmful chemicals into the environment, and help other firms reduce their waste have taken advantage of _____.

ANS: green opportunities

PTS: 1 DIF: Difficulty: Challenging

REF: p. 53

OBJ: LO: 2-5b NAT: BUSPROG: Ethics | BUSPROG: Technology

KEY: Bloom's: Comprehension

25. Small businesses are learning that sustainable business practices can hold down _____, attract _____, and generate value for _____.

ANS:

costs; customers; shareholders (or owners, investors, stockholders)

costs; customers; shareholders

owners, investors, stockholders

PTS: 1 DIF: Difficulty: Moderate

REF: p. 53

OBJ: LO: 2-5b NAT: BUSPROG: Ethics

KEY: Bloom's: Knowledge

ESSAY

1. How can integrity and financial success be related? Use *PortionPac Chemical* as an example to strengthen the argument.

ANS:

Success in an entrepreneurial endeavor involves financial gain while creating value for the company's stakeholders (owners, stockholders, customers, employees, the community, and the government). To have integrity means others are considered even if the company is not as financially successful. Most companies are directed by entrepreneurs who balance the two concepts.

PortionPac Chemical produces environmentally friendly cleaning products using a culture specializing in trust, satisfaction and good relationships. Customers and employees are of concern over profits. As a result, *Winning Workplaces* and *Inc.* magazine awarded the company a "2010 Top Small Company Workplace" recognition for its dedication to the employees and customers. In 2009, the company turnover was 2% and annual revenue's had increased by 8% for annual sales of almost \$20 million.

PTS: 1	DIF: Difficulty: Challenging	REF: p. 32-33
OBJ: LO: 2-1	NAT: BUSPROG: Ethics	STA: DISC: Finance
KEY: Bloom's: Analysis		

2. Explain how integrity applies to various stakeholder groups, including owners, customers, employees, the community and the government.

ANS:

Some of the points that should be made are the following:

- Integrity is behaving in a way that is consistent with the noble values, beliefs, and principles an entrepreneur claims to hold.
- High standards of integrity require an honest attempt to promote the interests of all the owners, which include a commitment to financial performance and protection of the firm's reputation.
- Small businesses must care for their customers as individuals, and the marketing of their products or services must "tell the truth, the whole truth and nothing but the truth."
- A firm's integrity is also expressed by the value it places on its employees. Showing proper appreciation for subordinates as human beings and as valuable members of the team is an essential ingredient of managerial integrity.
- An ethical business is one that acts as a good citizen in the community, starting with job creation and adding to the local tax revenues, but also giving back even more to the community in return for the local support it enjoys.
- A small business with integrity will report fully and properly the income and expenses of the business and avoid concealing income or claiming personal expenses as a business expense. Further, it will comply with all laws and regulations of the various governmental jurisdictions within which it operates.

PTS: 1	DIF: Difficulty: Challenging	REF: p. 34-38
OBJ: LO: 2-2 to 2-2a	NAT: BUSPROG: Ethics	
STA: DISC: Dynamics	KEY: Bloom's: Analysis	

3. What are some important social responsibilities of small businesses?

ANS:

Small firms, as well as large ones, have responsibilities to their communities, their customers, and their employees. Protecting the environment from pollution and conserving resources such as soil, water, endangered species, and old-growth forests benefit not only personal interests but those of future generations as well. Small businesses have an opportunity to sponsor worthwhile charitable causes within the community, simultaneously making a positive impact and obtaining goodwill. Treating people fairly rather than manipulating them for gain is a social responsibility both large and small businesses should assume, through responsiveness to consumers and through fair labor practices.

PTS: 1 DIF: Difficulty: Challenging REF: p. 39-40
OBJ: LO: 2-2b NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom's: Analysis

4. Discuss the relationship between profits and social responsibility in the small firm.

ANS:

Some of the points that should be made are the following:

- Some socially responsible actions are consistent with the profit goal-particularly long-run profits.
- Profits are a limiting factor. A business cannot survive if it gives away all of its profits.
- Some actions for community betterment are very costly—e.g., eliminating pollution from an iron foundry.
- There are motivations for social responsibility that go beyond profits.
- A firm that consistently ignores social responsibility may contribute to the passing of restrictive legislation and possibly alienate customers.

PTS: 1 DIF: Difficulty: Moderate REF: p. 39
OBJ: LO: 2-2b NAT: BUSPROG: Ethics STA: DISC: Finance
KEY: Bloom's: Analysis

5. Describe the five fundamental principles that an ethics policy should address.

ANS:

Purpose: The vision for the company and its core values should guide business conduct.

Pride: When people take pride in their work and their company, they are much more likely to be ethical in their dealings.

Patience: Pushing others too hard for short-term results may cause unethical actions sooner or later as it will seem to be the only way to achieve those outcomes.

Persistence: People should stand by their word, as it is the foundation of trust. If the company is not committed to an ethical framework, personal integrity is at risk, as is the reputation of the company.

Perspective: Stopping from time to time to reflect on where the business is going, why it is going that way, and how to plan to get there will allow more confidence that the company is on the right track now and will continue to be in the future.

PTS: 1 DIF: Difficulty: Challenging REF: p. 47
OBJ: LO: 2-4c NAT: BUSPROG: Ethics STA: DISC: Ethical and Legal
KEY: Bloom's: Comprehension

6. List the *six-step decision making process* in order and comment on each of the steps in resolving ethical issues.

ANS:

Step 1: Define the problem. How one defines the problem will guide where one looks for the solutions. The *root* of the problem must be found in the search for a solution.

Step 2: Identify alternative solutions to the problem. Be open-minded and consider creative alternatives rather than just the most obvious.

Step 3: Evaluate the identified alternatives. Perhaps the most widely recommended principle for ethical behavior is to follow the Golden Rule: “Treat others as you would like to be treated.” Following this principle is a potential way to evaluate ethical decisions.

Step 4: Make the decision. Choose the “best” ethical response based on an evaluation of all the alternatives, always keeping the vision and core values in mind.

Step 5: Implement the decision. Entrepreneurs sometimes put off responding to ethical challenges, but delaying implementation of the decision may allow a small problem to grow into a major crisis.

Step 6: Evaluate the decision. Has the response solved the dilemma? or made it worse? or had no effect? The matter may need to be reopened to make things right.

PTS: 1 DIF: Difficulty: Challenging REF: p. 49-50
OBJ: LO: 2-4e NAT: BUSPROG: Communication | BUSPROG: Ethics
STA: DISC: Ethical and Legal KEY: Bloom’s: Comprehension

7. Using examples discussed in the book, discuss how sustainability has resulted in different goals for small businesses.

ANS:

Goals vary by the business based on the stakeholders. Examples include saving the planet, decreasing company costs, increasing customer growth, and increased shareholder value. The book discusses the following examples.

1. PortionPac Chemical
 - *decreased product packaging and shipping energy
 - *decreased environmentally harmful cleaning chemicals
 - *
2. Buying, rehabbing, or leasing a LEED-certified building - helps achieve company goals of
 - *decreased energy costs
 - *improving employee air quality - possible improved morale
3. Boo Bicycles
 - *increased use of renewable resources
 - *improved customer satisfaction
4. GreenFoan Blanks
 - * produced and sold a recycled polyurethane foam core for surfboards
 - *eliminated carcinogens from the product
 - *demand increased
5. Hydrolosophy
 - *created software to monitor and reduce water usage
 - *helps firms cut utility costs and conserve natural resources

PTS: 1 DIF: Difficulty: Challenging REF: p. 32-53
OBJ: LO: 2-5b NAT: BUSPROG: Ethics
STA: DISC: Economic Environments KEY: Bloom’s: Evaluation

8. Describe PRO factors and how these factors relate to customers.

ANS:

Customers are less likely to buy a product or service if they question the company's products/services, representatives or the organization. Therefore a new company should be able to provide the following information for prospective customers.

1. The product/service should serve customer needs better than the competition's product or service. Brand substitution should be easy. Since knowledge about the product/service is more important than customer service or how long the company has been in business, providing that information in a format that customers want is essential.
2. The employees of the company should provide excellent service by being able to answer questions and what they can do for the customer.
3. The company should leave the customer with the understanding they will stand behind the product or service especially if they have a problem.

PTS: 1 DIF: Difficulty: Moderate
OBJ: LO: 2-3a NAT: BUSPROG: Ethics
KEY: Bloom's: Comprehension

REF: p. 42
STA: DISC: Value Creation

9. Discuss the issues related to Internet usage and personal privacy from both a business perspective and employee standpoint. What should a small business do to decrease conflict?

ANS:

The issues center around privacy and monitoring usage. While businesses are known to use cookies to collect data on their customers for marketing research, employees may see the company using that information to gain information from the employee's business computer as an invasion of privacy. A good company policy for customers should be to inform them of such usage and promise not to sell that information to a third party. The same promise should be issued to an employee.

Some businesses may be concerned with employees wasting time on personal use of the Internet while at work and therefore monitor the amount of time an employee spends on personal emails, shopping, or surfing. They may also feel that employees may inadvertently expose the company system to viruses and malware causing harm to the entire system. Employees see this practice as an invasion of privacy especially when limited use of the Internet may increase employee productivity. Also some employee positions require the worker to be online for monitoring customer trends. Again, the business needs to make the employee aware that the company is monitoring usage to prevent possible lawsuits.

PTS: 1 DIF: Difficulty: Moderate
OBJ: LO: 2-3b NAT: BUSPROG: Ethics
STA: DISC: Information Technologies KEY: Bloom's: Analysis | Bloom's: Comprehension

REF: p. 43