# *Business A Changing World 10th edition Ferrell Test Bank*

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# Chapter 02
# Business Ethics and Social Responsibility

## True / False Questions

1. All business decisions cannot be judged as right or wrong, ethical or unethical.

**FALSE**

Whether made in science, politics, sports, or business, any organizational decision can be judged as right or wrong, ethical or unethical.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 2 Medium*
*Learning Objective: 02-01 Define business ethics and social responsibility and examine their importance.*
*Topic: The Ethical Concerns that Affect Business*

2. An ethical issue is an identifiable problem, situation, or opportunity that requires a person or organization to choose from among several actions that may be evaluated as ethical or unethical.

**TRUE**

An ethical issue is an identifiable problem, situation, or opportunity that requires a person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. In business, this choice usually involves weighing monetary gain against what a person considers appropriate conduct.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
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3. Ethical decisions in an organization are influenced by individual moral standards.

**TRUE**

Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and coworkers, and the opportunity to engage in misconduct

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*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

4. The concept of social responsibility is universally accepted.

**FALSE**

Although the concept of social responsibility is receiving more and more attention, it is still not universally accepted.

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*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*


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5. A major social responsibility for business is providing equal opportunities for all employees.
**TRUE**

A major legal and social responsibility for business is providing equal opportunities for all employees regardless of their sex, age, race, religion, or nationality.

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*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*

## Multiple Choice Questions

6. The principles and standards that determine acceptable conduct in business organizations are referred to as:
A. social responsibility.
B. business strategies.
**C.** business ethics.
D. business stances.
E. corporate citizenship.

Business ethics is defined as the principles and standards that determine acceptable conduct in business organizations.

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7. Which of the following statements is true?
A. All actions deemed unethical by society are also illegal.
B. The concerns of what is legal and ethical do not change over time.
C. The terms social responsibility and ethics should be used interchangeably.
**D.** Companies can be both profitable and socially responsible.
E. Businesses whose sole objective is to earn profit may not consider their social responsibility.

Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. Socially responsible businesses win the trust and respect of their employees, customers, and society and, in the long run, increase profits.

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8. The term _____ refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.
A. social citizenship
B. social strategy
C. social ethics
**D.** social responsibility
E. social rule

Social responsibility refers to a business's obligation to maximize its positive impact and minimize its negative impact on society.

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9. Which of the following statements is true?
A. Business ethics relates to an individual's values, principles, and standards of conduct.
B. The acceptability of behavior in business is determined only by the organization in question.
**C.** Social responsibility and social ethics do not mean the same thing.
D. Businesses should only make a profit rather than consider the social implications of their activities.
E. Most unethical activities within organizations are not supported by an organizational culture that encourages employees to bend the rules.

Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong.

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10. The _____ Act criminalized securities fraud and toughened penalties for corporate fraud.
A. Dodd-Frank
B. Federal Trade Commission
C. Foreign Corrupt Practices
**D.** Sarbanes-Oxley
E. Sherman Antitrust

Congress passed the Sarbanes-Oxley Act in response to several prominent accounting scandals. The law criminalized securities fraud and stiffened penalties for corporate fraud.

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11. Which of the following laws criminalized securities fraud and stiffened penalties for corporate fraud?
A. The Glass-Steagall Legislation
B. The Sherman Act
**C.** The Sarbanes-Oxley Act
D. The Clayton Act
E. The Celler-Kefauver Act

The Sarbanes-Oxley Act was passed in 2002 by Congress to criminalize securities fraud as well as stiffen penalties for corporate fraud. This was a response to public outcry regarding accounting scandals in the early 2000s and to restore confidence in corporate America.

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12. The Sarbanes-Oxley Act was passed to:
A. punish those who committed accounting fraud in the late 1990s.
B. improve corporate profits.
C. help laid-off employees get their jobs back.
D. help investors recoup their losses.
**E.** help restore confidence in corporate America.

The Sarbanes-Oxley Act was passed in 2002 by Congress to criminalize securities fraud as well as stiffen penalties for corporate fraud. This was a response to public outcry regarding accounting scandals in the early 2000s and to restore confidence in corporate America.

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13. One of the most difficult things for a business to restore after an ethics scandal is:
A. regulations.
B. ethics training programs.
**C.** trust.
D. codes of conduct.
E. morale.

Ethical conduct builds trust and credibility. Establishing trust and confidence is much more difficult in organizations that have reputations for acting unethically.

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14. Which of the following does ethical conduct build among individuals and in business relationships, which validates and promotes confidence in business relationships?
A. Pride
**B.** Trust
C. Self-reliance
D. Creativity
E. Rigor

Ethical conduct builds trust among individuals and in business relationships, which validates and promotes confidence in business relationships.

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15. Which of the following statements is true of ethics?
**A.** Ethical issues are not limited to for-profit organizations.
B. Business ethics do not go beyond legal issues.
C. Ethical conduct does not have any impact on business relationships.
D. Ethical conflicts do not evolve into legal disputes.
E. Ethical issues are not affected by social perceptions.

Ethical issues are not limited to for-profit corporations but also affect government, non-profits such as universities, sports, and individuals.

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16. Which of the following is a key step in evaluating ethical decisions in business?
A. Assuming that ethical issues do not include all areas of organizational activities
B. Recognizing that social responsibility and ethics are inversely related to each other
C. Understanding that business ethics does not go beyond legal issues
D. Identifying that ethics is not culture-specific
**E.** Learning how to recognize and resolve ethical issues

Learning how to recognize and resolve ethical issues is a key step in evaluating ethical decisions in business.

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17. _____ are payments, gifts, or special favors intended to influence the outcome of a decision.
**A.** Bribes
B. Emoluments
C. Stipends
D. Grants
E. Recompenses

Bribes are payments, gifts, or special favors intended to influence the outcome of a decision. A bribe benefits an individual or a company at the expense of other stakeholders.

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18. Which of the following is the most common ethical problem for employees?
A. Theft of time
B. Misuse of company resources
**C.** Intimidating behavior
D. Insider trading
E. Conflict of interest

Abusive or intimidating behavior is the most common ethical problem for employees. These concepts can mean anything from physical threats, false accusations, profanity, insults, yelling, harshness, and unreasonableness to ignoring someone or simply being annoying; and the meaning of these words can differ by person.

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19. Abusive behavior is difficult to assess and manage because of:
A. the debate surrounding the acceptability.
B. ethical issues that often emerge from conflict.
C. different rating companies.
**D.** diversity in culture and lifestyle.
E. the fact that they lead to higher levels of unemployment.

Abusive behavior is difficult to assess and manage because of diversity in culture and lifestyle.

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20. Which of the following acts amounts to bullying?
A. Trading within insiders
**B.** Discrediting others' ideas and opinions
C. Lobbying for or against someone
D. Mediating as a third party
E. Buying or selling of stocks by insiders

Actions associated with bullies include spreading rumors to damage others and discrediting others' ideas and opinions.

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21. Within the concept of abusive behavior, _____ should be a consideration.
**A.** intent
B. context
C. natural environment
D. cultural norms
E. business ethics

Within the concept of abusive behavior, intent should be a consideration.

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22. _____ is the buying or selling of stocks by insiders who possess material that is still not public.
A. Gatekeeping
B. Whistleblowing
C. Downcycling
**D.** Insider trading
E. Plagiarizing

Insider trading is an example of a conflict of interest. Insider trading is the buying or selling of stocks by insiders who possess material that is still not public. The Justice Department has taken an aggressive stance toward insider trading.

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23. According to the National Business Ethics Survey, _____ is the number one area of misconduct observed in the workplace.
A. plagiarism
B. discrimination
**C.** abusive behavior
D. misuse of company time
E. stealing

According to the National Business Ethics Survey, abusive behavior is the number one area of misconduct observed in the workplace.

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24. Identify a true statement about ethics and code of conduct.
A. One of the principal causes of unethical behavior in organizations is less aggressive financial or business objectives.
B. Among the several ethical issues of today, time theft costs can be easy to measure.
C. Within the concept of abusive behavior, intent should not be a consideration.
**D.** Ethics is related to the culture in which a business operates.
E. Bullying has more legal recourse than sexual harassment.

Ethics is also related to the culture in which a business operates. In the United States, for example, it would be inappropriate for a businessperson to bring an elaborately wrapped gift to a prospective client on their first meeting—the gift could be viewed as a bribe.

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25. Which of the following has developed a Corruption Perceptions Index?
A. Financial Executives International
B. Texas Instruments
C. National Business Ethics International
D. ORC International
**E.** Transparency International

Transparency International has developed a Corruption Perceptions Index.

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26. Which of the following is true of bullying?
A. Bullying is not a widespread problem in the United States.
**B.** Bullying can occur between companies that are intense competitors.
C. 21 percent of workplace bullies are supervisors.
D. Bullying cannot occur in all types of businesses.
E. To avoid bullying, employees must be able to consider their personal financial interests and their business dealings as one unit.

Bullying can also occur between companies that are intense competitors. For example, European antitrust regulators alleged that some of the world's biggest banks—including Goldman Sachs, Morgan Stanley, and J.P. Morgan— collaborated with an industry association to prevent exchanges from offering and trading in credit derivatives.

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27. _____ in particular have the opportunity to influence employees' actions.
**A.** Managers
B. Subordinates
C. Junior level employees
D. Financiers
E. Customers

Managers in particular, because of the authority of their position, have the opportunity to influence employees' actions. For example, a manager might influence employees to use pirated computer software to save costs.

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28. Open discussion of ethical issues:
A. does not promote trust in an organization.
**B.** does not eliminate ethical problems.
C. leads to more unethical practices.
D. eliminates the process of resolving an issue.
E. leads to a gridlock of a situation.

Open discussion of ethical issues does not eliminate ethical problems, but it does promote both trust and learning in an organization. When people feel that they cannot discuss what they are doing with their coworkers or superiors, there is a good chance that an ethical issue exists.

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29. Laura, a manager, makes decisions that benefit her financially at the expense of her firm. Which of the following ethical issues in business is addressed in this example?
A. Bullying
B. Bribery
**C.** Conflict of interest
D. Intimidating behavior
E. Misuse of company time

A conflict of interest occurs when an employee must choose whether to advance his or her own interests or those of the firm. If managers make decisions that give them more power or money but do not help the company, then they have a conflict of interest.

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30. Which of the following is associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized?
A. Conflict of interest
B. Bribery
C. Treachery
D. Treason
**E.** Bullying

Bullying is associated with a hostile workplace when a person or group is targeted and is threatened, harassed, belittled, verbally abused, or overly criticized. Bullying may create what some consider a hostile environment, a term generally associated with sexual harassment.

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31. Which of the following is true of bullying?
A. Surveys reveal that bullying in the workplace is on the decline.
B. Bullying cannot occur in all types of businesses.
C. Flaunting status or authority to take advantage of others does not amount to the act of bullying.
**D.** Although sexual harassment has legal recourse, bullying has little legal recourse at this time.
E. Insider trading is an example of bullying.

Although sexual harassment has legal recourse, bullying has little legal recourse at this time. Bullying is a widespread problem in the United States, and can cause psychological damage that can result in health-endangering consequences to the target.

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32. Which of the following exists when a person must choose whether to advance his or her own personal interests or those of others?
A. An act of impeachment
**B.** A conflict of interest
C. A fiduciary
D. An escrow
E. A recusal

A conflict of interest, one of the most common ethical issues identified by employees, exists when a person must choose whether to advance his or her own personal interests or those of others.

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33. Which of the following is an example of a conflict of interest?
A. Third-party transaction
**B.** Insider trading
C. Mediation
D. Arbitration
E. Renegotiated buyout

Insider trading is an example of a conflict of interest. Insider trading is the buying or selling of stocks by insiders who possess material that is still not public.

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34. The fact that businesspersons are expected not to harm customers, clients, and competitors knowingly through deception, misrepresentation, coercion, or discrimination is part of the practice of:
A. business relationships.
B. communications.
C. conflict of interest.
**D.** fairness and honesty.
E. consumerism.

Fairness and honesty are at the heart of business ethics and relate to values of decision makers. Businesspersons obeying the law are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination.

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35. A video gaming company was investigated for allegedly raising prices of its video game consoles during the Christmas shopping season and manipulating the supply of games available at that time. This ethical issue is primarily concerned with:
A. conflict of interest.
B. communications.
**C.** fairness and honesty.
D. cost control.
E. rules of games.

One aspect of fairness relates to competition. Companies sometimes attempt to gain control over markets by using questionable practices, such as manipulating the supply of products that harm competition.

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36. Which of the following is an Internet service that allows teachers to determine if their students have plagiarized content?
A. Kioskea
**B.** Turnitin
C. Savee
D. G-NetLog
E. Mobgo Secure

TurnItIn is an Internet service that allows teachers to determine if their students have plagiarized content.

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37. In the realm of business ethics, making claims about dietary supplements or the health benefits of certain unproven ingredients is an issue related to:
A. conflict of interest.
**B.** communications.
C. product design.
D. business relationships.
E. financing.

Truthfulness about product quality and effectiveness is important to consumers. Many marketers of dietary supplements make unproven or even false claims that their products will help the consumer lose weight, gain muscle, or improve their overall health.

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38. Alcoholic beverage and cigarette manufacturers have argued that a total ban on cigarette and alcohol advertisements violates the:
A. Sixth Amendment
B. Thirteenth Amendment
C. Tenth Amendment
**D.** First Amendment
E. Second Amendment

Alcoholic beverage and cigarette manufacturers have argued that a total ban on cigarette and alcohol advertisements violates the First Amendment. Internet regulation, particularly that designed to protect children and the elderly, is at the forefront in consumer protection legislation.

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39. The National Business Ethics Survey found that employees who feel pressured to compromise ethical standards view _____ as the greatest source of such pressure.
A. CEOs
B. shareholders and stakeholders
C. clients
**D.** top and middle managers
E. coworkers

Managers, because of the inherent authority of their position, have the opportunity to influence employees' actions. The National Business Ethics Survey found that employees who feel pressured to compromise ethical standards view top and middle managers as the greatest source of such pressure.

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40. _____ involves taking someone else's work and presenting it as your own.
A. Conflict of interest
B. Bullying
C. Inspiration
D. Bribery
**E.** Plagiarism

In business, the ethical issue of plagiarism arises when an employee copies reports or takes the work or ideas of others and presents it as his or her own without mentioning the source.

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41. The warning on cigarette packages about the health implications of smoking is an example of:
A. conflict of interest.
B. fairness and honesty.
**C.** communications.
D. relationships within a business.
E. environmental issues.

An important aspect of communications regarding an ethical issue is product labeling such as the Surgeon General's warning on cigarette packages.

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*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
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42. Which of the following behavior is an example of ethical consideration within the purview of business relationships?
**A.** Keeping company secrets
B. Communicating with customers
C. Whistleblowing
D. Obeying environmental laws
E. Donating to local charities

Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
*Topic: The Ethical Concerns that Affect Business*


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43. If a manager pressures a subordinate to engage in activities that he or she may otherwise view as unethical, such as engaging in accounting fraud or stealing a competitor's secrets, this would be an ethical issue related to:
A. plagiarism.
**B.** business relationships.
C. communications.
D. fairness and honesty.
E. conflicts of interest.

Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
*Topic: The Ethical Concerns that Affect Business*

44. If an employee learned of a significant cost-saving idea from a coworker and then informed management of the idea without revealing its true source, the employee would be involved in:
A. keeping a secret.
B. misuse of resources.
**C.** plagiarism.
D. bullying.
E. bribery.

Plagiarism is taking someone else's work or idea and presenting it as one's own without giving credit to its source.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
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45. A manager attempting to take credit for a subordinate's ideas is engaging in a type of_____.
A. conflict of interest
**B.** plagiarism
C. whistleblowing
D. misplaced loyalty
E. capture bonding

A manager attempting to take credit for a subordinate's ideas is engaging in a type of plagiarism. Plagiarism refers to taking someone else's work and presenting it as one's own without mentioning the source, which is an ethical issue.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-02 Detect some of the ethical issues that may arise in business.*
*Topic: The Ethical Concerns that Affect Business*

46. Ethical decisions in an organization are influenced by individual moral standards, the influence of managers and coworkers, and _____.
A. individual religious values
B. informal ethical policies or rules
**C.** the opportunity to engage in misconduct
D. family influence
E. ethical values of clients

Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and coworkers, and the opportunity to engage in misconduct.

*AACSB: Ethics*
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*Topic: The Ethical Concerns that Affect Business*


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47. Which of the following is true of professional codes of ethics?
A. They are informal rules of ethics followed by employees.
B. They do not have to provide any guidelines and principles.
**C.** They do not have to be too detailed.
D. They should only be developed by the board of directors of a firm.
E. They should take into account every ethical situation possible.

Professional codes of ethics do not have to be so detailed that they take into account every situation, but they should provide guidelines and principles that can help employees achieve organizational objectives and address risks in an acceptable and ethical way. The development of a code of ethics should include not only a firm's executives and board of directors, but also legal staff and employees from all areas of a firm.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 2 Medium*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

48. Which of the following is true of ethics?
**A.** Ethical conflict increases when employees feel that their company is exerting pressure on them to engage in unethical conduct.
B. Professional codes of ethics are informal rules and standards that describe what the company expects of its employees.
C. Codes of ethics need to be very detailed so that they take into account every situation.
D. The development of a code of ethics should include only a firm's executives and board of directors.
E. Employees always utilize the same ethical standards at work as they do at home.

Business managers and employees often experience some tension between their own ethical beliefs and their obligations to the organizations in which they work. Many employees utilize different ethical standards at work than they do at home. This conflict increases when employees feel that their company is encouraging unethical conduct or exerting pressure on them to engage in it.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
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49. A set of formalized rules and standards that describes what a company expects of its employees is called a(n) ____.
A. contractual capacity
B. consumerist code
C. moral philosophy
D. social responsibility
**E.** code of ethics

Codes of ethics are formalized rules and standards that describe what the company expects of its employees.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

50. Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they:
A. do not limit the opportunity for misconduct.
B. result in expensive litigation.
C. infringe on consumers' rights to be informed.
**D.** prescribe which activities are acceptable and which are not.
E. are strictly voluntary in nature.

Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
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51. A professional code of ethics represents the _____.
A. unofficial rules of ethics followed by the employees
B. employee perceptions of various ethical issues faced by an organization
**C.** detailed ethical responses for every possible scenario
D. formalized rules and standards that help employees to act in an ethical way
E. ethical behaviors that an organization expects its customers to follow

A code of ethics establishes which types of behavior are acceptable and which are not. It limits the opportunity for misconduct by clearly defining violations and establishing punishment.

*AACSB: Ethics*
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*Bloom's: Remember*
*Difficulty: 1 Easy*
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*Topic: The Ethical Concerns that Affect Business*

52. Codes of ethics foster ethical behavior by:
A. highlighting the religious implications of behaving in an unethical manner.
**B.** limiting the opportunity to behave unethically by providing punishments for violations of the rules and standards.
C. making the employees understand that they should use their own judgment to determine if an action is ethical.
D. pointing out to the employees that ethical behaviors are subjective and are dependent on social perceptions.
E. encouraging employees to be more competitive and profit-oriented.

Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
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53. A large number of _____ cases result in retaliation against the employee, even though the government has tried to take steps to protect workers and to encourage reporting of misconduct.
A. executive
B. civil
**C.** whistleblowing
D. petty theft
E. federal

The government seeks to reward firms that report misconduct; however, many whistleblowers still suffer retaliation. Congress has taken steps to close a legislative loophole that resulted in the dismissal of many whistleblowers.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

54. Identify a key aspect to consider in developing a code of ethics.
**A.** Solicit input from employees from different departments, functions, and regions.
B. Ensure that specific U.S. laws and regulations or those of specific countries are referenced, particularly for codes that will be distributed to employees in multiple regions.
C. Ensure that employee group meetings are not carried out on a complete draft version.
D. Make certain that the headings of the code sections are broad and not easily understood by all sections.
E. Inform employees that the code of ethics has to be very generic and should not take into account every situation.

One of the key aspects to consider while developing a code of ethics is to solicit input from employees from different departments, functions, and regions to compile a list of common questions and answers to include in the code document.

*AACSB: Ethics*
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55. According to the National Business Ethics Survey (NBES), _____ is the greatest determinant of future misconduct.
A. a company's workforce
B. the external environment
C. the universal business overview
**D.** a company's ethical culture
E. a company's stakeholders

According to the National Business Ethics Survey (NBES), employees in organizations that have written codes of conduct and ethics training, ethics offices or hotlines, and systems for reporting are more likely to report misconduct when they observe it. The survey found that a company's ethical culture is the greatest determinant of future misconduct.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 2 Medium*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

56. _____ is the act of an employee exposing an employer's wrongdoing to outsiders.
A. Fraud
**B.** Whistleblowing
C. Plagiarism
D. Bullying
E. Gatekeeping

Whistleblowing occurs when there is a lack of anonymous reporting mechanisms in a company and an employee therefore finds it necessary to expose the firm's wrongdoing to the government or media.

*AACSB: Ethics*
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57. Which of the following is true of the Dodd-Frank Act passed by the U.S. Congress in 2010?
A. It is an act that rewards organizations that follow high standards of business ethics.
B. It punishes business organizations that are found to be involved in unethical practices.
C. It protects the rights of foreign businesses operating in the United States.
D. It provides monetary rewards to those organizations that take action against employees involved in professional misconduct.
**E.** It encourages whistleblowers to provide information about corporate misconduct through monetary rewards.

In 2010, Congress passed the Dodd-Frank Act, which includes a "whistleblower bounty program." The Securities and Exchange Commission can now award whistleblowers between 10 and 30 percent of monetary sanctions over $1 million.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

58. Which of the following acts includes a whistleblower bounty program?
A. The Clayton Act
B. The Sherman Antitrust Legislation
C. The Celler-Kefauver Act
D. The Hobbs Act
**E.** The Dodd-Frank Act

In 2010, Congress passed the Dodd-Frank Act, which includes a "whistleblower bounty program." The Securities and Exchange Commission can now award whistleblowers between 10 and 30 percent of monetary sanctions over $1 million.

*AACSB: Ethics*
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59. Which of the following is one of the most common factors that executives give for why turnover increases?
**A.** A lack of transparency among company leaders
B. An absence of unfair employee treatment
C. A decrease in attrition rate in a company
D. An increase in employee engagement
E. An absence of employee dissatisfaction

Three of the most common factors that executives give for why turnover increases are: employee loss of trust in the company, a lack of transparency among company leaders, and unfair employee treatment.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-03 Specify how businesses can promote ethical behavior.*
*Topic: The Ethical Concerns that Affect Business*

60. Being profitable relates to the _____ dimension of social responsibility.
A. corporate citizenship
B. voluntary
C. ethical
D. legal
**E.** economic

There are four dimensions of social responsibility: economic, legal, ethical, and voluntary. Economic responsibility refers to earning a profit, which is the foundation of the social responsibility pyramid.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*


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61. Obeying the law is a business's _____.
A. right
B. choice
C. economic responsibility
**D.** legal responsibility
E. ethical responsibility

Businesses, like all organizations, have a legal responsibility to obey the law.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*

62. _____ is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their various stakeholders.
A. Ethical well-being
B. Economic status quo
C. Virtual sustainability
D. Unaccountable consumerism
**E.** Corporate citizenship

Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their various stakeholders.

*AACSB: Analytic*
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*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*


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63. Which of the following involves the activities and organizational processes adopted by businesses to meet their social responsibilities?
A. Carbon neutrality
**B.** Corporate citizenship
C. Hierarchical clustering
D. Social dominance
E. Multilevel regression

Corporate citizenship involves the activities and organizational processes adopted by businesses to meet their social responsibilities.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*

64. Avoiding misconduct and doing what is right, just, and fair relates to a business's:
A. economic responsibility.
B. corporate citizenship.
C. legal responsibility.
**D.** ethical responsibility.
E. responsibility toward the government.

Ethical responsibilities, the third dimension of social responsibility, require that a firm acts ethically and does what is right, just, and fair.

*AACSB: Analytic*
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*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*


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65. Which of the following is an example of corporate citizenship?
A. Engaging in deforestation
B. Engaging in desertification
C. Engaging in soil retrogression
D. Engaging in moisture recycling
**E.** Engaging in organic farming

One of the major corporate citizenship issues is the focus on preserving the environment. The majority of people agree that climate change is a global emergency, but there is no agreement on how to solve the problem. Another example of a corporate citizenship issue might be animal rights—an issue that is important to many stakeholders.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Apply*
*Difficulty: 2 Medium*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*

66. Which of the following is a dimension of social responsibility?
A. Political
B. Philosophical
C. Mechanical
D. Rational
**E.** Ethical

The four dimensions of social responsibility are legal, economic, voluntary, and ethical.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
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*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*


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67. Being a "good corporate citizen" is an example of the _____ dimension of social responsibility.
A. puritanical
B. economic
C. legal
D. ethical
**E.** voluntary

Being a "good corporate citizen" is an example of the voluntary dimension of social responsibility.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*

68. Philanthropic contributions made by a business to a charitable organization represent the _____ dimension of social responsibility.
A. corporate citizenship
B. economic
C. legal
D. ethical
**E.** voluntary

Voluntary responsibilities include philanthropic donations.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
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*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
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69. _____ is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders.
A. A code of conduct
B. A code of ethics
C. Business ethics
**D.** Corporate citizenship
E. Whistleblowing

Corporate citizenship is the extent to which businesses meet the legal, ethical, economic, and voluntary responsibilities placed on them by their stakeholders.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-04 Explain the four dimensions of social responsibility.*
*Topic: Corporate Social Responsibility*

70. Identify an argument that supports social responsibility.
A. Some people question whether business has the expertise needed to assess and make decisions about social problems.
B. Instances of whistleblowing causes significant damage to employees.
**C.** As members of society, businesses should do their fair share to help others.
D. Participation in social programs gives businesses greater power, perhaps at the expense of particular segments of society.
E. Social responsibility sidetracks managers from earning profits.

As members of society, businesses should do their fair share to help others.

*AACSB: Ethics*
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71. Studies have found a direct link between social responsibility and _____ in business.
**A.** profitability
B. ethics
C. declining stock prices
D. happiness of stakeholders
E. global warming

Studies have found a direct link between social responsibility and profitability in business as well as employee commitment and consumer loyalty.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*

72. Businesses must first be responsible to their_____, who are primarily concerned with earning a profit.
A. clients
B. vendors
C. top managers
**D.** owners
E. employees

Businesses must first be responsible to their owners, who are primarily concerned with earning a profit or a return on their investment in a company.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
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*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
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73. _____ is defined as the activities that individuals, groups, and organizations undertake to protect their rights as customers.
**A.** Consumerism
B. Civil rights
C. Protectionism
D. Conspicuous consumption
E. Shopping

Consumerism is defined as the activities that individuals, groups, and organizations undertake to protect their rights as consumers.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*

74. Which of the following is a major concern of any firm trying to increase profits?
**A.** Lack of employee commitment
B. Low attrition rate
C. Low turnover rate
D. High return on investment
E. High employee retention

A number of studies have found a direct relationship between social responsibility and profitability, as well as a link that exists between employee commitment and customer loyalty—two major concerns of any firm trying to increase profits.

*AACSB: Ethics*
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*Bloom's: Remember*
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75. Laws regarding workplace safety are enforced by the _____.
A. Federal Trade Commission
**B.** Occupational Safety and Health Administration
C. Environmental Protection Agency
D. Consumer Bill of Rights
E. Corrupt Practices Act

Many laws regarding safety in the workplace are enforced by the Occupational Safety and Health Administration (OSHA).

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*

76. The _____ means that a business must not knowingly sell anything that could result in personal injury or harm to consumers.
A. right to assert
B. right to information
**C.** right to safety
D. right to selection
E. right to be heard

The right to safety means that a business must not knowingly sell anything that could result in personal injury or harm to consumers.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
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*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
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77. The right to choose ensures that:
A. consumers' interests will receive full and sympathetic consideration when the government formulates policy.
B. consumers do not have to pay service taxes.
C. consumers enjoy fair treatment if they voice complaints about a purchased product.
D. consumers enjoy freedom to review complete information about a product before they buy it.
**E.** consumers have access to a variety of goods and services at competitive prices.

The right to choose ensures that consumers have access to a variety of goods and services at competitive prices. The assurance of both satisfactory quality and service at a fair price is also a part of the consumer's right to choose.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*

78. The assurance of both satisfactory quality and service at a fair price is a part of the consumer's right to _____.
**A.** choose
B. be heard
C. be informed
D. safety
E. consider

The right to choose ensures that consumers have access to a variety of goods and services at competitive prices. The assurance of both satisfactory quality and service at a fair price is also a part of the consumer's right to choose.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
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79. The right to _____ assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy.
A. choose
B. be informed
C. consider
D. safety
**E.** be heard

The right to be heard assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
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*Topic: Corporate Social Responsibility*

80. A major social responsibility for businesses is providing _____ for all employees.
A. higher wages
**B.** equal opportunities
C. more free time
D. better health care
E. equal holiday pay

A major social responsibility for all business is providing equal opportunities to all employees regardless of sex, age, race, religion, or nationality.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
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81. John F. Kennedy's consumer bill of rights outlined four rights: the right to be informed, the right to choose, the right to be heard, and the right to:
A. regulations.
B. service.
C. easy credit.
D. fix prices.
**E.** safety.

John F. Kennedy's 1962 consumer bill included the right to be informed, the right to choose, the right to be heard, and the right to safety.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
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82. The _____ gives consumers the freedom to review all details about the products they wish to buy.
**A.** right to be informed
B. right to be heard
C. right to purchase
D. right to choose
E. right to speak out

The right to be informed provides consumers access to information about the products they wish to buy and ensures vital information is contained on product packages and labels.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
*Learning Objective: 02-05 Debate an organization's social responsibilities to owners, employees, consumers, the environment, and the community.*
*Topic: Corporate Social Responsibility*


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83. Which of the following is true about the right to choose?
**A.** It ensures that consumers have access to a variety of products and services at competitive prices.
B. It provides the assurance of only satisfactory quality and not service at a fair price.
C. It provides the assurance of only service at a fair price and not satisfactory quality.
D. It ensures the fair treatment of consumers who voice complaints about a purchased product.
E. It ensures that detailed information about ingredients, risks, and instructions for use are printed on labels and packages.

The right to choose ensures that consumers have access to a variety of products and services at competitive prices. The assurance of both satisfactory quality and service at a fair price is also a part of the consumer's right to choose.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
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84. Which of the following rights assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy?
A. Right to choose
B. Right to safety
C. Right to be informed
**D.** Right to be heard
E. Right to privacy

The right to be heard assures consumers that their interests will receive full and sympathetic consideration when the government formulates policy. It also ensures the fair treatment of consumers who voice complaints about a purchased product.

*AACSB: Ethics*
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85. One role of the Federal Trade Commission's Bureau of Consumer Protection is to protect consumers from _____.
A. price rise
**B.** fraudulent practices
C. competition
D. misuse of resources
E. whistleblowing

The Federal Trade Commission's Bureau of Consumer Protection enforces a variety of laws designed to protect consumers against unfair, deceptive, or fraudulent practices.

*AACSB: Analytic*
*Accessibility: Keyboard Navigation*
*Bloom's: Understand*
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86. _____ involves the interaction among nature and individuals, organizations, and business strategies and includes the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles, so that they maintain the health of the natural environment.
A. Philanthropy
B. Consumerism
**C.** Sustainability
D. Biodiversity
E. Dualism

Sustainability refers to the process of conducting activities in such a way as to provide for the long-term well-being of the natural environment, including all biological entities. Hence, it involves the interaction among nature and individuals, organizations, and business strategies and includes the assessment and improvement of business strategies, economic sectors, work practices, technologies, and lifestyles, so that they maintain the health of the natural environment.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
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87. Pollution of water and soil from activities such as oil and gas drilling is primarily related to _____.
A. consumer relations
**B.** sustainability issues
C. community relations
D. employee relations
E. relations with stockholders

One area of environmental concern is pollution of water and soil from business activities. Sustainability refers to conducting activities in such a way as to provide for the long-term well-being of the natural environment, including all biological entities.

*AACSB: Ethics*
*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
*Difficulty: 1 Easy*
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88. The fact that environmental responsibility requires trade-offs means that it:
A. instigates trade relations.
B. facilitates international competition.
C. helps in generating profits.
**D.** imposes costs on both business and the public.
E. promotes the practice of fair trade.

With current technology, environmental responsibility requires trade-offs. Society must weigh the huge costs of limiting or eliminating pollution against the health threat posed by the pollution. Environmental responsibility imposes costs on both business and the public.

*AACSB: Analytic*
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89. The most common way that businesses exercise community responsibility is through:
A. establishing codes of ethics.
B. submission of environmental reports.
C. obeying the law.
D. recycling.
**E.** donations to charitable organizations.

The most common way that businesses demonstrate their community responsibility is through donations to local and national charitable organizations and causes.

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*Accessibility: Keyboard Navigation*
*Bloom's: Remember*
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90. _____ refers to attaching a positive environmental association on an unsuitable product, service, or practice.
**A.** Greenwashing
B. Whitewashing
C. Green marketing
D. Astroturfing
E. Conspicuous conservation

Environmentalists are concerned that some companies are merely greenwashing, or "creating a positive association with environmental issues for an unsuitable product, service, or practice."

*AACSB: Ethics*
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91. Many businesses, recognizing that employees lack basic work skills, are becoming more concerned about the quality of _____ in the United States.
A. job opportunities
**B.** education
C. personal ethics
D. management
E. community relations

After realizing that the current pool of prospective employees lacks many basic skills necessary to work, many companies have become concerned about the quality of education in the United States.

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*Difficulty: 1 Easy*
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92. _____ emerged as a major issue in the 20th century in the face of increasing evidence that pollution, uncontrolled use of natural resources, and population growth were putting increasing pressure on the long-term sustainability of these resources.
A. Ethnic cleansing
**B.** Environmental protection
C. Genocide
D. Homicide
E. Whistleblowing

Environmental protection emerged as a major issue in the 20th century in the face of increasing evidence that pollution, uncontrolled use of natural resources, and population growth were putting increasing pressure on the long-term sustainability of these resources.

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93. _____ has become a significant problem since the onset of the financial crisis in 2008.
A. Corruption
**B.** Unemployment
C. Whistleblowing
D. Insider trading
E. Lobbying

Unemployment has become a significant problem since the onset of the financial crisis in 2008.

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94. Studies appear to show that while there are plenty of people unemployed, approximately _____ percent of companies cite employees' lack of experience as to why there are so many unfilled positions.
A. 3
B. 11
C. 66
D. 51
**E.** 35

Studies appear to show that while there are plenty of people unemployed, approximately 35 percent of companies cite employees' lack of experience as to why there are so many unfilled positions. Yet only about 28 percent are investing in more training and development for new hires.

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95. Which of the following organizations funds programs to train the hard-core unemployed so that they can find jobs and support themselves?
A. Transparency International
B. Boston Consulting Group
**C.** National Alliance of Businessmen
D. National Business Ethics Organization
E. British Financial Services

Organizations such as the National Alliance of Businessmen fund programs to train the hard-core unemployed so that they can find jobs and support themselves. Also, while numerous businesses laid off employees during the last recession, others were praised for their refusal to lay off workers.

*AACSB: Analytic*
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