

1. Abe sometimes shops for clothing and household goods online while at work. Which of the following best describes the practice? Leads to higher profits so it is acceptable. We could infer that

- a. Abe lacks integrity.
- b. Abe is not an entrepreneur.
- c. Abe cheats on his taxes.
- d. Abe is skimming.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: What Is Integrity?

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-1

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Evaluation

2. While unethical practices do exist, it is good that the great majority of small businesses strive to achieve the highest standards of ____ in their quest for profits.

- a. integrity
- b. relativism
- c. synchronous behaviour
- d. congruity

ANSWER: a

POINTS: 1

REFERENCES: What Is Integrity?

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-1

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Evaluation

3. Ethical issues:

- a. seldom involve legal issues.
- b. are questions of right and wrong.
- c. are always clearly defined.
- d. often resolve themselves.

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Integrity and the Interests of Major Stakeholders

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-2

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Evaluation

4. Annabelle often shops for clothing and household goods online while at work. Which of the following best describes

this situation?

- a. Abusive behaviour.
- b. Lying to employees.
- c. Improper use of company resources.
- d. Inappropriate Internet use at work.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Integrity and the Interests of Major Stakeholders

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-2

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

5. An organisation's employees would be considered _____ in the business.

- a. investors
- b. stakeholders
- c. customers
- d. shareholders

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Integrity and the Interests of Major Stakeholders

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-2

TOPICS: Legal Responsibilities

KEYWORDS: Bloom's: Analysis

6. The owner of LMN Company has been asked to sponsor a junior soccer 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

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Integrity and the Interests of Major Stakeholders

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-2

TOPICS: Ethical Responsibilities

KEYWORDS: 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 investor and the employees.
- d. the suppliers, the customer and society at large.

ANSWER: b

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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 organisation's management has recognised:

- 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.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2
TOPICS: Ethical Responsibilities
KEYWORDS: 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 business's value.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

10. Because a business has considerable discretion in reporting performance results, financial reports can sometimes be _____ without technically being illegal.

- a. inaccurate
- b. misleading
- c. unreliable

d. bellicose

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: a

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Motivation Concepts
KEYWORDS: Bloom's: Evaluation

15. Clark, the owner of DEF PTY (Ltd), bragged about hiding company income from SARS 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 SARS and Clark could be prosecuted for tax evasion.
- d. bragging nearly always leads to trouble.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Leadership Principles
KEYWORDS: Bloom's: Analysis

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

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

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Application | Bloom's: Comprehension

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

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

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

20. Carla 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. Carla 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.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

- a. money

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

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: 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

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: 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

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: 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 businesses agreeing to charge high prices.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: 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

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: a

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-3c

TOPICS: Ethical Responsibilities

KEYWORDS: 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.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Challenging

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-3a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Evaluation

30. PRO factors include:

- a. products, resources and outputs.
- b. products, representatives and organisations
- c. people, resources and outputs.
- d. performance, relationships and options.

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-3a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

31. When Evelyn hired a new sales manager, she issued a press release emphasising 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.

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

32. An effective way for an entrepreneur to establish legitimacy is:

- a. to hire experienced employees from competitors.
- b. to insist on professional behaviour 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.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3a
TOPICS: Ethical Responsibilities
KEYWORDS: 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 website customer will receive an order.
- d. hacking.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Ethical Responsibilities
KEYWORDS: 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 website is known as:

- a. a cookie.
- b. a saucer.
- c. an inverted collector.
- d. a contact signature.

ANSWER: a

POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Information Technologies
KEYWORDS: 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 websites.
- 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 five gigabytes of access every month and overage charges are expensive.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Information Technologies
KEYWORDS: Bloom's: Analysis

36. If Floyd elects to monitor the personal e-mail 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 e-mail at work.
- d. block access to all personal e-mail servers from company computers.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Information Technologies
KEYWORDS: Bloom's: Evaluation

37. An eBay retailer selling counterfeit *Gucci* and *Louis Vuitton* handbags is in violation of laws related to:

- a. Internet fraud.
- b. intellectual property.
- c. bait-and-switch marketing.
- d. ethical imperialism.

ANSWER: b

POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Legal Responsibilities
KEYWORDS: Bloom's: Knowledge

38. If a student copies a favourite CD and gives it away to a friend to use, the student is engaged in the theft of _____ property.

- a. collective
- b. intangible
- c. intellectual
- d. real

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Legal Responsibilities
KEYWORDS: Bloom's: Evaluation | Comprehension

39. The saying “When in Rome, do as the Romans do” reflects a philosophy of _____.

- a. ethical insensitivity
- b. ethical elitism
- c. ethical imperialism
- d. ethical relativism

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

40. A South African 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 _____.

- a. cultural insensitivity
- b. ethical elitism
- c. ethical imperialism

d. cultural integrity

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: p. 44
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

41. The application of South African standards to ethical issues that are clouded by cultural differences abroad is sometimes categorised as ____.
- a. overly idealistic.
 - b. ethical imperialism.
 - c. South African arrogance.
 - d. situation ethics.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3c
TOPICS: Ethical Responsibilities
KEYWORDS: 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.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3d
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

43. In Karl Eller's book, *Integrity Is All You've Got*, which of the following characterises 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.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3d
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3d
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-3d
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4b
TOPICS: Leadership Principles
KEYWORDS: Bloom's: Knowledge

47. In a small business, the most important key to ethical performance is:
- a. a code of ethics.
 - b. the personal integrity of the founder or owner.
 - c. a training programme based on the code of ethics.
 - d. the amount of legislation affecting the organisation.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4b
TOPICS: Leadership Principles
KEYWORDS: Bloom's: Comprehension

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

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

51. In drawing up a code of ethics, a small business owner should adopt a code
- a. provided by the ethics resource centre.
 - b. that outlines ethical principles and gives examples.
 - c. that outlines ethical principles but avoids examples.
 - d. suggested by the Better Business Bureau.

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: SMAL.LONG.18.36 - LO: 2-4c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

52. The purpose of small business forums are:

- a. to provide an outlet for customer complaints about a business.
- b. 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.

ANSWER: b

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-4d

TOPICS: Ethical Responsibilities

KEYWORDS: 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.

ANSWER: d

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-4e

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

54. The most widely recommended principle for ethical behaviour 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.

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-4e

TOPICS: Ethical Responsibilities

KEYWORDS: 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.

ANSWER: c
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-4e
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

56. Naked Sports Gear'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.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-5
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

57. To be classified as a social entrepreneurship, a business must have a triple bottom line.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: True / False
LEARNING OBJECTIVES: LO: 2-5a
TOPICS: Creation of Value
KEYWORDS: Bloom's: Analysis

58. Environmentalism poses the greatest threat to small:
- a. medical waste disposal businesses.
 - b. chemists.
 - c. movie theatres.
 - d. auto repair shops.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-5a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

59. 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

ANSWER: d
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-5a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: b
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-5a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

61. 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. Reducing product prices.
 - c. Eliminating undesirable processing odours.

d. Increasing service to customers.

ANSWER: a
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Social Entrepreneurship: A Continuing Trend
QUESTION TYPE: Multiple Choice
LEARNING OBJECTIVES: LO: 2-5a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

62. 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 _____.

ANSWER: integrity.
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: What Is Integrity?
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-1
TOPICS: Leadership Principles
KEYWORDS: Bloom's: Comprehension

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

ANSWER: stakeholders
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: stakeholders
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: primary stakeholders
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: social responsibility
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: persuasion, deception
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

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

ANSWER: managerial integrity
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: embezzlement
POINTS: 1
DIFFICULTY: Difficulty: Easy
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

70. Tyrone gives 1% of the profits of his company to local organisations such as the junior soccer clubs and reading clubs. In this way, Tyrone is fulfilling his _____.

ANSWER: social responsibilities
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

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

ANSWER: burden, or financial burden
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

72. 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 in Ralph's personal account. This practice is an example of _____.

ANSWER: skimming
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

73. Sometimes Vincent doesn't have enough cash on hand to send in the monthly taxes withheld from his employees'

salaries. This could be the result of a single-minded focus on production or because of a casual _____.

ANSWER: accounting system
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-2c
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

74. Successful entrepreneur Karl Eller noted the crucial role of _____ to achievement in business.

ANSWER: integrity
POINTS: 1
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 1-3d
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

75. 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 _____.

ANSWER: legitimacy lies
POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-3a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

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

ANSWER: PRO factors
POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Completion
LEARNING OBJECTIVES: LO: 2-3a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

77. Richard believes that South Africa is the greatest nation on earth and that all other countries should subscribe to its system of democracy and human rights. Therefore, he expects his overseas sales reps to follow the South African

business practices. This is an example of _____.

ANSWER: ethical imperialism

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-3c

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

78. Refusing to pay a bribe even though it is a common practice in the country one is doing business in is an example of:

- a. cultural relativism
- b. social entrepreneurship
- c. integrity
- d. sustainability

ANSWER: c

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Multiple Choice

LEARNING OBJECTIVES: LO: 2-3c

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Comprehension

79. Carl 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. Carl is practising _____.

ANSWER: ethical relativism

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-3c

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

80. Frans 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 Frans.

ANSWER: trust

POINTS: 1

DIFFICULTY: Difficulty: Challenging

REFERENCES: The Challenges and Benefits of Acting With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-3d

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

81. When her employees review a situation, they sometimes ask themselves, "What would Martha 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.

ANSWER: underlying values

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-4a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

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

ANSWER: code of ethics

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-4c

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

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

ANSWER: Small Business Forums

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-4d

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

84. The Rotary Club International calls on its members, when making a business decision, to ask themselves the following questions:

1. Is it the _____?
2. Is it _____ to all concerned?
3. Will it build _____ and better friendships?

4. Will it be _____ to all concerned?

ANSWER: truth; fair; goodwill; beneficial

POINTS: 1

DIFFICULTY: Difficulty: Challenging

REFERENCES: Building a Business With Integrity

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-4e

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

85. The triple bottom line sought by the social entrepreneur includes three outcomes of interest: people, profits and _____.

ANSWER: the planet

POINTS: 1

DIFFICULTY: Difficulty: Easy

REFERENCES: Social Entrepreneurship: A Continuing Trend

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-5a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

86. 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 _____.

ANSWER: sustainable small business

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Social Entrepreneurship: A Continuing Trend

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-5a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

87. 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 aluminium cool drink containers. PQR is riding the wave of _____, a concern for the protection of nature.

ANSWER: environmentalism

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Social Entrepreneurship: A Continuing Trend

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-5a

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Comprehension

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

ANSWER: green opportunities

POINTS: 1

DIFFICULTY: Difficulty: Challenging

REFERENCES: Social Entrepreneurship: A Continuing Trend

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-5b

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Comprehension

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

ANSWER: costs; customers; shareholders (or owners, investors, shareholders)

POINTS: 1

DIFFICULTY: Difficulty: Moderate

REFERENCES: Social Entrepreneurship: A Continuing Trend

QUESTION TYPE: Completion

LEARNING OBJECTIVES: LO: 2-5b

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Knowledge

90. How can integrity and financial success be related? Use ZZ2 as an example to strengthen the argument.

ANSWER: Success in an entrepreneurial endeavour involves financial gain while creating value for the company's stakeholders (owners, shareholders, 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.

ZZ2 is a commercial farming family business who became a household name through their commitment to their stakeholders and environmentally friendly farming practices. Their integrity is a key factor in the customer satisfaction and loyalty that they have attained.

POINTS: 1

DIFFICULTY: Difficulty: Challenging

REFERENCES: Integrity, Ethics, and Social Entrepreneurship

QUESTION TYPE: Essay

LEARNING OBJECTIVES: LO: 2-1

TOPICS: Ethical Responsibilities

KEYWORDS: Bloom's: Analysis

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

ANSWER: 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 organisation'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 company'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.

POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-2 to 2-2a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

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

ANSWER: Small businesses, 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 labour practices.

POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity and the Interests of Major Stakeholders
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-2b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis

93. Discuss the relationship between profits and social responsibility in the small organisation.

ANSWER: 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 – for example eliminating pollution from an iron foundry.
- There are motivations for social responsibility that go beyond profits.

POINTS: 1
 DIFFICULTY: Difficulty: Moderate
 REFERENCES: Integrity and the Interests of Major Stakeholders
 QUESTION TYPE: Essay
 LEARNING OBJECTIVES: LO: 2-2b
 TOPICS: Ethical Responsibilities
 KEYWORDS: Bloom's: Analysis

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

ANSWER: 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.

POINTS: 1
 DIFFICULTY: Difficulty: Challenging
 REFERENCES: Building a Business With Integrity
 QUESTION TYPE: Essay
 LEARNING OBJECTIVES: LO: 2-4c
 TOPICS: Ethical Responsibilities
 KEYWORDS: Bloom's: Comprehension

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

ANSWER: 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 behaviour 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.

POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Building a Business With Integrity
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-4e
TOPICS: Leadership Principles
KEYWORDS: Bloom's: Comprehension

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

ANSWER: 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. ZZ2 Farms
 - *Extensive value system including people, process, practices, the environment, clients, management and social responsibility.
 - *Providing the most naturally grown, best-tasting produce to their customers.
2. Boo Bicycles
 - *Increasing use of renewable resources.
 - *Improving customer satisfaction.
3. Naked Sports Gear
 - *Keeping manufacturing local to ensure high-quality product and good working conditions.
4. Grower's Secret
 - *Spreading company's core operations to operate more economically.
 - *Offering recycled packaging and all-natural products to differentiate their brand in the marketplace.

POINTS: 1
DIFFICULTY: Difficulty: Challenging
REFERENCES: Integrity, Ethics, and Social Entrepreneurship
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-5b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Evaluation

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

ANSWER: Customers are less likely to buy a product or service if they question the company's products/services, representatives or the organisation. 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.

POINTS: 1

DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-3a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Comprehension

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

ANSWER: The issues centres 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 to 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 e-mails, 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 to monitor customer trends. Again, the business needs to make the employee aware that the company is monitoring usage to prevent possible lawsuits.

POINTS: 1
DIFFICULTY: Difficulty: Moderate
REFERENCES: The Challenges and Benefits of Acting With Integrity
QUESTION TYPE: Essay
LEARNING OBJECTIVES: LO: 2-3b
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Analysis | Comprehension

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

DIFFICULTY: Difficulty: Moderate
REFERENCES: Integrity, Ethics, and Social Entrepreneurship

QUESTION TYPE: Matching
LEARNING OBJECTIVES: LO: 2-1 to 2-5a
TOPICS: Ethical Responsibilities
KEYWORDS: Bloom's: Knowledge

99. The belief that ethical standards are subject to local interpretation.

ANSWER: d

POINTS: 1

100. A company's ethical obligations to the community.

ANSWER: g

POINTS: 1

101. Beliefs that provide a foundation for ethical behaviour in a business.

ANSWER: k

POINTS: 1

102. The belief that the ethical standards of one's own country can be applied universally.

ANSWER: c

POINTS: 1

103. A general sense of honesty and reliability that is expressed in a strong commitment to doing the right thing, regardless of the circumstances.

ANSWER: e

POINTS: 1

104. Individuals or groups who either can affect or are affected by the performance of the company.

ANSWER: i

POINTS: 1

105. The effort to protect and preserve the environment.

ANSWER: b

POINTS: 1

106. Original intellectual creations, including inventions, literary creations, and works of art, that are protected by patents or copyrights.

ANSWER: f

POINTS: 1

107. A profitable company that responds to customers' needs while showing reasonable concern for the environment.

ANSWER: j

POINTS: 1

108. Official standards of employee behaviour formulated by a business owner.

ANSWER: a

POINTS: 1