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The Legal Environment of Business and Online Commerce, 9e **(Cheeseman)**
Chapter 2 Ethics and Social Responsibility of Business

1) _____ is a set of moral principles or values that governs the conduct of an individual or a group.
A) Rationality
B) Evolution
C) Ethics
D) Reason
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

2) Which of the following cases is an example of agreement of ethics and laws?
A) a company outsourcing its work to a foreign country to take advantage of cheap labor
B) a person being penalized for bribing a judge to rule a case in the person's favor
C) a company not spending more to keep its emission rates below the legal standard
D) a person hiring an illegal alien worker whose family is destitute
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

3) Law and ethics _____.
A) are the same thing
B) have nothing to do with each other
C) while different, are intertwined
D) can both be ignored by business professionals
Answer: C
Diff: 2
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

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4) Businesses _____.
A) are subject to the laws of the countries in which they operate, but do not owe a social responsibility not to harm society
B) are subject to the laws of the countries in which they operate and owe a social responsibility not to harm society
C) organized in the United States are subject only to its laws, and can ignore the laws of other countries in which they operate
D) organized in the United States can ignore the law as long as they act ethically in the conduct of their affairs and try not to harm society
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

5) All laws are framed to meet the highest ethical standards.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

6) An ethically wrong state or condition can still be legal.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

7) Give an account of the relationship between ethics and law.
Answer: Ethics and the law are intertwined. Although much of the law is based on ethical standards, not all ethical standards have been enacted as law. The law establishes a minimum degree of conduct expected by persons and businesses in society. Ethics demands more. Sometimes the rule of law and the rule of ethics demand the same response by a person confronted with a problem. In some situations, the law may permit an act that is ethically wrong. In some others, the law demands certain conduct, but a person's ethical standards are contrary.
Diff: 1
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

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8) Compare and contrast "business law" and "business ethics."
Answer: While most laws are based on ethical standards, not all ethical standards have been enacted as law. While the law establishes a minimum degree of conduct expected by persons and businesses in society, ethics demands more. Ethics and the law are intertwined. Sometimes the rule of law and the rule of ethics demand the same response by a person confronted with a problem. However, sometimes the law demands certain conduct, but a person's ethical standards are to the contrary. Moreover, in some situations, the law may permit an act that is ethically wrong.
Diff: 1
Skill: Legal Concepts
LO: 2.1 Describe how law and ethics intertwine.
AACSB: Analytical thinking
Classification: Concept

9) _____ is an ethical theory according to which a person adheres to rules or commands that are from an outside source, such as a book or a central figure.
A) Ethical fundamentalism
B) Utilitarianism
C) Ethical relativism theory
D) Rawls's social justice theory
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

10) A government or political party that strictly derives its ethics and laws from a specific religious book is an example of _____.
A) utilitarianism
B) ethical fundamentalism
C) ethical relativism
D) Kantian ethics
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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11) Which of the following statements best describes the moral theory of utilitarianism?
A) People must choose the action or follow the rule that provides the greatest good to society.
B) People must perform actions that are in accordance with a specific moral rule or principle from a religious text.
C) People must choose to follow the actions of a virtuous person.
D) People must perform actions that are based on moral duties imparted by one's community.
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

12) Which of the following is an apparent disadvantage of utilitarianism?
A) It does not allow people to have subjective notions of right and wrong.
B) It is based on moral duties derived from universal rules.
C) It overemphasizes one book or theory.
D) It treats morality as if it were an impersonal mathematical calculation.
Answer: D
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

13) Which of the following theories of ethics is also referred to as duty ethics?
A) Rawls's social justice theory
B) utilitarianism
C) Kantian ethics
D) ethical fundamentalism
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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14) Which of the following moral theories would closely follow the categorical imperative, "Do unto others as you would have them do unto you"?
A) Kantian ethics
B) ethical fundamentalism
C) utilitarianism
D) Rawls's social justice theory
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

15) _____ is a moral theory according to which people owe moral duties that are based on universal rules.
A) Rawls's social justice theory
B) Kantian ethics
C) Utilitarianism
D) Ethical fundamentalism
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

16) Reversibility is a principle of Kantian ethics according to which _____.
A) a person must be allowed to reverse his moral judgment to better suit his needs
B) a person must treat all moral circumstances as one
C) a person must be allowed to selectively choose moral judgments based on the circumstances
D) a person must abide by the rule he or she uses to judge the morality of someone else's conduct
Answer: D
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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17) Consistency is one of the two important principles of _____ upon which its universal laws are based.
A) utilitarianism
B) Kantian ethics
C) Rawls's social justice theory
D) moral relativism
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

18) Which of the following is a perceived disadvantage of Kantian ethics?
A) It treats morality as if it were an impersonal mathematical calculation.
B) It does not allow people to have subjective notions of right and wrong.
C) It is based on universal rules that have no common consensus.
D) It differentiates between the morality one uses to judge others and the morality one uses on oneself.
Answer: C
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

19) Portman, who runs a computer hardware store, had signed a contract with Stewie Inc. to deliver 125 computer monitors. He was to deliver them by the 5th of August, but by the 3rd of August, Portman could not arrange for the monitors, as his regular supplier was not available. He then decided to go to another supplier, who had a higher selling price for monitors, rather than cancelling the contract with Stewie Inc., as he believed it was his duty to do so. Which of the following moral theories matches Portman's behavior?
A) Kantian ethics
B) utilitarianism
C) Rawls's social justice theory
D) ethical fundamentalism
Answer: A
Diff: 2
Skill: Factual Application
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Ethical understanding and reasoning
Classification: Application

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20) How are ethical rules established in Kantian ethics?
A) by a set of universal rules that are based on consistency and reversibility
B) by following principles that have been derived from holy books
C) by an individual's feelings on what is right and wrong
D) by choosing an alternative that is best for the society as a whole
Answer: A
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

21) _____ theory is a moral theory that asserts that fairness is the essence of justice.
A) Kantian ethics
B) Ethical fundamentalism
C) Utilitarianism
D) Rawls's social justice
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

22) From which of the following theories of morality is Rawls's social justice theory fundamentally derived?
A) the utilitarianism theory
B) the ethical fundamentalism theory
C) the social contract theory
D) the moral relativism theory
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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23) Which of the following is a perceived disadvantage of Rawls's social justice theory?
A) It allows those in advantageous positions to suppress people in least advantageous positions in a society.
B) It does not consider the fact that people would not want to maximize benefits to the least advantaged persons in a society.
C) It only allows people in advantageous positions in a society to form rules on morality.
D) It postulates that there are no universal ethical rules to guide a person's conduct.
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

24) Which of the following moral theories represents the dictum, "I will keep the rules if everyone else does"?
A) perspectivism
B) social contract
C) ethical fundamentalism
D) utilitarianism
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

25) How are ethical rules established in Rawls's social justice theory?
A) by establishing a set of universal rules based on consistency and reversibility
B) by establishing an original position of a veil of ignorance
C) by the ruling class or people in advantageous positions
D) by following what's best for the society as a whole
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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26) _____ is a moral theory that holds that individuals must decide what is ethical based on their own feelings about what is right and wrong.
A) Ethical relativism
B) Kantian ethics
C) Utilitarianism
D) Rawls's social justice theory
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

27) Which of the following moral theories will help an anthropologist study ancient societies with an impartial and unprejudiced mindset?
A) Rawls's social justice theory
B) utilitarianism
C) Kantian ethics
D) ethical relativism
Answer: D
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

28) According to ethical relativism, _____.
A) ethics rely on duties based on universal rules that one is morally bound to follow
B) each person is presumed to have entered into a social contract with all others in society to obey moral rules
C) there are no universal ethical rules to guide a person's conduct
D) people must choose an action or follow a rule that provides the greatest good to society
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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29) Steve Templeton, the CEO of Rolland Motor Company, is contemplating the shutdown of a plant in Kantron. The plant has been unprofitable for some time now, and there is an increasing pressure from shareholders to shut it down so as to balance the loss being incurred by the shareholders. Closing the plant would result in the employees losing their jobs and the local suppliers losing a major buyer. It will also have an adverse effect on the community of Kantron as the plant is one of the main sources of employment for the locals. Steve considers all these factors before deciding the fate of the plant. After considering all the factors, if Steve finds that the loss to the employees and the community is far greater than that incurred by the shareholders and decides to keep the plant open, which of the following moral theories matches Steve Templeton's approach to the situation?
A) Kantian ethics
B) Rawls's social justice theory
C) ethical fundamentalism
D) utilitarianism
Answer: D
Diff: 3
Skill: Factual Application
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Application of knowledge
Classification: Application

30) Which of these is NOT a major theory of ethics?
A) ethical fundamentalism
B) utilitarianism
C) Kantian ethics
D) quantum mechanics
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

31) Which of the following is a major theory of ethics?
A) conformal field theory
B) general theory of relativity
C) ethical relativism
D) perturbation theory
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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32) One criticism of ethical fundamentalism is that _____.
A) it is far too permissive
B) it does not permit people to determine right and wrong for themselves
C) it treats morality as a mathematical calculation
D) it provides no universal ethical rules to guide a person's conduct
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

33) Utilitarianism _____.
A) dictates that people choose the action or follow the rule that provides the greatest good to society
B) dictates that people choose the action or follow the rule that provides the greatest good for the greatest number of people
C) dictates that people choose the action or follow the rule that provides the individual actor with the greatest level of pleasure
D) dictates that people must choose the action or follow the rule that provides the maximum profit
Answer: A
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

34) Billionaire Jonathon Apple convinced the Goudaville Town Council that they should condemn the Old McDonald Dairy so he can build an electronics plant on the land, arguing that the benefits to the community in the form of new jobs and extra tax revenues to be generated by the plant will far outweigh the detriment to the McDonald family from shuttering their business. Jonathon's argument is an example of _____.
A) ethical fundamentalism
B) Kantian ethics
C) ethical relativism
D) utilitarianism
Answer: D
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Ethical understanding and reasoning
Classification: Concept

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35) In Kantian ethics, the mandate, "Do unto others as you would have them do unto you" is referred to as _____.
A) the proletariat manifesto
B) the categorical imperative
C) the golden ratio
D) the manifest destiny
Answer: A
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

36) Under the social contract theory of morality, it is presumed that each person in a society has entered into a social contract with all others in the society to _____.
A) maximize profit
B) obey the mandates of religious institutions
C) do that which provides the greatest good to society
D) obey moral rules that are necessary for people to live in peace and harmony
Answer: D
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

37) The "veil of ignorance" is a term most associated with _____.
A) Rawls's social justice theory
B) Kantian ethics
C) ethical relativism
D) utilitarianism
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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38) The proposition that the least advantaged in a society must receive special assistance to realize their potential is most closely associated with _____.
A) Kantian ethics
B) ethical relativism
C) Rawls's theory of social justice
D) ethical fundamentalism
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

39) Fred routinely cheats on his taxes. Fred has decided that based on his personal feelings cheating on his taxes is the right thing to do, and that no one else can criticize him for this stance. What moral theory does Fred apparently follow?
A) Kantian ethics
B) ethical relativism
C) Rawls's theory of social justice
D) ethical fundamentalism
Answer: B
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

40) Under the moral theory of _____, a person looks to an outside source for ethical rules or commands.
A) ethical fundamentalism
B) utilitarianism
C) ethical relativism
D) Rawlsian ethics
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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41) _____ is a moral theory with origins in the works of Jeremy Bentham and John Stuart.
A) Perspectivism
B) Social contract
C) Ethical fundamentalism
D) Utilitarianism
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

42) The moral theory that dictates that people should choose the action or follow the rule that provides the greatest good to society is referred to as _____.
A) perspectivism
B) social contract
C) utilitarianism
D) ethical fundamentalism
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

43) _____ is one of the two principles of Kantian ethics according to which the actor must abide by the rule he or she uses to judge the morality of someone else's conduct.
A) Consistency
B) Reversibility
C) Irreversibility
D) Inconsistency
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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44) Kantian ethics is also referred to as _____ ethics.
A) duty
B) moral
C) permissive
D) relative
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

45) According to Rawls's social justice theory, _____ is considered the essence of justice.
A) duty
B) legality
C) profitability
D) fairness
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

46) Rawls's social justice theory is based on the _____ theory of morality proposed by John Locke and Jean-Jacques Rousseau.
A) religious
B) utilitarian
C) social contract
D) duty
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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47) Under the moral theory of _____, if a person meets his or her own moral standard in making a decision, no one can criticize him or her for it.
A) utilitarianism
B) ethical fundamentalism
C) social contract
D) ethical relativism
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

48) Under ethical fundamentalism, a person looks to an outside source for ethical rules or commands.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

49) The main criticism about ethical fundamentalism is that it does not allow people to decide for themselves what is right and what is wrong.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

50) Utilitarianism postulates doing the greatest good for the greatest number of people.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

51) Kantian ethics is also known as duty ethics.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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52) Kant believed that people owe moral duties that are based on universal rules.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

53) Kantian ethics is based on the premise that people can use reasoning to reach ethical decisions.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

54) The principle of inconsistency of Kantian ethics postulates treating all ethical cases differently.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

55) According to Kantian ethics, one would be obligated to abide by a contract even if that contract turns out to be detrimental to the obligated party.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

56) Kantian ethics distinguishes between the morality one uses to judge others and the morality one uses on oneself.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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57) The social contract theory is derived from Rawls's social justice theory.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

58) According to Rawls's social justice theory, a person who is in his or her "veil of ignorance" is best fit to select the fairest possible ethical principles.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

59) According to Rawls's social justice theory, moral duties are based on an implied social contract.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

60) Ethical relativism holds that moral standards ought to be based on an individual's feelings of what is right and what is wrong.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

61) According to ethical relativism, an action that is usually thought to be unethical would not be considered unethical if the perpetrator thought it was ethical.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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62) Explain the two principles on which the universal rules of Kantian ethics are based.
Answer: The universal rules of Kantian ethics are based on two important principles:
(1) Consistency–that is, all cases are treated alike, with no exceptions–and
(2) Reversibility–that is, the actor must abide by the rule he or she uses to judge the morality of someone else's conduct. Thus, if one makes an exception for oneself, that exception becomes a universal rule that applies to all others.
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

63) What is ethical relativism?
Answer: Ethical relativism holds that individuals must decide what is ethical based on their own feelings about what is right and wrong. Under this moral theory, if a person meets his or her own moral standard in making a decision, no one can criticize him or her for it. Thus, there are no universal ethical rules to guide a person's conduct. This theory has been criticized because action that is usually thought to be unethical would not be unethical if the perpetrator thought it was ethical. Few philosophers advocate ethical relativism as an acceptable moral theory.
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

64) Describe the major tenets of Rawls's Social Justice Theory and identify two criticisms of this theory.
Answer: Developed by Harvard University philosopher John Rawls, Rawls's social justice theory considers fairness as the essence of justice. Further, this theory holds that the principles of justice should be chosen by persons who do not yet know their station in society–thus, their "veil of ignorance" would permit the fairest possible principles to be selected. Rawls also proposed that the least advantaged in society must receive special assistance to realize their potential. Rawls's theory of social justice is criticized for two reasons. First, establishing the blind "original position" for choosing moral principles is impossible in the real world. Second, many persons in society would choose not to maximize the benefit to the least advantaged persons in society.
Diff: 2
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

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65) What is the social contract theory of morality?
Answer: Proposed by John Locke and Jean-Jacques Rousseau, the social contract theory of morality posits that each person is presumed to have entered into a social contract with all others in society to obey moral rules that are necessary for people to live in peace and harmony. This implied contract states, "I will keep the rules if everyone else does." These moral rules are then used to solve conflicting interests in society.
Diff: 1
Skill: Legal Concepts
LO: 2.2 Describe and apply the moral theories of business ethics.
AACSB: Analytical thinking
Classification: Concept

66) What does "maximizing profits" as a social responsibility theory in business imply?
A) A corporation must consider the effects of its actions on persons other than its shareholders.
B) A corporation's duty is to make a profit while avoiding causing harm to others.
C) A corporation owes a duty to take actions that increase profits for its shareholders.
D) A corporation has the prime responsibility of increasing its profits in order to benefit the society at large.
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

67) A social responsibility theory of business according to which a corporation's duty is to make a profit while avoiding causing harm to others is referred to as _____.
A) stakeholder interest
B) corporate citizenship
C) maximizing profits
D) moral minimum
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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68) Steve Templeton, the CEO of Rolland Motor Company, is contemplating the shutdown of a plant in Kantron. The plant has been unprofitable for some time now, and there is increasing pressure from shareholders to shut it down so as to balance the loss being incurred by the shareholders. But closing the plant would be a blow to the employees as they will lose their jobs, and the local suppliers will lose a major buyer. There is also fear that the sudden closing of the plant will have an adverse effect on the community of Kantron, as the plant is one of the main sources of employment for the locals. Steve Templeton considered all these factors before making a decision on the fate of the plant. If Steve Templeton decides not to close the plant in Kantron, what business social responsibility will Steve Templeton be achieving?
A) moral minimum
B) corporate citizenship
C) maximizing profits
D) stakeholder interest
Answer: D
Diff: 3
Skill: Factual Application
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Application of knowledge
Classification: Application

69) Steve Templeton, the CEO of Rolland Motor Company, is contemplating the shutdown of a plant in Kantron. The plant has been unprofitable for some time now, and there is increasing pressure from shareholders to shut it down so as to balance the loss being incurred by the shareholders. But closing the plant would be a blow to the employees as they will lose their jobs, and the local suppliers will lose a major buyer. There is also fear that the sudden closing of the plant will have an adverse effect on the community of Kantron, as the plant is one of the main sources of employment for the locals. Steve Templeton considered all these factors before making a decision on the fate of the plant. If Steve Templeton decides to close the plant in Kantron, what important business social responsibility will Steve Templeton accomplish?
A) moral minimum
B) corporate citizenship
C) maximizing profits
D) stakeholder interest
Answer: C
Diff: 3
Skill: Factual Application
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Application of knowledge
Classification: Application

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70) Sinbad Cola, a soft drink manufacturer, opened a plant in Buron. The waste from the plant was released into the Buron Sea, which was situated a mile away from the plant. Releasing the wastes into the sea resulted in water pollution and groundwater contamination. The water pollution in turn negatively affected Buron's fishing business. Sinbad Cola compensated for this by bringing the contamination levels down with additional filters and paying for the damages to the local fisheries. Which theory of business social responsibility did Sinbad Cola comply with when it compensated for its harmful waste disposal methods?
A) moral minimum
B) stakeholder interest
C) corporate citizenship
D) maximizing profits
Answer: A
Diff: 3
Skill: Factual Application
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Application of knowledge
Classification: Application

71) ULab Inc., a biotechnology firm, lost one of its offices in a fire. The employees did not have a fire drill, and the 10-story building had no fire escape. This resulted in many employees being hospitalized for physical injuries, burns, and toxic smoke inhalation. What important social responsibility theory did ULab neglect by not having a fire drill for its employees and not installing a fire exit?
A) corporate citizenship
B) moral minimum
C) stakeholder interest
D) maximizing profits
Answer: B
Diff: 3
Skill: Factual Application
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Application of knowledge
Classification: Application

72) _____ is a social responsibility theory of business according to which a corporation must consider the effects that its actions have on persons other than its shareholders.
A) Corporate citizenship
B) Maximizing profits
C) Moral minimum
D) Stakeholder interest
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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73) What does "corporate citizenship" as a social responsibility theory in business imply?
A) Businesses are responsible for helping to solve social problems that they did little, if anything, to cause.
B) Businesses owe a duty to take actions that increase profits for shareholders.
C) Businesses have a responsibility solely to their stakeholders and strive to maximize their well-being.
D) Businesses are obliged to consider the effects of their actions on persons other than their shareholders.
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

74) Conch Corporation, a global oil and gas company, plans to open a subsidized postsecondary vocational school in the town of Cristen, where one of its offices is situated. The plan is put to vote and then approved despite some objection from shareholders. The school is being opened in collaboration with the local government. Its objective is to help the youth of the neighborhood, especially dropouts, learn a vocational skill. What social responsibility theory describes Conch Corporation's move to open the school?
A) moral minimum
B) maximizing profits
C) corporate citizenship
D) stakeholder interest
Answer: C
Diff: 3
Skill: Factual Application
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Application of knowledge
Classification: Application

75) In the past, many business decisions were based solely on a cost—benefit analysis and how they affected the bottom line. However, the realization that such decisions made by businesses have far-reaching effects on society has led to the development of _____.
A) the theories of the social responsibility of business
B) the Securities and Exchange Commission
C) the Uniform Sentencing Guidelines
D) Kantian ethics
Answer: A
Diff: 2
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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76) Which of these is NOT a theory of the social responsibility of business?
A) maximize profits
B) moral minimum
C) stakeholder interest
D) collective bargaining
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

77) Under the maximize profits theory of the social responsibility of business, businesses should be primarily concerned with the interests of _____.
A) its workers
B) the members of the communities in which the business operates
C) its shareholders
D) taxpayers
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

78) The theory of corporate social responsibility that would hold that so long as a business avoids or corrects the social injury it causes, it has met its duty of social responsibility is the _____.
A) mini-max theory
B) moral minimum theory
C) super-max theory
D) maximize profits theory
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
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Classification: Concept

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79) The corporate social responsibility theory that argues that businesses have a responsibility to not just "do well," but also "do good" is the _____.
A) corporate citizenship theory
B) moral minimum theory
C) stakeholder interest theory
D) maximize profits theory
Answer: A
Diff: 2
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

80) The _____ theory of social responsibility compels a corporation to correct the social injury it causes.
A) moral minimum
B) maximizing profits
C) corporate citizenship
D) stakeholder interest
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

81) The legislative and judicial branches of government have established laws that enforce the _____ of social responsibility for corporations.
A) stakeholder interest
B) maximizing profits
C) corporate citizenship
D) moral minimum
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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82) The _____ theory of social responsibility states that a corporation must consider the effects its actions have on persons other than its shareholders.
A) moral minimum
B) maximizing profits
C) corporate citizenship
D) stakeholder interest
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

83) The _____ theory of social responsibility requires corporations to solve social problems, including ones it did little, if anything, to cause.
A) corporate citizenship
B) maximizing profits
C) moral minimum
D) stakeholder interest
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

84) The _____ Act enacted by Congress in 2002 requires public companies to adopt codes of ethics and establishes criminal penalties for companies that partake in violations.
A) Glass-Steagall
B) Sarbanes-Oxley
C) False Claims
D) Business Norms
Answer: B
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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85) Section 406 of the _____ Act requires a public company to disclose whether it has adopted a code of ethics for senior financial officers.
A) Smoot-Hawley
B) Taft-Hartley
C) Wright-Patterson
D) Sarbanes-Oxley
Answer: D
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

86) The traditional view of social responsibility of business emphasized maximizing profits for employees rather than shareholders.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

87) The moral minimum theory emphasizes correcting social injuries caused by a business.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

88) The moral minimum theory emphasizes making a profit even while causing harm to others.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

89) There are no specific governmental laws endorsing the moral minimum of social responsibility for corporations.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
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Classification: Concept

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90) The stakeholder interest theory compels a corporation to consider the effects of its actions specifically on shareholders.
Answer: FALSE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

91) The corporate citizenship theory contends that corporations have to promote the same social goals as individual members of the society.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

92) Section 406 of the Sarbanes-Oxley Act requires a public company to disclose whether it has adopted a code of ethics for senior financial officers.
Answer: TRUE
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

93) Give an account of the social responsibility of businesses. List its four main theories.
Answer: Businesses do not operate in a vacuum. Decisions made by businesses have far-reaching effects on society. In the past, many business decisions were based solely on a cost-benefit analysis and how they affected the bottom line. Such decisions, however, may cause negative externalities for others. Social responsibility requires corporations and businesses to act with awareness of the consequences and impact that their decisions will have on others. Thus, corporations and businesses are considered to owe some degree of responsibility for their actions. The four theories of the social responsibility of business are maximize profits, moral minimum, stakeholder interest, and corporate citizenship.
Diff: 2
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

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94) What is the moral minimum theory in the social responsibility of businesses?
Answer: Some proponents of corporate social responsibility argue that a corporation's duty is to make a profit while avoiding causing harm to others. This theory of social responsibility is called the moral minimum. Under this theory, as long as a business avoids or corrects the social injury it causes, it has met its duty of social responsibility. The legislative and judicial branches of government have established laws that enforce the moral minimum of social responsibility for corporations.
Diff: 1
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

95) Describe the maximize profits theory of the social responsibility of business and identify the Nobel Prize-winning economist from the University of Chicago who advocated this theory.
Answer: The maximize profits theory is the traditional view of the social responsibility of business. This theory calls on businesses to maximize profits for its shareholders. This view, which dominated business and the law during the 19th century, holds that the interests of other constituencies (e.g., employees, suppliers, residents of the communities in which businesses are located) are not important in and of themselves. Milton Friedman, who won the Nobel Prize in economics when he taught at the University of Chicago, advocated the theory of maximizing profits for shareholders. Friedman asserted that in a free society, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud."
Diff: 2
Skill: Legal Concepts
LO: 2.3 Describe and apply the theories of the social responsibility of business.
AACSB: Analytical thinking
Classification: Concept

96) Which of the following is a characteristic of a public benefit corporation?
A) It is a not-for-profit corporation.
B) Its mission is purely to maximize profit.
C) One of its purposes is to generate benefits for society.
D) It is owned by the Federal government.
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
AACSB: Analytical thinking
Classification: Concept

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97) Which of the following is NOT another term for a public benefit corporation?
A) benefit corporation
B) B corp.
C) PB&J corp.
D) social purpose corporation
Answer: C
Diff: 1
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
AACSB: Analytical thinking
Classification: Concept

98) Which of these statements is true with regards to public benefit corporations?
A) Most states have enacted legislation that permits public benefit corporations.
B) To date, only one state has enacted legislation allowing for public benefit corporations.
C) Public benefits corporations are only chartered by the Federal government.
D) Most states have *not* enacted legislation that permits public benefit corporations.
Answer: A
Diff: 1
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
AACSB: Analytical thinking
Classification: Concept

99) Which of these would NOT be considered a typical specific public benefit purpose of a public benefit corporation?
A) reducing the company's carbon footprint
B) engaging in sustainability efforts
C) maximizing shareholder value
D) giving 25 percent of its profits to charity
Answer: C
Diff: 2
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
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100) Which of these entities has chosen to conduct its business as a public benefit corporation?
A) Salvation Army
B) United States Postal Service
C) Federal Reserve Bank
D) Ben and Jerry's
Answer: C
Diff: 2
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
AACSB: Analytical thinking
Classification: Concept

101) By law, the directors and officers of a public benefit corporation may act differently than directors and officers of a traditional corporation. Describe this difference.
Answer: When making corporate decisions, the officers and directors of a traditional corporation are primarily concerned with the interests of the corporation's shareholders. By contrast, the officers and directors of a public benefit corporation may consider stakeholders other than shareholders when making corporate decisions. These other stakeholders may include employees, customers, suppliers, and the community.
Diff: 2
Skill: Legal Concepts
LO: 2.4 Define public benefit corporation and describe the social purposes served by these corporations.
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