

## Chapter 002 Ethics and the Law

### True / False Questions

1. The development of technology has introduced a burgeoning array of ethical questions.

Answer: True

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The development of technology has introduced a burgeoning array of ethical questions.

2. Morals are the standards and principles that society has adopted as a guide for the behavior of the individual within society.

Answer: False

LO: 02-02 Distinguish among ethics, morals, and values.

Topic: Morals, Ethics, and Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Reflective Thinking

Feedback: Ethics is about the standards and principles that society has adopted as a guide for the behavior of the individual within society.

3. Ethical and moral beliefs and standards are derived from values.

Answer: True

LO: 02-02 Distinguish among ethics, morals, and values.

Topic: Morals, Ethics, and Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Ethical and moral beliefs and standards are derived from values – that is, the beliefs or standards considered worthwhile.

4. Ethics concern behavior of individuals within a society.

Answer: True

LO: 02-02 Distinguish among ethics, morals, and values.

Topic: Morals, Ethics, and Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Reflective Thinking

Feedback: Ethics are the standards and principles for the behavior of individuals within a society.

## Chapter 002 Ethics and the Law

5. There is only one kind of value—individual value.

Answer: False

LO: 02-03 Cite several influences on group and individual values.

Topic: Sources of Group and Individual Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: There are group values and individual values, both influenced by religions, traditions, and customs.

6. Values held by a subculture may differ from those of the larger culture.

Answer: True

LO: 02-03 Cite several influences on group and individual values.

Topic: Sources of Group and Individual Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Values held by a subculture – for example, employees of a corporation, or a department within a company – may differ from those of the larger culture.

7. An individual's values are significantly influenced by those held in the groups to which he or she belongs.

Answer: True

LO: 02-03 Cite several influences on group and individual values.

Topic: Sources of Group and Individual Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Reflective Thinking

Feedback: An individual's values are significantly influenced by those held by the groups to which he or she belongs.

8. Ethical issues are not multifaceted.

Answer: False

LO: 02-04 Discuss the relationship between law and ethics.

Topic: The Relationship Between Law and Ethics

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Ethical issues may be multifaceted.

## Chapter 002 Ethics and the Law

9. Businesses concerned with ethics usually focus on their corporate responsibility and the development of codes of conduct.

Answer: True

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Businesses concerned with ethics usually focus on their corporate responsibility and the development of codes of conduct.

10. Credo is a term that is used to describe unethical behavior.

Answer: False

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Some firms or industries establish a code of ethics, sometimes called a *credo* or a values statement that sets down the principles of ethical behavior expected of personnel in various situations.

11. A corporate code of ethics is a set of guidelines limited to corporate management.

Answer: False

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Many firms expect employees to strictly follow codes of ethics.

12. It is not possible for a code to make clear what a company expects of its personnel in terms of the ethical dimensions of corporate policies and actions.

Answer: False

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

## Chapter 002 Ethics and the Law

Feedback: A code makes clear that the company expects its personnel to recognize the ethical dimensions of corporate policies and actions.

13. Educational institutions have responded to the increased need to examine ethics by adding courses, workshops and programs, and have expanded the study of ethics in existing courses.

Answer: True

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Educational institutions have responded to the increased need to examine ethics by adding courses, workshops, and programs, and have expanded the study of ethics in existing courses.

14. Trade associations are opposed to developing guidelines for ethical business practices for their diverse memberships.

Answer: False

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Trade associations develop guidelines for ethical business practices for their diverse memberships.

15. A whistleblower is one who calls attention to unpleasant conditions at the workplace.

Answer: True

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: A whistleblower is an employee who discloses to the government, media, or upper management that the company is involved in wrongful or illegal activities.

## Chapter 002 Ethics and the Law

### Multiple Choice Questions

16. The fact that the *Enron* and *Arthur Andersen* case dominated the media and resulted in numerous congressional investigations showed the widespread concern with:

- A. the ethical behavior in business.
- B. the enforcement of law.
- C. the power of the government.
- D. the role of educational institutions in the field of ethics.

Answer: A

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The fact that the *Enron* and *Arthur Andersen* case dominated the media and resulted in numerous congressional investigations showed the widespread concern with ethical behavior in business.

17. The Sarbanes-Oxley statute established a board to oversee accounting practices in (the):

- A. United States.
- B. Netherlands.
- C. United Kingdom.
- D. Australia.

Answer: A.

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The Sarbanes-Oxley statute placed an onus on upper management to monitor closely the financial dealings and disclosures of their firms and established a board to oversee accounting practices in the United States.

18. Ethical issues involving the Internet and computer technology have prompted people to consider ethical issues such as:

- A. governance.
- B. privacy.
- C. discrimination.
- D. apartheid.

Answer: B

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

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Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Ethical issues involving the Internet and computer technology have prompted people to consider ethical issues such as privacy and free speech on the Internet.

19. Today's business professionals involved in global markets are sometimes faced with ethical predicaments because of different:

A. modes of transport.

B. languages.

C. standards of ethics.

D. values of money.

Answer: C

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The expansion of global markets has presented today's business professionals with ethical predicaments as they have to cope with different standards of ethics in other countries and cultures.

20. Beliefs and standards that are considered to be worthwhile are known as:

A. discretions.

B. morals.

C. ethics.

D. values.

Answer: D

LO: 02-02 Distinguish among ethics, morals, and values.

Topic: Morals, Ethics, and Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Values are beliefs or standards considered worthwhile, and from which a society derives its moral rules.

21. The beliefs of an individual as to what is right and wrong are called:

A. ethics.

B. religion.

C. values.

D. morals.

Answer: D

## Chapter 002 Ethics and the Law

LO: 02-01 Cite some examples of how unethical behavior in our world has negatively affected business practices.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Morals are beliefs of an individual as to what is right and wrong.

22. All of the following are the influencing factors on both group values and individual values EXCEPT:

A. religion.

B. wealth.

C. traditions.

D. customs.

Answer: B

LO: 02-03 Cite several influences on group and individual values.

Topic: Sources of Group and Individual Values

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: There are group values and individual values, and both are influenced by religions, traditions, and customs.

23. A larger culture has a certain genre of values that are different from the values held by employees of a corporation or by a department within a company, may be known as a:

A. macro-culture.

B. para-culture.

C. subculture.

D. cross-culture.

Answer: C

LO: 02-03 Cite several influences on group and individual values.

Topic: Unethical Behavior in our World

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The values held by a subculture, such as employees of a corporation or a department within a company, may differ from those of the larger culture.

24. Governments may impose on individuals a set of duties known as:

A. legal mandates.

B. ethical considerations.

C. legal imperatives.

D. national imperatives.

Answer: A

LO: 02-04 Discuss the relationship between law and ethics.

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Topic: The Relationship Between Law and Ethics

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Legal mandates are imposed on individuals or groups by authorities or governments.

25. A distinction between law and ethics is that legal mandates are usually more:

A. flexible.

B. precise.

C. obscure.

D. flawed.

Answer: B

LO: 02-04 Discuss the relationship between law and ethics.

Topic: The Relationship Between Law and Ethics

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: A distinction between law and ethics is that legal mandates are usually more precise.

26. The actions of corporations that are intended to demonstrate the corporate wish to behave responsibly take many forms and are conducted under the banner of:

A. corporate liability.

B. national mandate.

C. patriotic duties.

D. corporate responsibility.

Answer: D

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The actions of corporations that are intended to demonstrate the corporate wish to behave responsibly take many forms and are conducted under the banner of corporate responsibility.

27. A code of ethics is also known as a(n):

A. kudo.

B. credo.

C. epilogue.

D. quantum.

Answer: B



## Chapter 002 Ethics and the Law

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Some firms or industries establish a code of ethics, sometimes called a *credo* or a values statement that sets down the principles of ethical behavior expected of personnel in various situations.

28. A \_\_\_\_\_ makes clear that the company expects its personnel to recognize the ethical dimensions of corporate policies and actions.

A. suggestion

B. regulation

C. code of ethics

D. social action

Answer: C

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: A code of ethics makes clear that the company expects its personnel to recognize the ethical dimensions of corporate policies and actions.

29. Some firms or industries have established a code of ethics, sometimes called a "credo." The objective of a code of ethics is to:

A. specify the principles of ethical behavior expected of its employees.

B. set down the principles to be followed in dealing with government agencies.

C. establish guidelines in dealing with suppliers.

D. establish rules for management to follow in dealing with employee grievances.

Answer: A

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: A code of ethics is a set of rules that a company or other group adopts to express principles of ethical behavior that are expected of its personnel.

30. The U.S. Office of Government Ethics is concerned with all of the following topics, except:

A. conflicting financial interests.

## Chapter 002 Ethics and the Law

- B. misuse of position.
- C. financial Disclosure.
- D. consumer Protection.

Answer: D

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Understand

Difficulty: 2 Medium

AACSB: Ethics

Feedback: The U.S. Office of Government Ethics is concerned with the following topics: conflicting financial interests, misuse of position, financial disclosure, and impartiality in performing official duties.

31. Incentives for corporations to act more ethically are provided by the:

- A. Federal Sentencing Guidelines.
- B. Foreign Corrupt Practices Act.
- C. Civil Rights Act.
- D. Federal Indictments Act.

Answer: A

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The Federal Sentencing Guidelines provide an incentive for corporations to act more ethically.

32. American firms are prohibited from bribing foreign officials under the:

- A. Federal Indictments Act.
- B. Civil Rights Act.
- C. Federal Sentencing Guidelines.
- D. Foreign Corrupt Practices Act.

Answer: D

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The Foreign Corrupt Practices Act prohibits American firms from bribing foreign officials.

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33. All of the following are examples of self-regulatory standards of conduct created by trade associations, EXCEPT:

- A. telephone marketing.
- B. billboard marketing.
- C. marketing to children.
- D. promotion/marketing.

Answer: B

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Understand

Difficulty: 2 Medium

AACSB: Ethics

Feedback: The Direct Marketing Association (DMA) provides self-regulatory standards of conduct for some of the following activities: telephone marketing, sweepstakes, fund-raising, marketing to children, and the collection and use of marketing data.

34. The threat of legal prosecution and penalties:

- A. does not eliminate all unethical practices.
- B. helps to eliminate all unethical practices.
- C. has caused an increase in unethical practices.
- D. does not make any impact on unethical practices.

Answer: A

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The threat of legal prosecution and penalties does not eliminate all unethical practices.

35. Sometimes, the driving force for reform may be the:

- A. ethic guru.
- B. quality assessor.
- C. whistleblower.
- D. protagonist.

Answer: C

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

## Chapter 002 Ethics and the Law

Feedback: The threat of legal prosecution and penalties does not eliminate all unethical practices. Sometimes the driving force for reform may be the individual whistleblower.

36. A person who reveals to a governmental authority, or to news media, confidential information regarding some wrong doing or conduct that he or she regards as unethical is called a(n):

- A. whistleblower.
- B. ethic guru.
- C. quality assessor.
- D. protagonist.

Answer: A

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: A whistleblower is a person who reveals to a governmental authority, or to news media, confidential information concerning some wrongdoing or conduct that he or she regards as unethical and/or illegal.

37. The whistleblower may be confronted with an ethical:

- A. practice.
- B. observation.
- C. quantum.
- D. dilemma.

Answer: D

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The whistleblower may be confronted with an ethical dilemma.

38. The federal government and many states have statutes that protect whistleblowers from:

- A. retaliation.
- B. rebuke.
- C. appraisal.
- D. indictments.

Answer: A

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

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## Chapter 002 Ethics and the Law

AACSB: Ethics

Feedback: The federal government and many states have statutes that protect whistleblowers from retaliation.

39. The usual motivation behind whistleblowing is the outrage to a person's sense of:

- A. knowledge.
- B. self-esteem.
- C. ethics.
- D. confidence.

Answer: C

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: With the possible exception of certain individuals who may have a personal grudge, the usual motivation behind whistleblowing is the outrage to a person's sense of ethics.

40. Ethical beliefs are the foundation of many of our:

- A. reports.
- B. laws.
- C. books.
- D. religious practices.

Answer: B

LO: 02-04 Discuss the relationship between law and ethics.

Topic: The Relationship Between Law and Ethics

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: Ethical principles have been the foundation of many of our laws.

### Short Answer Questions

41. How important is a code of ethics for companies today?

Answer: Despite a few glaring lapses, many companies today understand the need to maintain ethical standards in their dealings with customers, suppliers and employees. To do this, some firms or industries establish a code of ethics, sometimes called a credo that sets down the principle of ethical behavior expected of its personnel in various situations.

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Understand

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## Chapter 002 Ethics and the Law

Difficulty: 2 Medium

AACSB Ethics

Feedback: Despite a few glaring lapses, many companies today understand the need to maintain ethical standards in their dealings with customers, suppliers and employees. To do this, some firms or industries establish a code of ethics, sometimes called a credo that sets down the principle of ethical behavior expected of its personnel in various situations.

42. What is the importance of the Federal Sentencing Guidelines?

Answer: The Federal Sentencing Guidelines provide an incentive for corporations to act more ethically. Under this mandate, when an employee violates a law in the course of his or her employment, a firm can reduce its possible liability if it can show that it took action to develop moral guidelines for its employees.

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Understand

Difficulty: 2 Medium

AACSB: Ethics

Feedback: The importance of Federal Sentencing Guidelines provide an incentive for corporations to act more ethically. Under this mandate, when an employee violates a law in the course of his or her employment, a firm can reduce its possible liability if it can show that it took action to develop moral guidelines for its employees.

43. What are the basic functions of the U.S. Office of Government Ethics?

Answer: The U.S. Office of Government Ethics is concerned with conflicting financial interests, misuse of position, financial disclosure, impartiality in performing official duties, and other areas of concern.

LO: 02-05 Provide examples of responses to ethical issues by business firms, educational institutions, governments, and trade and professional associations.

Topic: Responses to Ethical Issues

Blooms: Remember

Difficulty: 1 Easy

AACSB: Ethics

Feedback: The U.S. Office of Government Ethics is concerned with conflicting financial interests, misuse of position, financial disclosure, impartiality in performing official duties, and other areas of concern.

44. What are some non-legal penalties experienced by firms that engage in unethical practices?

Answer: Results may include unfavorable public relations, loss of consumer good will and confidence, and poor employee morale.

LO: 02-06 Discuss some ways businesses can ensure ethical practices.

Topic: Ways to Ensure Ethical Practices

Blooms: Remember

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Difficulty: 1 Easy

AACSB: Ethics

Feedback: Results may include unfavorable public relations, loss of consumer good will and confidence, and poor employee morale.