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SKU: 9780078023859-TEST-BANK

Chapter 02
The Role of Ethics in Decision Making

True/False Questions

1. Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct.

Answer: True
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics
Feedback: Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct. Federal law encourages self-regulation.

2. In society at large, the sharing of moral values hinders social cooperation and increases social control.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: In society at large, the sharing of moral values promotes social cooperation and is a significant means of social control. Shared moral values lead one to accept and trust others.

3. Diversity reduces concerns over ethical values.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Diversity fosters concern over values, and as America becomes increasingly pluralistic, changes in traditional norms create challenges in establishing shared values.

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4. Increasing economic interdependence prevents executives and managers at a firm from manipulating corporate actions for their own benefit.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: A serious ethical problem arises from economic interdependence and the modern corporation, which is the structure of most large businesses in this country. The problem is that the corporate leaders are not the real owners of corporations. The stockholders are, and although corporate executives and managers may own some stock, they seldom own significant percentages of very large companies. The ethical problem that can arise is that the executives and managers who control what the stockholders own are sometimes able to manipulate corporate actions for their own benefit, actions that have unacceptable risks to the owners and others. Increasing economic interdependence promotes concerns about business ethics.

5. The news media and the Internet make it increasingly difficult to hide the questionable behavior of large organizations.

Answer: True
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: The news media and the Internet make it increasingly difficult to hide the questionable behavior of large organizations. Extensive coverage of business decisions and their effect on society makes us more aware than ever of failures of business ethics.

6. According to Adam Smith, leading a good life means being solely concerned about the fortunes of oneself.

Answer: False
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: The end result of ethical examination is what philosophers call the good. The concept of the good is central to the study of morality. The good may be defined as those moral goals and objectives one chooses to pursue. Thus, leading a good life means more than having the good

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life. It means more than material possessions and luxury. It means pursuing intangibles, being concerned, as Adam Smith put it, about the fortunes of others.

7. Adam Smith, the author of *The Wealth of Nations*, denied the existence of any moral element in human nature that goes beyond self-interest.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Adam Smith wrote, "However selfish man believes himself to be, there is no doubt that there are some elements in his nature which lead him to concern himself about the fortune of others, in such a way that their happiness is necessary for him, although he obtains nothing from it except the pleasure of seeing it." With this statement, the author of *The Wealth of Nations*, perhaps the most famous book on economic theory ever written, recognized a moral element in human nature that goes beyond self-interest.

8. To succeed in international operations, businesses must be sensitive to differences in moral values.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: To succeed in international operations, businesses must be sensitive to differences in moral values. Internationally, businesses often face problems when they do business with nations with different moral values.

9. Ultimately, the commitment to ethical values is superior to mere observance of the law in ensuring responsible business behavior.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

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Feedback: Ultimately, the commitment to ethical values is superior to mere observance of the law in ensuring responsible business behavior. Legal rules can never be specific enough to regulate all business actions that may have socially undesirable or even dangerous consequences.

10. Formalism is primarily a duty-based view of ethics.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Formalism is primarily a duty-based view of ethics. To be ethical, one has a duty, or moral obligation, not to lie.

11. The foundation of John Rawls's social contract theory is a firm belief that knowledge of people's age, gender, race, intelligence, strength, wealth, or social status will create a just society.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Rawls suggests a simple first step in determining the ethical values on which a just society can be built. People should assume that they are unaware of their age, gender, race, intelligence, strength, wealth, or social status. This step is vital because it keeps people from being self-interested in the ethical values they consider.

12. Laws regarding traffic violations predominantly address ethical concerns.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Unlike ethical systems, the legal system is an institution of the state. The state enforces legal rules through civil and criminal sanctions, like monetary damage awards, fines, and imprisonment. Many ethical values (regarding the treatment of animals, for example) are not

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enforced by the state, and many laws (regarding traffic violations, for example) do not address ethical concerns.

13. According to formalist thinker Immanuel Kant, to have good intent, one has to make an exception for one's own behavior.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For the formalist thinker Immanuel Kant (1724–1804), to be ethical, it is required that one acts with a good intent. To have a good intent, one has to act in ways that are ethically consistent. This emphasis on consistency Kant called the categorical imperative.

14. The social contract theory is based on duty and not on contract or agreement.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: The social contract theory is based not on duty but on contract (agreement). The social contract theory of Harvard philosopher John Rawls furnishes an important recent example of how formalism has influenced thinking about business and personal ethics.

15. According to the social contract theory, though there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: According to the social contract theory, though there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement. Because there are natural differences of intelligence and strength and persistent social differences of wealth, class, and status, defining "equal opportunity" is crucial to this ethical principle.

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16. Consequentialism concerns itself with the morality of the actions themselves.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Consequentialism concerns itself with the moral consequences of actions rather than with the morality of the actions themselves. If actions cause overall harm to society, they are unethical. The dominant form of consequentialism is utilitarianism.

17. Utilitarianism judges actions by the morality of the actions and not by usefulness.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Utilitarianism judges actions by usefulness, by whether they serve to increase the common good. For utilitarians, the end justifies the means.

18. Business ethics reflect elements of both formalism and consequentialism, but tend to focus more heavily on the former.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Although business ethics reflect elements of both formalism and consequentialism, they focus more heavily on the latter. Business leaders feel a need to justify what they do in terms of whether it produces dividends for their shareholders. Their primary goal or end is to produce a profit. This orientation reflects consequentialism.

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19. The Protestant ethic was a boon to capitalism, but the religious basis of the Protestant ethic was eroded by rising wealth and the encouragement of mass consumption.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The Protestant ethic was a boon to capitalism. The quest for economic independence fueled commercial growth, which fueled industrial growth, which created our modern consumer society. Along the way, however, the religious basis of the Protestant ethic was eroded by rising wealth and the encouragement of mass consumption.

20. A formalist is most likely to conclude that a business's secret monitoring of employees is ethical if the monitoring reveals a significant number of crimes or malfeasance, providing a net good for the business.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Formalists might say that secret monitoring treats employees only as a means to the end of increasing organizational efficiency and does not respect their self-worth as individuals. The monitoring also does not respect their dignity and their privacy. Formalists might conclude that secret monitoring is unethical. Explaining the problem to the employees and asking for their consent to monitor would be a more ethical action to take.

21. When faced with a dilemma, a consequentialist would rely on absolutism.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

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Feedback: When faced with a dilemma, a consequentialist would rely on relativism, observe the morality of actions, and then test the morality to arrive at a resolution. However, a formalist would rely on absolutism, observe the morality of actions, and then test the morality to arrive at a resolution.

22. The way to understand the ethical-legal relationship is to realize that in a society ethical values frequently become law and that legal regulation can reflect the society's ethical values.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: The way to understand the ethical-legal relationship is to realize that in the society ethical values frequently become law and that legal regulation can reflect society's ethical values. For example, society's ethical commitment to equal opportunity became law in the Civil Rights Act of 1964, which prohibits employment discrimination based on "race, sex, color, religion, and national origin."

23. Courts have examined due care in negligence cases in terms of a balancing test.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Due care promotes the common good. In negligence law, failure to exercise due (or reasonable) care is the principal element that triggers liability against a defendant. Courts have examined due care in negligence cases in terms of a balancing test. The likelihood that the defendant's conduct will cause harmful consequences, taken with the seriousness of the harmful consequences, is balanced against the effort required to avoid the harmful consequences. The balancing test is central to the concept of due care.

24. The legal requirement of honoring confidences contains both formalist and consequentialist ethical values.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: The legal requirement of honoring confidentiality appears in agency law generally and in the professional-client relationship in particular. The legal requirement of honoring confidences contains both formalist and consequentialist ethical values.

25. It is a conflict of interest for a judge or administrative regulator to make a decision involving a company in which he or she owns stock.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Conflicts of interest arise in public service. For instance, it is a conflict of interest for a judge or administrative regulator to make a decision involving a company in which he or she owns stock. In this instance, the conflict of interest does not involve "serving two masters."

26. Creation of codes of ethics is far more important than implementation and enforcement of those codes.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Although many businesses have codes of ethics, effective implementation and enforcement of those codes is far more important than the creation of a code. Whether companies pursue ethical self-regulation with enthusiasm and commitment or the codes are mere window dressing to satisfy the government and the general public is an important issue in determining the value of these codes.

27. Due care usually promotes individual rights and self-worth.

Answer: False
AACSB: Analytical Thinking

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AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Due care derives from society's expectations about how fair and reasonable actions are. Due care promotes the common good.

28. In negligence law, failure to exercise due (or reasonable) care is the principal element that triggers liability against a defendant.

Answer: True
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Due care derives from society's expectations about how fair and reasonable actions are. Due care promotes the common good. In negligence law, failure to exercise due (or reasonable) care is the principal element that triggers liability against a defendant.

29. For a consequentialist, lying itself is considered unethical.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Consequentialism concerns itself with the moral consequences of actions rather than with the morality of the actions themselves. For a consequentialist, lying itself is not unethical. It is the consequences, or end results, of lying that must be evaluated for their ethical implications.

30. To judge the utility of a particular action, it is necessary to consider alternative courses of action.

Answer: True
AACSB: Analytical Thinking
Blooms: Remember
AACSB: Ethics
Difficulty: 1 Easy

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Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: For utilitarians, the end justifies the means. But to judge the utility of a particular action, it is necessary to consider alternative courses of action. Only after one considers all reasonable courses of action can one know whether a particular action has the greatest utility.

31. Ambrose Bierce posited that individuals in large groups such as corporations feel more responsibility for what happens in the group than they do for what happens in their individual lives.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: The social critic Ambrose Bierce once remarked that the corporation is “an ingenious device for obtaining individual profit without individual responsibility.” He was referring to the fact that individuals in large groups such as the corporation feel less responsibility for what happens in the group than they do for what happens in their individual lives.

32. Coupled with an overemphasis on profit, the group effect increases the difficulty of achieving an ethical business corporation.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: That individuals in groups may feel a diminished sense of responsibility for decisions made and actions taken invites ethical compromise. Coupled with an overemphasis on profit, the group effect increases the difficulty of achieving an ethical business corporation.

33. One of the observations made by the Spanish journal *Boletín Círculo* is that profits and business ethics are contradictory.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: One of the observations made by the Spanish journal *Boletín Círculo* is that profits and business ethics are not contradictory. Some of the most profitable businesses have also historically been the most ethical.

34. Stakeholder theory suggests that through its managers, an ethical corporation avoids risks to stakeholders which, if explained, would be clearly unacceptable.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Stakeholder theory suggests that through its managers, an ethical corporation avoids risks to stakeholders which, if explained, would be clearly unacceptable. It works actively and cooperatively to reduce the risk of corporate harm to all stakeholders and to compensate them when harm occurs.

35. For businesses, merely to observe the law is sufficient as legal regulations are flexible and adequately informed to be the only social guide for business decision making.

Answer: False
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Business plays a vital role in serving society, and one cannot isolate the effect of important business decisions from their social consequences. For businesses merely to observe the law is not sufficiently responsible. Legal regulation lacks flexibility and is inadequately informed to be the only social guide for business decision making.

36. That individuals will do unethical things as part of a mob, which they would never do alone, is widely recognized, and the same pattern can be observed in corporate behavior.

Answer: True

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AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: That individuals will do unethical things as part of a mob, which they would never do alone is widely recognized, and the same pattern can be observed in corporate behavior. That individuals in groups may feel a diminished sense of responsibility for decisions made and actions taken invites ethical compromise.

37. In a modern corporation, the very nature of corporate structure gives managers the opportunity to abuse and misappropriate corporate resources owned ultimately by shareholders.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Sometimes, managers embezzle corporate money or abuse expense accounts. At other times, they misrepresent the financial condition of the corporation to exercise stock options, obtain huge bonuses, or prop up loans they have secured with company stock. Because the very nature of corporate structure gives managers the opportunity to abuse and misappropriate corporate resources owned ultimately by shareholders, ethical business practice is made more important yet more difficult.

38. For ethical corporate values to make their most significant effect on decision making, corporate employees must be willing to talk with each other about ethical issues.

Answer: True
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: For ethical corporate values to make their most significant effect on decision making, corporate employees must be willing to talk with each other about ethical issues. Openness promotes trust, and without trust even the best-drafted code of ethics will likely fall short of achieving an ethical business corporation.

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Multiple Choice Questions

39. *The Wealth of Nations* was written by _____.
A. Adam Smith
B. Karl Marx
C. Immanuel Kant
D. Euripides
E. Socrates

Answer: A
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics
Feedback: Adam Smith wrote *The Wealth of Nations*, perhaps the most famous book on economic theory ever written. In 1759 Adam Smith wrote, "However selfish man believes himself to be, there is no doubt that there are some elements in his nature which lead him to concern himself about the fortune of others, in such a way that their happiness is necessary for him, although he obtains nothing from it except the pleasure of seeing it."

40. Which of the following statements is true of the social contract theory?
A. It lays minimal emphasis on individual rights and self-worth.
B. It is based on duty.
C. It has its origins in formalism.
D. It has given rise to utilitarianism.
E. It is based on agreements between people.

Answer: C
AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Because of its emphasis on individual rights and self-worth, social contract theory has its origin in formalism. It provides a powerful process for ethical business decision making. Social contract theory is especially valuable in international business.

41. Which of the following statements is true of formalism?
A. It is primarily concerned with the consequences of a person's action rather than the action itself.
B. It lays more emphasis on end results and their evaluation.
C. It focuses more on common good rather than on individual rights.

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D. It is an approach to ethics that affirms an absolute morality.
E. Its dominant form is utilitarianism.

Answer: D
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Formalism is an approach to ethics that affirms an absolute morality. A particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which a lie is told.

42. Dan is a supporter of the formalist view. Which of the following is most likely to be his belief about lying?
A. He is likely to support a lie that is told for personal gain.
B. He is likely to condemn all forms of lying.
C. He is likely to support a lie that is told for the common good.
D. He is likely to disapprove of lying only in instances that hurt people.
E. He is likely to support a lie that is harmless.

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Dan is likely to condemn all forms of lying. Formalism is an approach to ethics that affirms an absolute morality. A particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which the lie is told.

43. Ethical formalists maintain that _____.
A. harm to an individual is acceptable as long as it serves the greater good
B. values are situational and change based on circumstance
C. individuals have rights that should not be infringed even at the expense of society
D. the good of the many always supersedes the good of the few
E. the focus should be more on the consequence than on the act of an individual

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For a formalist (one who expresses the ethics of formalism), the ethical focus is on the worth of an individual. Individuals have rights, and these rights should not be infringed, even at the expense of society as a whole, because they have an intrinsic moral value to them.

44. The _____, proposed by Kant, says that a person has a moral duty to act in the way he or she believes everyone should act.
A. social contract theory
B. deontological imperative
C. categorical imperative
D. consequentialist theory
E. relativistic approach

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For the formalist thinker Immanuel Kant (1724–1804), to be ethical requires that people act with a good intent. To have a good intent, they have to act in ways that are ethically consistent. This emphasis on consistency Kant called the categorical imperative. People have a moral duty to act in the way they believe everyone should act.

45. Who among the following developed the theory of the categorical imperative?
A. Socrates
B. Plato
C. John Rawls
D. Immanuel Kant
E. Robert Jackall

Answer: D
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Immanuel Kant developed the theory of the categorical imperative. For Immanuel Kant, to be ethical requires that people act with a good intent.

46. Which of the following statements is true of the categorical imperative?
A. It allows one to make an exception for one’s own benefit.

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B. It propagates that there is hardly any need to act in the way one believes everyone should act.
C. It holds that one can choose to be unethical if a situation demands it.
D. It requires one to act with good intent to be ethical.
E. It holds that one can hold contradictory opinions and act on them without having to ensure consistency with what others believe.

Answer: D
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For Immanuel Kant, to be ethical requires that people act with a good intent. To have a good intent, they have to act in ways that are ethically consistent.

47. Isla fakes a headache to skip her classes. Few weeks later, when her friend, Isaac, lies to the teacher about being sick, Isla reports him to the teacher. She tells the teacher that she is not in favor of lying. According to Immanuel Kant, Isla would most likely be in violation of _____.
A. utilitarianism
B. the categorical imperative
C. a veil of ignorance
D. the Protestant Ethic
E. due diligence

Answer: B
AACSB: Reflective Thinking
AACSB: Ethics
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: According to Immanuel Kant, Isla would most likely be in violation of the categorical imperative. For the formalist thinker Immanuel Kant (1724–1804), to be ethical requires that people act with a good intent. To have a good intent, they have to act in ways that are ethically consistent.

48. Who developed the social contract theory?
A. John Rawls
B. Immanuel Kant
C. John Locke
D. Robert Jackall
E. Plato

Answer: A

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AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: The social contract theory was developed by John Rawls. He furnishes an important recent example of how formalism has influenced thinking about business and personal ethics. This theory is based not on duty but on contract (agreement).

49. The social contract theory concerns itself with how to construct a just society given _____.
A. the many inequalities of wealth, knowledge, and social status
B. the difficulty of acting toward others as people would have them act toward themselves
C. the many logical fallacies contained in legal contracts
D. the implicit agreement that the powerful are best suited to govern
E. the inherent nature of those in a society to argue and reject consensus

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Social contract theory concerns itself with how to construct a just society given the many inequalities of wealth, knowledge, and social status. Freeing oneself of self-knowledge, Rawls argues, improves one's ability to evaluate the terms of a fair agreement (contract) under which he or she enters society or joins an organization like a corporation.

50. According to Rawls, it is important to forget one's own age, gender, race, intelligence, strength, wealth, or social status when determining the ethical values on which a just society can be built. What purpose does this step serve?
A. It permits one put oneself first before considering others.
B. It keeps one from being self-interested in the ethical values he or she considers.
C. It ensures that one acts for one's self-esteem and identity rather than on the perception of others.
D. It makes it easier to consider the usefulness of one's actions.
E. It promotes the assumption that what one personally needs or wants is morally correct.

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.

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Topic: Two Systems of Ethics
Feedback: Social contract theory concerns itself with how to construct a just society given the many inequalities of wealth, knowledge, and social status. Rawls suggests a simple first step in determining the ethical values on which a just society can be built. One should assume that one does not know his or her age, gender, race, intelligence, strength, wealth, or social status. This step is vital because it keeps one from being self-interested in the ethical values he or she considers.

51. Rawls's veil of ignorance means that to think ethically people must _____.
A. lose the assumption that what they personally want or need is necessarily morally correct
B. recognize that they cannot make valid ethical decisions unless they are totally unaware of the other parties involved so as to eliminate bias
C. recognize that they cannot make valid ethical decisions unless they are totally unaware of the circumstances leading to the ethical dilemma so as not to be influenced by unchangeable history
D. put themselves in the position of those affected by their decision and act as they would want them to act
E. make every ethical decision as if they did not have any education in ethical or moral history to color their decision

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Rawls's veil of ignorance means that to think ethically, people must lose the assumption that what they personally need or want is necessarily morally correct. Placing themselves behind a veil of self-ignorance, Rawls proposes two ethical principles. First, everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security. Second, although there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement.

52. For the formalist thinker Immanuel Kant, to be ethical requires that people act with a good intent. To have a good intent, people have to act in ways that are ethically consistent. This emphasis on consistency Kant called the _____.
A. protestant ethic
B. categorical imperative
C. pure reason
D. practical reason
E. hypothetical imperative

Answer: B
AACSB: Analytical Thinking

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AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For the formalist thinker Immanuel Kant (1724–1804), to be ethical requires that people act with a good intent. To have a good intent, people have to act in ways that are ethically consistent. This emphasis on consistency Kant called the categorical imperative. The categorical imperative implies that people have a moral duty to act in the way they believe everyone should act.

53. Which of the following statements is an example of ethical formalism?
A. Openness in communications is deemed fundamental.
B. There is no doubt that the standards of morality are flexible.
C. The greatest happiness of the greatest number is the foundation of morals and legislation.
D. The strongest argument for raising the ethics bar boils down to self-interest.
E. Loss of confidence in an organization is the single greatest cost of unethical behavior.

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: The statement “Openness in communications is deemed fundamental” is an example of ethical formalism. Formalism is an approach to ethics that affirms an absolute morality.

54. According to Rawls, which of the following serves as the first step in determining the ethical values on which a just society can be built?
A. To assume that one is not aware of one’s own age, gender, race, intelligence, strength, wealth, or social status
B. To weigh the effects of one’s decisions on the society and oneself and thereby choose the path that brings in maximum benefit
C. To be completely self-aware of one’s ambitions and goals
D. To test the morality of actions done by others in a society
E. To use formalism to formulate acceptable codes of conduct

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

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Feedback: Rawls suggests a simple first step in determining the ethical values on which a just society can be built. One should assume that one is not aware of one's own age, gender, race, intelligence, strength, wealth, or social status. Social contract theory concerns itself with how to construct a just society given the many inequalities of wealth, knowledge, and social status.

55. Which of the following is one of the ethical principles proposed by Rawls?
A. People from the lower strata of a society should be given special opportunities for achievement.
B. Social inequalities should be based on a person and not on his or her actions.
C. Everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security.
D. The concerns of an individual are more important than the concerns of a society.
E. Economic inequalities should be based on a person and not the person's actions.

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: Placing himself behind a veil of self-ignorance, Rawls proposes two ethical principles. First, everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security. Second, although there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement.

56. Which of the following statements is true about a formalist?
A. A formalist places ethical focus on the worth of an individual.
B. A formalist predominantly believes and works for the common good.
C. A formalist attempts to achieve utilitarianism as fast as possible.
D. A formalist evaluates the consequence or end result of lying and not lying itself.
E. A formalist lays less emphasis on duty or moral obligation.

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics
Feedback: For a formalist (one who expresses the ethics of formalism), the ethical focus is on the worth of an individual. Individuals have rights, and these rights should not be infringed, even at the expense of society as a whole, because they have an intrinsic moral value to them.

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57. Which of the following statements best defines ethics?
A. Ethics is a legal system for evaluating who profits in a business transaction.
B. Ethics is merely a different term for the laws and regulations created by a government.
C. Ethics is an irrational method used specifically in examining the morality of lives.
D. Ethics is a simplified term given to the momentary decisions one makes regarding which answer will lead to the most personally successful solution.
E. Ethics is a formal system for deciding what is right and wrong and for justifying moral decisions.

Answer: E
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Ethics involves a rational method for examining people's moral lives, not only for recognizing what is right and wrong but also for understanding why people think something is right or wrong. Ethics is a formal system for deciding what is right and wrong and for justifying moral decisions.

58. In the context of ethics, the good is most likely to be defined as _____.
A. a sustained way of producing high-quality goods and services
B. the moral goals and objectives people choose to pursue
C. the acquisition of the things necessary for having a good life
D. a formal system of examining one's moral life
E. a formalized, duty-based approach to achieving one's targets

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: The end result of ethical examination is what philosophers call the good. The concept of the good is central to the study of morality. The good may be defined as those moral goals and objectives people choose to pursue. It serves to define people. Thus, leading a good life means more than having the good life. It means more than material possessions and luxury.

59. Which of the following statements is true of ethical systems?
A. They are institutions of the state.
B. They believe that the motivation to observe moral values usually comes from within an individual.

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C. They set a bare minimum standard acceptable to a society, and violations of the standards are punishable under the legal system.
D. They are based on just meeting minimum legal requirements.
E. They hold that every ethical value is enforced by the state.

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: A difference between ethics and law concerns motivation. Although values found in ethics may be imposed on an individual (by the family, the company, or the law), the motivation to observe moral rules comes from within. However, even though the values found in law may also be personal ethical values of an individual, the motivation to observe the law comes from outside the individual in the form of state sanctions.

60. Which of the following is a difference between ethical and legal systems?
A. The moral values are observed from within the legal system, whereas the moral values are observed in the form of state transaction in an ethical system.
B. An ethical system consists of rules to guide conduct, whereas the legal system consists only of rules to foster social cooperation.
C. An ethical system primarily deals with what is wrong, whereas the legal system primarily deals with what is right.
D. The legal system involves a broader-based commitment to proper behavior than an ethical system.
E. The legal system is an institution of state, whereas an ethical system is not an institution of state.

Answer: E
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Unlike ethical systems, the legal system is an institution of the state. Both deal with what is right and wrong.

61. Which of the following statements is true of the legal system?
A. The state enforces legal rules through civil and criminal sanctions.
B. The motivation to observe moral values in a legal system comes from within an individual.
C. It sets moral standards but does not legally prosecute in instances of breach.
D. It involves a broader-based commitment to proper behavior than does the ethical system.

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E. It sets the highest ethical standards acceptable to a society.

Answer: A
AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Unlike ethical systems, the legal system is an institution of the state. The state enforces legal rules through civil and criminal sanctions, like monetary damage awards, fines, and imprisonment.

62. Which of the following refers to the collection of values that guides human behavior?
A. Divinity
B. Morality
C. Utility
D. Integrity
E. Legality

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Morality is the collection of values that guides human behavior. In society at large, the sharing of moral values promotes social cooperation and is a significant means of social control.

63. Which of the following statements is true of the sharing of moral values?
A. It usually fails to set limits on unethical behavior.
B. It is a significant means of social control.
C. It creates an atmosphere of mistrust and suspicion among people.
D. It disrupts social harmony.
E. It stifles social cooperation as many people fail to accept others.

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

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Feedback: In society at large, the sharing of moral values promotes social cooperation and is a significant means of social control. Shared moral values lead people to accept and trust others. Shared values allow people to recognize when there is proper behavior in others and where limits to behavior rightfully belong. Shared moral values create social harmony.

64. The end result of ethical examination is what philosophers call _____.
A. the good
B. the categorical imperative
C. a veil of ignorance
D. the Protestant Ethic
E. due diligence

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: The end result of ethical examination is what philosophers call the good. The concept of the good is central to the study of morality. The good may be defined as those moral goals and objectives people choose to pursue. It serves to define people.

65. Which of the following is a similarity between ethical and legal systems?
A. Both systems are institutions of the state.
B. In both systems, the motivation to observe moral values comes from within an individual.
C. Both systems are based on utilitarian views.
D. Both systems consist of rules to guide conduct and foster social cooperation.
E. In both systems, ethical behavior is based on just meeting minimum legal requirements.

Answer: D
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: Ethics and law have similar or complementary purposes. Both consist of rules to guide conduct and foster social cooperation. Both deal with what is right and wrong.

66. Which of the following statements is true of the role of economic interdependence on business ethics and society?
A. It reduces concerns about business ethics.
B. It sometimes gives opportunities to executives who control what stockholders own to manipulate corporate actions for their own benefit.

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C. It reduces any transparency problems in an organization as corporate leaders are usually the real owners of corporations.
D. It predominantly results in utilitarianism.
E. It ensures that the decision taken by stockholders have little effect on others.

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics
Feedback: A serious ethical problem arises from economic interdependence and the modern corporation, which is the structure of most large businesses in this country. The problem is that the corporate leaders are not the real owners of corporations. The stockholders are, and although corporate executives and managers may own some stock, they seldom own significant percentages of very large companies. The ethical problem that can arise is that the executives and managers who control what the stockholders own are sometimes able to manipulate corporate actions for their own benefit, actions that have unacceptable risks to the owners and others.

67. In the context of ethical issues, modern economic theory reflects _____.
A. formalism
B. the categorical imperative
C. the monopolistic approach
D. consequentialism
E. utilitarianism

Answer: E
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Modern economic theory reflects utilitarianism. The dominant form of consequentialism is utilitarianism.

68. For a consequentialist, the _____.
A. act of lying itself is unethical
B. end results of lying are of little important
C. harm done by lying is unethical
D. harm done by lying makes it unethical
E. act of lying is justified if it is concealed well

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Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: For a consequentialist, lying itself is not unethical. It is the consequences, or end results of lying, that must be evaluated for their ethical implications. It is the loss of trust or harm done by lying that is unethical.

69. For utilitarians, the _____.
A. individual rights of a person are integral to analyzing the morality of actions
B. common good is of the least importance
C. formalist approach is the basis of every moral action
D. ethical focus is on the self-worth of an individual
E. end justifies the means

Answer: E
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: For utilitarians, the end justifies the means. The dominant form of consequentialism is utilitarianism. Utilitarianism judges actions by usefulness, by whether they serve to increase the common good.

70. _____ derives from society's expectations about how fair and reasonable actions are.
A. Good faith
B. Due care
C. Utilitarianism
D. Conflict of interest
E. Liberty

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.

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Topic: Sources of Values for Business Ethics
Feedback: Due care derives from society's expectations about how fair and reasonable actions are. Due care promotes the common good.

71. Which of the following statements is true of the Protestant ethic?
A. It was a massive threat to capitalism.
B. It was rooted in a consequentialist approach.
C. It has become a type of utilitarian consequentialism.
D. It has remained unaffected by rising wealth and increasing mass consumption.
E. It has become an organizational ethics that discourages the modern bureaucratic managerial system.

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The religious formalism of the Protestant ethic has become a type of utilitarian consequentialism. The religious basis of the Protestant ethic was eroded by rising wealth and the encouragement of mass consumption.

72. Which of the following occurs when one attempts to serve two masters?
A. A conflict of interest
B. A veil of ignorance
C. A writ of certiorari
D. *Ratio decidendi*
E. *Voir dire*

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: A conflict of interest occurs when one attempts to "serve two masters," and no agent or employee of one principal can secretly work for another whose interest competes with that of the first principal. That is why a real estate agent may not represent both the seller and the buyer in a real estate transaction without permission from both parties.

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73. According to the Ethical Norms and Values for Marketers from the American Marketing Association, which of the following ethical values states that a marketer should accept the consequences of the marketing decisions and strategies taken by him or her?
A. Honesty
B. Responsibility
C. Fairness
D. Openness
E. Respect

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: In the context of the Ethical Norms and Values for Marketers from the American Marketing Association, responsibility states that a marketer should accept the consequences of the marketing decisions and strategies taken by him or her. Fairness requires marketers to try to balance justly the needs of a buyer with the interests of a seller.

74. According to the Ethical Norms and Values for Marketers from the American Marketing Association, which of the following ethical values requires marketers to try to balance justly the needs of a buyer with the interests of a seller?
A. Honesty
B. Responsibility
C. Fairness
D. Openness
E. Respect

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: In the context of the Ethical Norms and Values for Marketers from the American Marketing Association, fairness requires marketers to try to balance justly the needs of a buyer with the interests of a seller. Responsibility states that a marketer should accept the consequences of the marketing decisions and strategies taken by him or her.

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75. Which of the following ethical principles focuses on the common good rather than on individual rights?
A. Formalism
B. Hedonism
C. Utilitarianism
D. Narcissism
E. Libertinism

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Formalism focuses on individual rights, whereas consequentialism focuses on the common good. The dominant form of consequentialism is utilitarianism.

76. The dominant form of consequentialism is _____.
A. utilitarianism
B. hedonism
C. libertinism
D. narcissism
E. Marxism

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The dominant form of consequentialism is utilitarianism. Formalism focuses on individual rights, whereas consequentialism focuses on the common good. The ethics of actions are measured by how they promote the common good. If actions increase the common good, they are ethical. If actions cause overall harm to society, they are unethical.

77. The values-based management approach to business ethics illustrates consequentialism through its emphasis on _____.
A. teaching ethical values that enhance the profitability of a company specifically to the top management and supervisory personnel
B. teaching ethical values that enhance the profitability of a company to all employees

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C. teaching ethical values to management and supervisory personnel with the aim of avoiding ethical issues, whether profitability is affected or not
D. teaching ethical values to all employees with the aim of avoiding ethical issues, whether profitability is affected or not
E. teaching ethical values to employees to punish them for unethical conduct

Answer: B
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: One approach to business ethics, called "values-based management," illustrates consequentialism. The emphasis of this approach teaches ethical values to employees that enhance the profitability of a company. Examples include why it is wrong to use company computers for personal entertainment during work hours and why it is unethical to use company long-distance phone service to contact friends and relatives.

78. The primary goal or end of business leaders is to produce a profit. This orientation reflects _____.
A. deontology
B. formalism
C. consequentialism
D. the Protestant ethic
E. Darwinism

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: Although business ethics reflect elements of both formalism and consequentialism, they focus more heavily on the latter. Business leaders feel a need to justify what they do in terms of whether it produces dividends for their shareholders. Their primary goal or end is to produce a profit. This orientation reflects consequentialism.

79. Which of the following statements is true of consequentialism?
A. It focuses primarily on individual rights.
B. It views lying as an unethical practice.

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C. It is found in the way in which managers use cost-benefit analysis to evaluate alternative courses of action.
D. It is primarily a duty-based view of ethics.
E. It asserts that individuals have rights, and that these rights should not be infringed, even at the expense of society as a whole, because they have an intrinsic moral value to them.

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The primary goal or end of business leaders is to produce a profit. This orientation reflects consequentialism. The way business managers evaluate alternative courses of action through cost-benefit analysis is a form of consequentialism.

80. The Protestant ethic was rooted in a(n) _____.
A. utilitarian approach
B. consequentialist approach
C. relativist approach
D. formalist approach
E. epistemological approach

Answer: D
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The Protestant ethic was rooted in a formalist approach: honesty and keeping promises were intrinsically good. Religion provided the impetus to hard work and achievement. Human desire and indulgence, said Protestants, should be bent to God's will through self-denial, rational planning, and productivity.

81. According to sociologist Robert Jackall's view of the modern bureaucratic managerial system, how has the Protestant ethic changed over time?
A. The Protestant ethic has become the only viable ethical system for American corporations.
B. The profiteering of the Protestant ethic became a justification for economic excess.
C. The religious consequentialism of the Protestant ethic became the dominant system of formalistic morality.
D. The Protestant ethic collapsed as a viable ethical system.

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E. The religious formalism of the Protestant ethic has become a type of utilitarian consequentialism.

Answer: E
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics
Feedback: The Protestant ethic became transformed into an organizational ethic that supports the modern bureaucratic managerial system. The sociologist Robert Jackall identifies this system as having "administrative hierarchies, standardized work procedures, regularized timetables, uniform policies, and centralized control." The goal of this system is to produce profit. Business actions are justified by their usefulness in accomplishing the goal. The religious formalism of the Protestant ethic has become a type of utilitarian consequentialism.

82. Opponents of the Civil Rights Act of 1964 inserted the prohibition against _____ in employment in hopes of preventing its passage, thinking that such discrimination was acceptable and that many others agreed with them.
A. age discrimination
B. religious discrimination
C. sex discrimination
D. race discrimination
E. ethnic discrimination

Answer: C
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: Opponents of the bill that went on to be passed as the Civil Rights Act of 1964 inserted the prohibition against sex discrimination in hopes of preventing its passage. Obviously, these legislators believed that sex discrimination in employment was acceptable and that many others agreed with them.

83. Which of the following acts prohibits employment discrimination based on race, sex, color, religion, and national origin?
A. The Civil Rights Act of 1964
B. The Sarbanes-Oxley Act of 2002
C. The Glass–Steagall Act
D. The Foreign Corrupt Practices Act

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E. The Commodity Futures Modernization Act of 2000

Answer: A
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: The Civil Rights Act of 1964 prohibits employment discrimination based on "race, sex, color, religion, and national origin." Society's ethical commitment to equal opportunity became law in the Civil Rights Act of 1964.

84. _____ means "honesty in intent" and "honesty in fact."
A. Acting in good faith
B. Acting in due care
C. Acting in conflict of interest
D. Acting in confidentiality
E. Acting in liberty and rights of individuals

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: The law requires that good faith be demonstrated in various economic and other transactions. An example comes from the Uniform Commercial Code, adopted in 49 of the 50 states. It requires that all sales of goods must be carried out in good faith, which means "honesty in intent" and "honesty in fact."

85. In which of the following situations is there a conflict of interest?
A. A judge who occasionally shops in a store that is involved in a case before the same judge
B. A real estate agent representing the buyer and seller of a house with permission from the buyer and seller
C. An agent of one principal who secretly works for another whose interest competes with that of the first principal
D. A bank regulator using a credit union
E. A lawyer discussing a case with his or her boss

Answer: C
AACSB: Analytical Thinking
Blooms: Understand

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Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: A conflict of interest occurs when one attempts to "serve two masters," and no agent or employee of one principal can secretly work for another whose interest competes with that of the first principal. That is why a real estate agent may not represent both a seller and a buyer in a real estate transaction without permission from both parties.

86. Which of the following is a national group of senior business leaders that has identified a general list of topics that organizational codes of business ethics should cover?
A. The Corporate Deciders
B. The Business Roundtable
C. The National Business Ethics Survey
D. The Board of Review
E. The Springfield Armory

Answer: B
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics
Feedback: The Business Roundtable, a national group of senior business leaders, has identified a general list of topics that organizational codes of business ethics should cover. Some of these include fundamental honesty and adherence to the law, product safety and quality, health and safety in the workplace, conflicts of interest, and fairness in selling/marketing practices.

87. Hannah Arendt believed that evil often comes from a kind of _____.
A. apathy
B. ignorance
C. thoughtlessness
D. boredom
E. anger

Answer: C
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics
Feedback: The philosopher Hannah Arendt explained that evil often comes from a kind of thoughtlessness. Thinking about the ethical implications of what one decides and what one does is the first step in leading a good life.

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88. Plato wrote that immoral behavior often flows from _____.
A. apathy
B. ignorance
C. thoughtlessness
D. boredom
E. anger

Answer: B
AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics
Feedback: Plato wrote that immoral behavior often flows from ignorance. Thinking about the ethical implications of what one decides and what one does is the first step in leading a good life.

89. Stakeholder theory suggests that ethical corporate behavior _____.
A. strongly relies on government interaction
B. focuses primarily on whether corporate actions take the interests of all employees into account before making significant business decisions
C. depends on managers who recognize and take into account the various stakeholders whose interests a corporation affects
D. takes unacceptable risks only when the risk has a reasonable likelihood of enriching the stakeholders' net worth substantially
E. requires interaction specifically between managers and customers to promote profit sharing

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Stakeholder theory suggests that ethical corporate behavior depends on managers who recognize and take into account the various stakeholders whose interests a corporation affects. This theory includes but goes beyond the responsibilities of corporate governance, which focuses on the legal responsibilities of managers to society and to the investor-owners of a corporation.

90. Which of the following statements is true about the role and effect of profits on ethical corporate behavior?
A. In many modern business corporations, the responsibility for profit making is decentralized.
B. Making a profit usually deteriorates the common good.
C. Profit earning is the least important goal in the contemporary business environment.

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D. A decline in the Protestant ethic reduces the emphasis on corporate profit.
E. In many situations, focusing on profits hinders managers from engaging in any unethical behavior.

Answer: A
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: The primary goal of the modern business corporation is to produce a profit. In many corporations, the responsibility for profit making is decentralized.

91. According to the Spanish journal *Boletín Círculo*, which of the following is true about business ethics?
A. Profits and business ethics are usually contradictory.
B. Unethical behavior is hardly a business liability.
C. Immoral behavior often flows from ignorance.
D. Business ethics reflect business leadership.
E. Ongoing reevaluations of ethics are insignificant and time-consuming.

Answer: D
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: An observation made by the Spanish journal *Boletín Círculo* is that business ethics reflect business leadership. Top firms can and should exercise leadership in business ethics.

92. Which of the following statements is true of the effect of the group on ethics in a corporate organization?
A. Individuals hardly do unethical things when they are part of a group.
B. Coupled with an overemphasis on profit, the group effect reduces the difficulty of achieving an ethical business corporation.
C. Individuals in groups may feel a diminished sense of responsibility for actions taken, which invites ethical compromise.
D. In corporate life, it is difficult to overlook the unethical behavior of a superior when many fellow employees are also overlooking it.
E. Individuals feel more responsible for what happens in a group than in their individual lives.

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Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: That individuals in groups may feel a diminished sense of responsibility for decisions made and actions taken invites ethical compromise. Coupled with an overemphasis on profit, the group effect increases the difficulty of achieving an ethical business corporation.

93. Which of the following belongs to the category of involuntary stakeholders?
A. The employees
B. The top management
C. The shareholders
D. The suppliers
E. The community

Answer: E
AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Stakeholder theory suggests that through its managers, an ethical corporation realizes the interdependence of all stakeholders and demonstrates fairness toward both voluntary stakeholders (e.g., employees) and involuntary stakeholders (e.g., the community).

94. Stakeholder theory suggests that through its managers, an ethical corporation _____.
A. considers primarily the concerns of top- and mid-level managers
B. restricts stakeholders to communicate with decision makers so as to ensure smooth functioning of business
C. acknowledges the potential conflict between managerial self-interest and the ethical responsibility of managers to other stakeholders
D. focuses and remains within the responsibilities of corporate governance and not to focus on legal responsibilities of managers to society
E. discourages open procedures that aid managers to monitor their own ethical performance

Answer: C
AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation
Feedback: Stakeholder theory suggests that through its managers, an ethical corporation acknowledges the potential conflict between managerial self-interest and the ethical responsibility of managers to other stakeholders and promotes open procedures that allow managers to monitor their own ethical performance.

Short Answer Questions

95. How does the 2008 economic recession illustrate the potential problems of economic interdependence?

Answer: The 2008 recession illustrates economic interdependence. In pursuit of profits and personal reward, bankers and traders at leading financial institutions turned a blind eye to what might happen in their businesses if the bubble of steadily rising house prices burst and borrowers could not repay loans conditioned on ever-rising home values. Bank stockholders, which included large pension funds, lost hundreds of billions of dollars. Banks could not extend enough credit to enable many businesses to buy inventory and meet payrolls. Businesses laid off millions of workers who then could not buy goods and services, and the economy began a downward spiral. By 2011, according to the Financial Crisis Inquiry Report, about four million families had lost their homes to foreclosure and another half million had slipped into the foreclosure process or were seriously behind on their mortgage loan payments. Some $11 trillion in household wealth had vanished, with retirement accounts and life savings swept away. Millions of workers lost their jobs during the recession, and even as the economy began to recover, they had difficulty finding new work. As credit from the banks dried up, the adverse economic effects spiraled throughout the economy.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

96. How would a formalist and a consequentialist view an employer secretly monitoring an employee's e-mail messages?

Answer: Formalists might say that secret monitoring treats employees only as a means to the end of increasing organizational efficiency and does not respect their self-worth as individuals. The monitoring also does not respect their dignity and their privacy. Formalists might conclude that secret monitoring is unethical. Explaining the problem to the employees and asking for their consent to monitor would be a more ethical action to take. For a consequentialist, the act of secret monitoring itself is ethically neither right nor wrong. It is the end result that is ethically important. Secret monitoring and the punishment of wrongdoers are useful in improving

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productivity, which is an appropriate company goal and beneficial to society at large. To that extent, secret monitoring is ethically acceptable. But the punishment of wrongdoers will likely reveal to all employees that their e-mail has been secretly monitored.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

97. What potential problems arise from the modern corporate structure and its dependence on separation of the managers from the owners?

Answer: The problem is that corporate leaders are not the real owners of corporations. The stockholders are, and although corporate executives and managers may own some stock, they seldom own significant percentages of very large companies. The ethical problem that can arise is that the executives and managers who control what the stockholders own are sometimes able to manipulate corporate actions for their own benefit, actions that have unacceptable risks to the owners and others. Executives, managers, and other employees are sometime able to take actions that if successful benefit themselves greatly, but if unsuccessful affect many others harmfully.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

98. Civil rights leaders in their quest to promote civil rights and equality often held peaceful marches and non-violent sit-ins that they understood to be at times illegal. Their justification for their actions was to promote and give focus to inequities with the ultimate aim of reducing discrimination and establishing equal rights for all. Were these leaders acting ethically? Fully explain your answer citing the ethical theory you believe to apply.

Answer: Student answers will vary. Those who believe that they acted unethically should cite and explain a formalist approach to justify their answer. Those students who believe that the actions were ethical should cite a consequentialist/utilitarian approach to justify their answer. For the formalist (one who expresses the ethics of formalism), the ethical focus is on the worth of the individual. Individuals have rights, and these rights should not be infringed, even at the expense of society as a whole, because they have an intrinsic moral value to them. If formalism focuses on individual rights, consequentialism focuses on the common good. The ethics of actions are measured by how they promote the common good. If actions increase the common good, they are ethical. If actions cause overall harm to society, they are unethical.

AACSB: Analytical Thinking

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AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

99. In the context of the social contract theory, explain the ethical principles proposed by John Rawls.

Answer: Placing himself behind a veil of self-ignorance, Rawls proposes two ethical principles. First, everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security. Second, although there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

100. Peter is an 84-year-old with a heart condition. He has no family and has minimal health insurance. He is on a fixed income and barely has enough money to survive. His doctor tells him that he needs to take a particular medicine for three months or his condition will severely worsen. The medicine will cost $450, and only $150 of the cost is covered by insurance. Peter goes to the bank and hands the teller a note saying, “Give me $300, or I will detonate a bomb.” When Peter is later apprehended, he tells the police that he stole the money to buy needed medicine. Understanding that bank robbery is a crime, is there an ethical theory that can serve to justify Peter’s actions?

Answer: The ethical theory of consequentialism examines the moral consequences of actions rather than the morality of the actions themselves. No one may argue that stealing can be legal, but Peter’s purpose was not to do harm and was merely for self-survival when he had no alternative. A consequentialist will view his actions as ethical under these circumstances.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

101. How has the role of government changed the ethical environment of businesses?

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Answer: When business fails to make ethical decisions, when it fails to live up to society's expectations for ethical behavior, government may step in. Government regulates business when there are ethical failures such as those that preceded the Sarbanes-Oxley Act of 2002 when business scandals dominated headlines. Business leaders have incentive to promote corporate integrity, and thereby to limit further governmental regulation. They recognize that by encouraging ethical conduct and self-regulation within business organizations, they will prevent outside standards from being imposed on them through public law. As a consequence, both business and industry have, in recent decades, developed codes of ethics. Such efforts by professions and businesses to set standards of behavior are evidence of the increasing tendency toward self-regulation. Self-regulation can mean more than helping a business stay out of trouble. Companies that are perceived as ethical and acting in a responsible manner can attract loyal customers, employees, and investors. Federal law also encourages self-regulation. Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

102. Of the two main systems of ethics, which do you think is better for a corporate philosophy? Compare the two, giving examples of each and potential problems.

Answer: Students should engage the material, discussing the implications of how to always know what is moral for formalists and the relativity of deciding right and wrong only after the consequences have been considered. Students should exhibit knowledge of the material in how corporate managers must be held accountable to objective standards but compare this with the overarching purpose of profit. Formalism is an approach to ethics that affirms an absolute morality. A particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which the lie is told. Formalism is primarily a duty-based view of ethics. Consequentialism concerns itself with the moral consequences of actions rather than with the morality of the actions themselves. For the consequentialist, lying itself is not unethical. It is the consequences, or end results, of lying that must be evaluated for their ethical implications. It is the loss of trust or harm done by lying that is unethical.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 To compare the connection between law and ethical principles.

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Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

103. How could a utilitarian argue for the view that the tobacco industry is a positive part of society?

Answer: The dominant form of consequentialism is utilitarianism. Utilitarianism judges actions by usefulness, by whether they serve to increase the common good. For utilitarians, the end justifies the means. A utilitarian's views of the tobacco industry as a positive part of society is likely to uphold that (1) tobacco products have been consumed in the United States since at least the early 1600s; (2) hundreds of thousands of people are involved in the growing, manufacturing, distributing, and selling of tobacco products; and (3) tobacco companies spend about $13 billion annually in advertising and promoting tobacco sales, which benefits the economy.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

104. What roles do regulations serve in promoting ethical decisions in the business world? Do you think there should be more or fewer regulations on business?

Answer: Legal regulation is a significant source of values for business ethics. In fact, many business and professional organizations look to the law when drawing up their codes of ethical conduct. Answers regarding whether there should be more or fewer regulations will vary.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

105. Is the concept of due care a formalist or consequentialist concept? What are the difficulties in applying this to business actions?

Answer: Due care demands that individuals and companies do what is right, given the information available, so it seems that it has a basis in formalism. However, the decisions regarding due care are usually made in court only after something has gone wrong. The Bridgestone/Firestone issue draws attention to the consequentialist nature of due care, in that the

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decision was a balance between the small fraction of tires that showed defects and the overall potential for damage or injury that could result. The problem is that it is often difficult for companies to know whether to choose reason and permit the small defects to exist or to choose pure morality and never let anything that could go wrong cause an injury.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

106. Trevor works at Trevsinc, a company that has been buying raw materials from Stigg Corp. for years. Stigg Corp., a private corporation, has been doing very well recently and will soon go public, selling its stock on the open market. As appreciation for his years of loyal service, Stigg Corp. offers Trevor the option of buying stocks at a low fixed price before the initial public offering. However, over the last few months, Trevor has been concerned that the management of Stigg Corp. may not be acting ethically and that the success may be because of the management's risky actions. What ethical issues must Trevor consider?

Answer: Students should discuss conflicts of interest. Specific consideration should be given to the issue of accepting stock options before the initial public offering, whether taking these is something similar to a bribe, and whether Trevor should accept the options at all. Further, students should discuss the complications that arise through Trevor's concerns about Stigg's management and whether he wants to take a risk on the stock.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

107. What questions should one ask himself or herself to explore his or her ethical values before making a personal or business decision?

Answer: Student answers may vary. Questions to ask while exploring one's ethical values before making a personal or business decision include the following: (1) Has one thought about whether the action he or she may take is right or wrong? (2) Will one be proud to tell of his or her action to his or her family, employer, or the news media? (3) Is one willing for everyone to act as he or she is thinking of acting? (4) Will one's decision cause harm to others or to the environment? and (5) Will one's actions violate the law?

AACSB: Analytical Thinking

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AACSB: Ethics
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics

108. Is it practical to live by the categorical imperative in a corporate world? What problems could arise by applying this philosophy in a business perspective?

Answer: Kant believed that you have a moral duty to act in the way you believe everyone should act. One should never act in a certain way unless you are willing to have everyone else act in the same way. One cannot make an exception for your own action. Kant said that to make an exception for your own behavior is immoral and unethical. This is problematic in the real world, as it relies on one's own sense of justice to determine how others should act toward you. However, it also forecloses the possibility of doing something potentially wrong in a minor sense to effect a greater result. For instance, some business decisions will undoubtedly have negative results, and one would not want those results imposed on oneself. However, sometimes, those decisions must be made to best serve the business. Relying on individual morality may, in itself, be selfish and impractical.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

109. Achieving and maintaining an ethical business corporation is a laudable but difficult task. What are some of the obstacles that a corporation faces, by its very nature, in seeking an ethical culture?

Answer: There are three distinct obstacles that corporations face in their quest to be ethical. First, there is an emphasis on profit. The purpose of a corporation is to make money. Stakeholders demand and expect profits, which often forces decision makers to choose between black, white, and gray issues. Second, individuals in large groups such as the corporation feel less responsibility for what happens in the group than they do for what happens in their individual lives. They may also act differently, and to some extent less ethically, in a group. Third, there is often control of resources by agents or nonowners. When these nonowners have control of the corporate property, it is easy to manipulate these resources for personal gain or pleasure, resulting in abuse.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

110. Even with a code of ethics, why is it important for top management in a corporation to set an example for ethical conduct?

Answer: To encourage corporate ethics, it is not enough merely to adopt a code of conduct. For the code to change behavior, corporate employees must believe that the values expressed by the code represent the values of the corporation's top management. Top management must act as a role model for values it wishes corporate employees to share.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

111. What is meant by stakeholder theory, and who are the stakeholders of a corporation?

Answer: Stakeholder theory holds that ethical corporate behavior requires that directors and managers take into account everyone whose interests the corporation affects. Those affected are called stakeholders. Stakeholders include customers, suppliers, creditors, employees, the community at large, as well as the board of directors, the officers, investors, and the managers.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

112. What are the four observations made by the Spanish journal *Boletín Círculo* about business ethics?

Answer: The four observations made by the Spanish journal *Boletín Círculo* about business ethics are that (1) profits and business ethics are not contradictory, (2) an ethical organizational life is a basic business asset that should be encouraged, (3) ethics are a continuing concern to the business community, and (4) business ethics reflect business leadership.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand

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Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

113. Why should businesses promote openness in communication?

Answer: For ethical corporate values to make their most significant affect on decision making, corporate employees must be willing to talk with each other about ethical issues. Openness promotes trust, and without trust even the best-drafted code of ethics will likely fall short of achieving an ethical business corporation. Beyond helping establish trust, openness in communication is necessary for ethical corporate decision making because of the complexity of information required to evaluate the implications of many business decisions.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

114. How might corporate managers promote a culture of open communication within a corporation?

Answer: Students' answers may vary. Ways to promote communication include top management providing a good role model of concern for speaking out on ethical issues. Another possibility is for employees to meet periodically in small groups to consider either real or hypothetical ethical problems. In general, a shared corporate commitment to the ideal of ethical decision making is important to openness in communication.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

115. Explain the control of resources by nonowners and how it affects ethical corporate behavior.

Answer: In the modern corporation, the owners (or shareholders) are often not in possession and control of corporate resources. Top management of many corporations effectively possess and control vast resources that they do not own. This produces problems of corporate governance. Sometimes, managers embezzle corporate money or abuse expense accounts. At other times,

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they misrepresent the financial condition of the corporation to exercise stock options, obtain huge bonuses, or prop up loans they have secured with company stock. Because the very nature of corporate structure gives managers the opportunity to abuse and misappropriate corporate resources owned ultimately by the shareholders, ethical business practice is made more important yet more difficult.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

116. Describe the effect of the group on ethical corporate behavior.

Answer: The social critic Ambrose Bierce once remarked that the corporation is “an ingenious device for obtaining individual profit without individual responsibility.” He was referring to the fact that individuals in large groups such as the corporation feel less responsibility for what happens in the group than they do for what happens in their individual lives. They may also act differently, and to some extent less ethically, in a group. That individuals will do unethical things as part of a mob that they would never do alone is widely recognized, and the same pattern can be observed in corporate behavior. That individuals in groups may feel a diminished sense of responsibility for decisions made and actions taken invites ethical compromise. Coupled with an overemphasis on profit, the group effect increases the difficulty of achieving an ethical business corporation.

AACSB: Analytical Thinking
AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

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