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Business Essentials, 11e **(Ebert/Griffin)**
Chapter 2 Understanding Business Ethics and Social Responsibility

1) What are individual beliefs about what is right and wrong or good and bad referred to as?
A) Motivators
B) Rules
C) Cultures
D) Ethics
E) Laws
Answer: D
Explanation: D) Ethics are beliefs about what is right and wrong or good and bad in actions that affect others.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

2) Which of the following should be the first step in assessing ethical behavior in a certain situation?
A) Seek the advice of managers.
B) Make a judgment based on the outcome of the activity.
C) Consider appropriate moral values.
D) Collect facts related to the situation.
E) Gather a range of opinions on the effectiveness of the policy.
Answer: D
Explanation: D) There are three steps for applying ethical judgments to situations that may arise including first, gathering relevant factual information, analyzing the facts and finally, making an ethical judgment based on the rightness or wrongness of the proposed activity or policy.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

3) What is likely the single MOST effective step that a company can take to set ethical standards?
A) Offer large cash awards for whistle-blowing.
B) Suggest that employees take ethics training.
C) Post ethical rules on bulletin boards.
D) State that the workplace values diversity.
E) Demonstrate support from top management.
Answer: E
Explanation: E) Perhaps the single most effective step a company can take in setting ethical standards is to demonstrate top management support of ethical standards.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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4) How do top managers BEST demonstrate a commitment to ethical business practices?
A) By adopting and enforcing written codes of ethics
B) By reading employees' e-mails
C) By decentralized decision-making practices
D) By cooperating with other companies
E) By monitoring employees' Web searches
Answer: A
Explanation: A) A common approach to formalizing top management commitment to ethical business practices is the adoption of a written code of ethics.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

5) What category of ethics relates to matters such as hiring, firing, working conditions, privacy and respect?
A) Behavior toward economic agents
B) Behavior toward employees
C) Behavior toward the organization
D) Elimination of conflicts of interest
E) Social responsibility
Answer: B
Explanation: B) Ethical guidelines suggest and legal standards require that hiring and firing decisions should be based solely on a person's ability to perform a job.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

6) When an activity benefits an individual but not the employer, what ethical dilemma has been created?
A) Lack of social responsibility
B) Violation of the code of conduct
C) Conflict of morals
D) Interaction with primary agents of interest
E) Conflict of interest
Answer: E
Explanation: E) A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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7) What do ethical norms that ensure an action is consistent with what's fair entail?
A) Caring
B) Morals
C) Justice
D) Social responsibility
E) Economic agents
Answer: C
Explanation: C) Ethical norms include utility, rights, justice and caring. Justice considers whether the action is consistent with what's fair.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

8) Which ethical norm considers whether a particular act optimizes the benefits to those who are affected by it?
A) Utility
B) Rights
C) Justice
D) Caring
E) Respect
Answer: A
Explanation: A) The ethical norm of utility considers whether a particular act optimizes the benefits to those who are affected.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

9) When evaluating a decision based on the ethical norm of rights, a manager is MOST likely to consider which of the following questions?
A) Is the decision consistent with what we regard as fair?
B) Does the decision respect the individuals involved?
C) Is the decision consistent with people's responsibilities to each other?
D) Does the decision optimize the benefits for those who are affected by it?
E) Does the decision comply with current legislation?
Answer: B
Explanation: B) The ethical norm of rights addresses the rights of individuals involved with the decision and whether the decision respects those individuals' rights.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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10) Which of the following is the BEST description of organizational stakeholders?
A) Competitors
B) Government regulators
C) The officers and key employees of an organization
D) Individuals and businesses who own stock in a company
E) Individuals and groups that are directly affected by the practices of a company
Answer: E
Explanation: E) Individuals and groups that are directly affected by the practices of an organization are considered to have a "stake" in the company's performance.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

11) Standards that help to shape behaviors towards employees, the organization, and other economic agents are
A) social responsibility.
B) managerial ethics.
C) whistle-blowing techniques.
D) values.
E) morals.
Answer: B
Explanation: B) Managerial ethics are standards of behavior that guide managers. There are three broad categories of ways in which managerial ethics can affect people's work: (1) behavior toward employees, (2) behavior toward the organization, and (3) behavior toward other economic agents.
Difficulty: Moderate
AACSB: Analytical thinking
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

12) Ethics are beliefs about what is right and wrong.
Answer: TRUE
Explanation: Ethics are beliefs that guide behavior that is right and good.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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13) Business ethics refers to ethical or unethical behaviors by employees in the context of their personal lives.
Answer: FALSE
Explanation: Business ethics are ethical or unethical behaviors by employees in the context of their jobs.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

14) The standards of behavior that guide managers in their work are called employee ethics.
Answer: FALSE
Explanation: Managerial ethics are standards of behavior that guide individual managers in their work.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

15) Some ethical and unethical behaviors fall into gray areas, while others are widely agreed upon.
Answer: TRUE
Explanation: An example is the situation where an activity may be seen as unethical by some people but as a smart business practice by other people.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

16) A conflict of interest occurs when an activity may benefit the individual to the detriment of his or her employer.
Answer: TRUE
Explanation: For example, employees need to be aware of the potential for conflict of interest when dealing with suppliers.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

17) Ethical values do not vary from person to person.
Answer: FALSE
Explanation: Because ethics are based on both individual beliefs and social concepts, they may vary from person to person, situation to situation, and culture to culture.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
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18) What constitutes ethical behavior is determined entirely by the individual.
Answer: FALSE
Explanation: Ethical and unethical behavior is determined partly by the individual and partly by the culture.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

19) An individual's personal code of ethics is shaped by his or her life experiences.
Answer: TRUE
Explanation: Experience can guide individuals toward the "right" ethics responses; a cited example is Johnson & Johnson employees' reaction in the Tylenol case.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

20) Some actions may be illegal, yet considered ethical.
Answer: FALSE
Explanation: Unethical actions include those that are illegal. Illegal activities are always considered unethical but some legal activities are also considered unethical.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

21) Though an individual feels that his behavior is ethical, that behavior may still be considered unethical if social norms consider it to be so.
Answer: TRUE
Explanation: What constitutes ethical and unethical behavior is determined partly by the individual and partly by the culture.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

22) The ethical norm of utility evaluates whether an act respects the rights of all parties.
Answer: FALSE
Explanation: The ethical norm of utility determines whether all relevant parties receive fair benefits.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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23) The most essential ingredient in encouraging ethical behavior in an organization is letting employees dictate ethical norms.
Answer: FALSE
Explanation: Top management support is the most critical element in encouraging ethical behavior in organizations.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

24) Managerial ethics can be classified into three areas; behavior toward employees, behavior toward the organization and behavior toward other economic agents.
Answer: TRUE
Explanation: Although your ethics can affect your work in any number of ways, it's helpful to classify them in terms of three broad categories. Managerial ethics relates to such matters as hiring and firing, wages and working conditions, and privacy and respect. Ethical issues can also arise from employee behavior toward employers, especially in such areas as conflict of interest, confidentiality, and honesty. Ethics also comes into play in the relationship of a business and its employees with so-called primary agents of interest, mainly customers, competitors, stockholders, suppliers, dealers, and unions.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

25) What is the purpose of a written code of ethics?
Answer: A written code of ethics formally announces a company's intent to do business in an ethical manner.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

26) What would constitute a conflict of interest in a business setting?
Answer: An activity that benefits the individual to the detriment of his or her employer would be considered a conflict of interest.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

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27) Describe the three-step model for applying ethical judgments.
Answer: The three-step model includes (1) gathering the relevant factual information; (2) determining the most appropriate moral values; and (3) making an ethical judgment based on the rightness or wrongness of the proposed activity or policy.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.1: Explain how individuals develop their personal codes of ethics and why ethics are important in the workplace.

28) What term refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment?
A) Business ethics
B) Socialization
C) Stakeholder consciousness
D) Social responsibility
E) Corporatization
Answer: D
Explanation: D) Social responsibility refers to the way in which a business tries to work responsibly within its social environment by benefiting all stakeholders.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

29) What is the term given to the groups, individuals, and organizations that are directly affected by the practices of an organization?
A) Primary agents of interest
B) Social auditors
C) Competitors
D) Organizational stakeholders
E) Local communities
Answer: D
Explanation: D) Organizational stakeholders are the groups, individuals, and organizations that are directly affected by the practices of an organization.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

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30) When businesses work to honor warranties, charge fair prices and stand behind the quality of their products, what stakeholder group are they supporting?
A) Customers
B) Employees
C) Investors
D) Suppliers
E) Local communities
Answer: A
Explanation: A) Businesses that are responsible to their customers strive to treat them fairly and honestly. They also seek to charge fair prices, honor warranties, meet delivery commitments, and stand behind the quality of the products they sell.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

31) What stakeholder group is being protected when managers follow proper procedures and strive to be accurate and candid in assessing future growth?
A) Customers
B) Employees
C) Investors
D) Suppliers
E) Local communities
Answer: C
Explanation: C) To maintain a socially responsible stance toward investors, managers should follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholder rights and investments.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

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32) When a multinational organization supports its commitment to stakeholders, which stakeholders are they most concerned with?
A) The stakeholders in their home country
B) The stakeholders where most sales are made
C) The stakeholders in emerging markets
D) The stakeholders represented by the government
E) The stakeholders in every country where business is done
Answer: E
Explanation: E) To the extent that an organization acknowledges its commitments to its stakeholders, it should also recognize that it has multiple sets of stakeholders in each country where it does business.
Difficulty: Difficult
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

33) What is the name of the concept that expanded the role of business in protecting and enhancing the general welfare of society?
A) Ethics
B) Morals
C) Social responsibility
D) Accountability
E) Restraint
Answer: D
Explanation: D) Out of the economic turmoil of the Great Depression emerged new laws that dictated an expanded role for business in protecting and enhancing the general welfare of society. Hence, the concept of accountability was formalized.
Difficulty: Difficult
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

34) A business's social responsibility to investors includes following proper accounting procedures.
Answer: TRUE
Explanation: Further, managers should be accurate and candid in assessing future growth and profitability, and they should avoid even the appearance of impropriety in any reporting.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

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35) In the United States, there are increased expectations for a greater social role for business.
Answer: TRUE
Explanation: Critics, for example, are calling for tighter standards for business practices and increased control on accounting procedures.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

36) What is the difference between ethics and social responsibility?
Answer: Ethics are beliefs about what is right and wrong or good and bad. Ethics affect individual behavior in the workplace. Social responsibility refers to the way in which a business tries to balance its commitments to groups and individuals in its social environment.
Difficulty: Moderate
AACSB: Analytical thinking
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

37) When defining its sense of social responsibility, a firm typically confronts what areas of concern?
Answer: A firm typically confronts and has social responsibility for the following five areas: its customers, its employees, its investors, its suppliers, and local communities.
Difficulty: Difficult
AACSB: Analytical thinking
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

38) What role has e-mail played in business ethics and company practices?
Answer: E-mail that was thought to be a private means of communication can be retrieved and used as evidence. An increasingly controversial area regarding business ethics and company practices involves the privacy of e-mail and other communication that takes place inside an organization. For instance, some companies monitor the Web searches conducted by their employees; the appearance of certain key words may trigger a closer review of how an employee is using the company's computer network. Although some companies argue they do this for business reasons, some employees claim that it violates their privacy.
Difficulty: Moderate
AACSB: Analytical thinking
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

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39) Why are employers concerned about the use of e-mail and potential legal liability, and what steps are being taken to prevent issues?
Answer: Software has been created that encrypts e-mail messages. In addition, the software sets an expiration date and prevents resending or printing.
Difficulty: Difficult
AACSB: Application of knowledge
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

40) Describe the stakeholder model of social responsibility.
Answer: Companies that strive to be responsible to their stakeholders concentrate on five main groups: customers, employees, investors, suppliers, and the local communities where they do business. To be responsible toward their customers, businesses strive to be fair in their pricing, honor warranties, meet delivery commitments, and stand behind the quality of their products. Businesses that are socially responsible toward their employees treat them fairly, make them a part of the team, and respect their dignity and basic human needs. To be responsible toward investors, businesses follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholders rights and investments. Businesses are responsible toward suppliers when they provide realistic delivery schedules and reduced profit margins. Many businesses keep their suppliers informed about future plans and work to partner with them. To be responsible toward communities, businesses often give back through charitable programs and local causes.
Difficulty: Difficult
AACSB: Reflective thinking
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

41) Explain the steps that an organization must take to foster a company-wide sense of social responsibility.
Answer: Social responsibility must first start at the top. No program can succeed without top management support and top management must issue a statement announcing the commitment. A committee of top managers must then develop a plan detailing the level of management support; some companies set aside percentages of profits for social programs. At this point, managers must set specific priorities. Then, one executive must be put in charge of the firm's agenda, and this individual must monitor the program and ensure that its implementation is consistent with the firm's policy statement. The organization must conduct social audits, which are systematic analyses of the firm's success in using funds earmarked for its social responsibility goals. Failing an audit should prompt a rethinking of the program's implementation and its priorities.
Difficulty: Difficult
AACSB: Reflective thinking
Objective: 2.2: Distinguish social responsibility from ethics, identify organizational stakeholders, and characterize social consciousness today.

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42) What must every corporation do in maintaining and reporting its financial status?
A) Purchase stocks on margin
B) Use creative accounting practices
C) Support increased stock prices
D) Aim to maximize predicted profit margins
E) Conform to generally accepted accounting principles
Answer: E
Explanation: E) Every corporation must conform to generally accepted accounting practices (GAAP). This ensures that all corporations are held to the same standards for assessing their financial information.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

43) Which of the following occurs when someone uses confidential information to gain from the purchase or sale of stocks?
A) Identity theft
B) A margin purchase
C) Insider trading
D) Collusion
E) A guarantee
Answer: C
Explanation: C) Insider trading is the illegal practice of using special knowledge or confidential information about a firm for profit or gain.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

44) What does the Sarbanes-Oxley Act of 2002 require a chief financial officer to do?
A) Prevent insider trading
B) Engage in strategic management
C) Guarantee the accuracy of financial reporting
D) Hire a forensic accountant
E) Oversee the implementation of ethical standards
Answer: C
Explanation: C) The Sarbanes-Oxley Act of 2002 requires that the chief financial officer personally guarantee the accuracy of financial reporting.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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45) If a firm hides responsibility for wrongdoing, what type of stance are they taking toward social responsibility?
A) Responsible
B) Obstructionist
C) Accommodative
D) Proactive
E) Moderate
Answer: B
Explanation: B) An obstructionist stance toward social responsibility means a company will do as little as possible to solve social or environmental problems.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

46) When working to protect the environment, what type of pollution lowers air quality?
A) Noise
B) Land
C) Water
D) Air
E) Waste
Answer: D
Explanation: D) Air pollution results when several factors combine to lower air quality.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

47) Which of the following includes provisions that control air pollution by members?
A) Sarbanes-Oxley
B) GAAP
C) Code of ethics
D) NAFTA
E) FTC
Answer: D
Explanation: D) The North American Free Trade Agreement (NAFTA) includes provisions that call for tight controls on air pollution, especially targeting areas that affect more than one member nation.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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48) How have companies such as Tyvek, General Motors, and DuPont worked to lessen the impact of waste on the environment?
A) By achieving LEEDS certification
B) By achieving zero-landfill status
C) By agreeing to recycle more than 50 percent of total waste
D) By eliminating the use of phosphates
E) By repurposing products and systems
Answer: B
Explanation: B) Many firms are working towards a zero-landfill status, where production waste is recycled, repurposed or otherwise eliminated.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

49) What is the main cause of water pollution?
A) Acid rain
B) Landfill runoff
C) Chemical and waste dumping
D) Vehicle exhaust
E) Decomposition
Answer: C
Explanation: C) Water becomes polluted primarily from chemical and waste dumping.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

50) What do new forms of solid-waste disposal such as repurposing combustible waste help prevent?
A) Future contamination of land
B) Toxic dumping
C) Use of phosphates
D) Runoff
E) Zero-landfill claims
Answer: A
Explanation: A) Land and water damaged by toxic waste must be cleaned up for the simple reason that people still need to use them. The prevention of future contamination is accomplished with new forms of solid-waste disposal as one response to these problems.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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51) What is the practice of injecting water and chemicals into underground rock in order to break the rock apart called?
A) Recycling
B) Toxic waste elimination
C) Fracking
D) Zero-landfill support
E) Repurposing
Answer: C
Explanation: C) Fracking involves injecting water and chemical compounds into underground rock formations in order to break them apart. Environmentalists have expressed concerns that the chemical compounds used in fracking may be polluting underground water sources and causing instability in nearby towns and residential areas.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

52) Which government agency regulates advertising and pricing practices to protect consumers?
A) Generally Accepted Accounting Principles
B) North American Free Trade Agreement
C) Food and Drug Administration
D) Federal Trade Commission
E) Children's Online Privacy Protection Act
Answer: D
Explanation: D) To encourage responsibility, the Federal Trade Commission (FTC) regulates advertising and pricing practices, and the Food and Drug Administration (FDA) enforces labeling guidelines for food products.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

53) Social activism dedicated to protecting the rights of consumers is the result of what?
A) Increased legislation
B) Consumerism
C) International agreements
D) The Consumer Bill of Rights
E) Green marketing efforts
Answer: B
Explanation: B) Interest in business responsibility toward customers can be traced to the rise of consumerism, social activism dedicated to protecting the rights of consumers in their dealings with businesses.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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54) When a firm modifies a production process to limit the consumption of valuable resources, what business practice are they engaging in?
A) Collusion
B) Consumerism
C) Green marketing
D) Recycling
E) Near zero status
Answer: C
Explanation: C) Elements of green marketing include Production Processes Businesses, such as Ford Motors and General Electric modifying their production processes to limit the consumption of valuable resources such as fossil fuels by increasing energy efficiency and reducing their output of waste and pollution by cutting greenhouse gas emissions.
Difficulty: Difficult
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

55) What is the result of two or more firms collaborating on a wrongful act, such as price fixing?
A) Unfair pricing
B) Price gouging
C) Product collaboration
D) Collusion
E) Consumerism
Answer: D
Explanation: D) Interfering with competition can take the form of illegal pricing practices. Collusion occurs when two or more firms collaborate on such wrongful acts as price fixing.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

56) When a firm increases the price of a good or service because of an increase in demand, what unethical practice are they potentially engaging in?
A) Consumerism
B) Collusion
C) Unfair pricing
D) Collaboration
E) Price gouging
Answer: E
Explanation: E) Firms can also come under attack for price gouging, responding to increased demand with overly steep (and often unwarranted) price increases.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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57) What is the term for an employee who discovers an illegal or unethical activity and tries to put an end to it?
A) Whistle-blower
B) Inside trader
C) Obstructionist
D) Colluder
E) Accommodator
Answer: A
Explanation: A) A whistle-blower is an employee who discovers and tries to put an end to a company's unethical, illegal, or socially irresponsible actions by publicizing them.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

58) When a stakeholder uses confidential information to gain from the sale or purchase of a stock, what ethical violation are they engaging in?
A) Whistle-blowing
B) Insider training
C) Social accommodation
D) Collusions
E) Gouging
Answer: B
Explanation: B) Insider trading is using confidential information to gain from the purchase or sale of stocks. Legally, stock can only be sold on the basis of public information available to all investors.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

59) What Act requires an organization's chief financial officer to personally guarantee the accuracy of all financial reporting?
A) Generally Accepted Accounting Principles (GAAP)
B) Securities and Exchange Commission (SEC)
C) Sarbanes-Oxley
D) False Claims Act of 1863
E) Whistle-Blower Protection
Answer: C
Explanation: C) In 2002, the U.S. Congress passed the Sarbanes-Oxley Act, which requires an organization's chief financial officer to personally guarantee the accuracy of all financial reporting.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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60) A company that does not act responsibly toward its customers may lose their trust and ultimately their business.
Answer: TRUE
Explanation: There are also many ways in which business is answerable to government control and regulation.
Difficulty: Easy
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

61) The Consumer Bill of Rights is backed by numerous federal and state laws.
Answer: TRUE
Explanation: The six steps of the Consumer Bill of Rights make it easy to implement.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

62) What is collusion?
Answer: Collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing; price fixing occurs when firms illegally control supplies and prices of products.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

63) Define *consumerism.*
Answer: Consumerism is social activism dedicated to protecting the rights of consumers in their dealings with businesses.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

64) Identify who is responsible for regulating advertising and what the key issues are.
Answer: To encourage responsibility, the Federal Trade Commission (FTC) regulates advertising and pricing practices. Some critics also point to misleading labelling and advertising in the agricultural sector. Another issue concerns advertising that some consumers consider morally objectionable–for products such as underwear, condoms, alcohol, tobacco products, and firearms. Laws regulate some of this advertising (for instance, tobacco cannot be promoted in television commercials but can be featured in print ads in magazines), and many advertisers use common sense and discretion in their promotions.
Difficulty: Difficult
AACSB: Reflective thinking
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

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65) What is insider trading? Why would an investor engage in it?
Answer: Insider trading is using confidential information to gain from the purchase or sale of stocks. Confidential information is information that is not available to the general public but that is available to a few people because of their position within a company. For example, investors with inside information may sell a stock at a high price just before a piece of negative information becomes public and the price plummets, thus preventing a big loss. Similarly, an investor with inside information may buy stock at a low price just before a piece of favorable information becomes public and the price of the stock increases.
Difficulty: Difficult
AACSB: Reflective thinking
Objective: 2.3: Show how the concept of social responsibility applies both to environmental issues and to a firm's relationships with customers, employees, and investors.

66) Which of the following is a way to tell how an organization is doing in meeting its social responsibility goals?
A) Governmental mandate
B) Executive summary
C) Social audit
D) Government initiative
E) Financial report
Answer: C
Explanation: C) A social audit is a systematic analysis of an organization's success in using funds earmarked for its social responsibility goals.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

67) What concept is supported by those who believe that corporations should help improve the lives of citizens?
A) Social auditing
B) Government initiative
C) Collusion
D) Social responsibility
E) Social accommodation
Answer: D
Explanation: D) Opinions differ dramatically concerning social responsibility as a business goal. Many believe that corporations should help improve the lives of citizens because they are citizens themselves, often control vast resources, and may contribute to the problems that social programs address.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

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68) What stance do firms who do as little as possible to solve social or environmental problems take?
A) Social accommodation
B) Obstructionist
C) Defensive
D) Accommodative
E) Proactive
Answer: B
Explanation: B) The few organizations that take an obstructionist stance to social responsibility usually do as little as possible to solve social or environmental problems, have little regard for ethical conduct and will go to great lengths to deny or cover up wrongdoing.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

69) If a manager believes their job is to generate profits and is willing to do everything legally required, but no more, what social responsibility stance is being taken?
A) Proactive
B) Accommodative
C) Defensive
D) Obstructionist
E) Social accommodation
Answer: C
Explanation: C) Organizations that take a defensive stance will do everything that is legally required, including admitting to mistakes and taking corrective actions, but nothing more.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

70) Firms that meet, and occasionally exceed, legal and ethical requirements, take what type of social responsibility stance?
A) Proactive
B) Social accommodation
C) Defensive
D) Accommodative
E) Obstructionist
Answer: D
Explanation: D) A firm that adopts an accommodative stance meets and, in certain cases, exceeds its legal and ethical requirements. Such firms will agree to participate in social programs if solicitors convince them that given programs are worthy of their support.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

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71) Those firms that look for opportunities to contribute because of a sincere desire to improve social welfare take what type of social responsibility stance?
A) Obstructionist
B) Accommodative
C) Social accommodations
D) Defensive
E) Proactive
Answer: E
Explanation: E) Firms with the highest degree of social responsibility exhibit the proactive stance; they take to heart the arguments in favor of social responsibility, view themselves as citizens in a society, indicate sincere commitment to improve the general social welfare, and surpass the accommodative stance by proactively seeking opportunities to contribute.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

72) What is the most common and direct way to provide direct financial support when taking a proactive stance to social responsibility?
A) Set up a foundation
B) Reduce prices
C) Make a donation with each purchase
D) Use the Internet to solicit donations
E) Follow all laws set forth by the government
Answer: A
Explanation: A) The most common—and direct—way to implement this stance is to set up a foundation for providing direct financial support for various social programs.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

73) Ethical issues are generally based on what?
A) Social responsibility
B) Individual ethics
C) Laws
D) Societal norms
E) Stakeholder returns
Answer: B
Explanation: B) Ethical issues are largely questions of individual ethics. Ethics and social responsibility are decisions faced by all managers in all organizations, regardless of rank or size.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

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74) The proactive approach to social responsibility argues that profits should not be spent on social programs.
Answer: FALSE
Explanation: Firms with a high proactive approach to social responsibility actively seek ways to contribute to their communities.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

75) The best stance toward social responsibility a company can take is a proactive one.
Answer: TRUE
Explanation: A proactive stance is the highest degree of social responsibility that a firm can exhibit.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

76) There is general consensus within the United States that social responsibility must take precedence over profits.
Answer: FALSE
Explanation: Opinions differ dramatically concerning the role of social responsibility as a business goal; some people oppose any business activity that threatens profits.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

77) Small businesses must answer many of the same social responsibility questions as big businesses.
Answer: TRUE
Explanation: Small businesses must answer many of the same questions as big businesses in the areas of ethics and social responsibility.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

78) How do issues of social responsibility and ethics affect small business?
Answer: Small businesses must address, more or less, the same issues as big businesses—the differences are primarily differences of scale.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

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79) Identify two arguments against social responsibility as a business goal.
Answer: Some skeptics of business-sponsored social projects fear that if businesses become too active, they will gain too much control over the ways in which those projects are addressed by society as a whole. Other critics claim that business organizations lack the expertise needed to address social issues.
Difficulty: Difficult
AACSB: Ethical understanding and reasoning
Objective: 2.4: Identify four general approaches to social responsibility and note the role of social responsibility in small business.

80) How does the government affect the idea of social responsibility in a planned economy?
A) The government requires higher stakeholder returns.
B) The government passes laws to make sure business interests do not damage society.
C) The government heavily regulates business activities to ensure the business supports social ideals.
D) The government attempts to offset small business restrictions.
E) The government limits regulations in exchange for planned giving.
Answer: C
Explanation: C) In planned economies the government heavily regulates business activities, ostensibly to ensure that business supports some overarching set of social ideals.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

81) When the government dictates what organizations can and cannot do, what tactic is the government using?
A) Social responsibility
B) Taxation
C) Stakeholder support
D) Regulation
E) Socialism
Answer: D
Explanation: D) The government most often directly influences organizations through regulation, the establishment of laws and rules that dictate what organizations can and cannot do.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

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82) Where do government regulations evolve from?
A) Laws
B) The National Labor Relations Board
C) Indirect channels
D) The Foreign Corrupt Practices Act
E) Social beliefs
Answer: E
Explanation: E) Regulation usually evolves from social beliefs about how businesses should conduct themselves. To implement legislation, the government generally creates special agencies to monitor and control certain aspects of business activity.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

83) What government agency has the responsibility to handle investor-related issues?
A) SEC
B) Department of Labor
C) FTC
D) Environmental Protection Agency
E) EEOC
Answer: A
Explanation: A) The Environmental Protection Agency handles environmental issues; the FTC and the FDA focus on consumer-related concerns; the Equal Employee Opportunity Commission, the National Labor Relations Board, and the Department of Labor help protect employees; and the SEC handles investor-related issues.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

84) What government agency has the responsibility to oversee consumer-related concerns?
A) Department of Labor
B) FTC
C) Equal Employment Opportunity Commission
D) SEC
E) National Labor Relations Board
Answer: B
Explanation: B) The Environmental Protection Agency handles environmental issues; the FTC and the FDA focus on consumer-related concerns; the Equal Employee Opportunity Commission, the National Labor Relations Board, and the Department of Labor help protect employees; and the SEC handles investor-related issues.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

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85) Which of the following allows for financial sanctions against businesses or business officials who engage in bribery?
A) Sarbanes-Oxley Act
B) SEC Act
C) U.S. Foreign Corrupt Practices Act
D) NRA
E) Political Action Committees
Answer: C
Explanation: C) Another approach that governments can use to regulate business practices is through legislation. For instance, the U.S. Foreign Corrupt Practices Act provides for financial sanctions against businesses or business officials who engage in bribery.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

86) In what way can the government use indirect regulation to affect social responsibility?
A) Enacting laws
B) Supporting shareholders
C) Imposing fines to violators
D) Providing tax incentives
E) Cooperating with foreign governments
Answer: D
Explanation: D) Other forms of regulation are indirect. For example, the government can indirectly influence the social responsibility of organizations through its tax codes. In effect, the government can influence how organizations spend their social responsibility dollars by providing greater or lesser tax incentives.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

87) In what way can a business or industry represent themselves before political bodies in order to influence the government?
A) Personal contacts
B) Financial gifts
C) Lobbying
D) Offering favors
E) Voting
Answer: C
Explanation: C) Lobbying, or the use of persons or groups to formally represent an organization or group of organizations before political bodies, is also an effective way to influence the government.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

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88) If an individual business person wanted to present his or her opinion on a piece of legislations, what method might be used?
A) Voting
B) Lobbying
C) Favors
D) Personal contacts
E) Political action committee meetings
Answer: D
Explanation: D) Because many corporate executives and political leaders travel in the same social circles, personal contacts and networks offer one method of influence.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

89) What type of organizations are used to solicit money that then is distributed to political candidates?
A) Lobbies
B) Government agencies
C) Stakeholders
D) Ethical compliance leaders
E) Political action committees
Answer: E
Explanation: E) Companies themselves cannot legally make direct donations to political campaigns, so they influence the government through political action committees. Political action committees (PACs) are special organizations created to solicit money and then distribute it to political candidates.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

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90) Because of the influence of a more sophisticated and educated public, what approach should corporations take to develop social responsibility plans?
A) The same approach they take when developing any other business strategy.
B) Create new legal and implied requirements.
C) Develop an informal plan and use it to see what work before incorporating those ideas to a formal plan.
D) Increase ethical understanding and training for leadership.
E) Increase philanthropic giving.
Answer: A
Explanation: A) Organizations need to fashion an approach to social responsibility in the same way that they develop any other business strategy. They should view social responsibility as a major challenge that requires careful planning, decision making, consideration, and evaluation.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

91) When a business hires a staff to formally represent the organization before a political body, in efforts to influence that political body, the business is
A) using personal contacts.
B) starting a political action committee.
C) lobbying.
D) asking for favors.
E) campaigning.
Answer: C
Explanation: C) Lobbying, or the use of persons or groups to formally represent an organization or group of organizations before political bodies, is also an effective way to influence the government.
Difficulty: Easy
AACSB: Analytical thinking
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

92) Soliciting favors from an organization or politician, or other influence tactics to gain support are often legal.
Answer: TRUE
Explanation: Organizations sometimes rely on favors and other influence tactics to gain support. Although these favors may be legal, they are still subject to criticism.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

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93) Government will most often influence organizations through the establishment of laws and rules that dictate what organizations can and cannot do.
Answer: TRUE
Explanation: The government most often directly influences organizations through regulation, the establishment of laws and rules that dictate what organizations can and cannot do.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

94) Discuss the difference between lobbying and using Political Action Committees as a means to influence government.
Answer: Lobbying, or the use of persons or groups to formally represent an organization or group of organizations before political bodies, is an effective way to influence the government. Lobbyists work to represent an organizations position on an issue and to influence members of Congress when voting on legislation. Political action committees (PACs) are special organizations created to solicit money and then distribute it to political candidates. Employees of a firm may be encouraged to make donations to a particular PAC because managers know that it will support candidates with political views similar to their own. PACs, in turn, make the contributions themselves, usually to a broad slate of state and national candidates.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.5: Explain the role of government in social responsibility in terms of how governments and businesses influence each other.

95) Which of the following is an informal dimension for managing social responsibility?
A) Legal compliance
B) Whistle-blowing
C) PAC committees
D) Ethical compliance
E) Philanthropic giving
Answer: B
Explanation: B) Formal organizational dimensions that can help manage social responsibility are (1) legal compliance, (2) ethical compliance, and (3) philanthropic giving. Informal dimensions include organization leadership and culture and whistle-blowing.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

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96) What is the extent to which an organization conforms to local, state, federal, and international laws known as?
A) Government agency support
B) Social responsibility
C) Legal compliance
D) Political action
E) Free-trade
Answer: C
Explanation: C) Legal compliance is the extent to which the organization conforms to local, state, federal, and international laws.
Difficulty: Easy
AACSB: Application of knowledge
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

97) What is the extent to which members of an organization follow basic ethical and legal standards of behavior?
A) Social responsibility
B) Norms
C) Values
D) Ethical compliance
E) Legal compliance
Answer: D
Explanation: D) Ethical compliance is the extent to which the members of the organization follow basic ethical (and legal) standards of behavior.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

98) Which of the following is the act of awarding funds or gifts to charities?
A) Ethical compliance
B) Political action
C) Lobbying
D) Informal dimensions of giving
E) Philanthropic giving
Answer: E
Explanation: E) Philanthropic giving is the awarding of funds or gifts to charities or other worthy causes.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

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99) Which of the following best supports an organization's stance in terms of social responsibility and ethical leadership?
A) Philanthropic giving
B) Organizational leadership practices
C) Line and staff members
D) Stakeholders
E) Government intervention
Answer: B
Explanation: B) Leadership practices and organizational culture can go a long way toward defining the social responsibility stance an organization and its members will adopt. Ethical leadership often sets the tone for the entire organization.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

100) To ensure efforts are producing the desired benefit, what must a socially responsible business use?
A) Government regulation
B) The concept of control to social responsibility
C) Ethics
D) An evaluation process of effectiveness
E) Senior leadership task forces
Answer: B
Explanation: B) To make sure their efforts are producing the desired benefits, any business that is serious about social responsibility must apply the concept of control to social responsibility.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

101) When conducting a corporate social audit, what must be evaluated?
A) Cost of social responsibility efforts
B) General goals that are flexible, based on need
C) The resources devoted to each goal
D) The strength of the leadership team
E) Laws and regulation that limit the ability to reach goals
Answer: C
Explanation: C) A task force of high-level managers from within the firm usually conducts the audit. It requires that the organization clearly define all of its social goals, analyze the resources it devotes to each goal, determine how well it is achieving the various goals, and make recommendations about which areas need additional attention.
Difficulty: Moderate
AACSB: Reflective thinking
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

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102) The use of formal committees, training, and codes of conduct help to ensure standards of _____ within an organization.
A) Ethical compliance
B) Philanthropic giving
C) Organizational leadership
D) Social responsibility
E) Legal compliance
Answer: A
Explanation: A) Ethical compliance is the extent to which the members of the organization follow basic ethical (and legal) standards of behavior. Organizations have increased their efforts in this area by providing training in ethics and developing guidelines and codes of conduct.
Difficulty: Easy
AACSB: Analytical thinking
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

103) A whistle-blower is an outsider who reports publicly on the wrongdoings of companies.
Answer: FALSE
Explanation: A whistle-blower is someone within the company who knows about unethical or illegal behavior within the corporation and reports it to authorities.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

104) Most firms use outside auditors to conduct their social audit.
Answer: FALSE
Explanation: Some businesses occasionally conduct a corporate social audit, a formal and thorough analysis of the effectiveness of a firm's social performance. A task force of high-level managers from within the firm usually conducts the audit.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

105) Most philanthropic giving in the United States is targeted towards the arts.
Answer: FALSE
Explanation: Firms today are more likely to give money to job training programs than to the arts. The logic is that they get more direct payoff from the former type of contribution–in this instance, a better-trained workforce from which to hire new employees.
Difficulty: Moderate
AACSB: Ethical understanding and reasoning
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

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106) Discuss ways in which an organization can help to ensure all members of the organization participate in ethical compliance.
Answer: Ethical compliance is the extent to which the members of the organization follow basic ethical (and legal) standards of behavior. Organizations have increased their efforts in this area by providing training in ethics and developing guidelines and codes of conduct. These activities serve as vehicles for enhancing ethical compliance. Many organizations also establish formal ethics committees. These committees might review proposals for new projects, help evaluate new hiring strategies, or assess a new environmental protection plan. They might also serve as a peer review panel to evaluate alleged ethical misconduct by an employee.
Difficulty: Moderate
AACSB: Application of knowledge
Objective: 2.6: Discuss how businesses manage social responsibility in terms of both formal and informal dimensions and how organizations can evaluate their social responsibility.

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