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Law, Business and Society, 12e **(McAdams)**
Chapter 2 Business Ethics

1) In the context of libertarianism, justice and fairness, right and wrong are measured by equality of results rather than from encouraging equal opportunity for all to engage in informed choices about their own welfare.

Answer: FALSE
Explanation: Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but from ensuring that everyone has an equal opportunity to engage in informed choices about their own welfare. Hence, philosopher Robert Nozick took essentially a free market stance toward ethics.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) Virtue ethics applauds the person who is motivated by faith to build absolute and universal standards.

Answer: FALSE
Explanation: Virtue ethics applauds the person who is motivated to do the right thing and who cultivates that motivation in daily conduct. A part of the argument is that such persons are more morally reliable than those who simply follow the rules but fail to inspect, strengthen, and preserve their own personal virtues.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

3) To the deontologist, principle is primary and the end or result is the secondary measure of the ethical quality of a decision or act.

Answer: TRUE
Explanation: For the teleologist or consequentialist, the end is primary and that end or result is the measure of the ethical quality of a decision or act. On the other hand, to the deontologist, principle is primary and consequence is secondary or even irrelevant.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
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4) Kant believed that every rational creature can act according to his or her categorical imperative because all such persons have "autonomous, self-legislating wills" that permit them to formulate and act on their own systems of rules.

Answer: TRUE
Explanation: The German philosopher Immanuel Kant developed perhaps the most persuasive and fully articulated vision of ethics. His formalistic approach focused on the belief that every rational creature can act according to his or her categorical imperative because all such persons have "autonomous, self-legislating wills" that permit them to formulate and act on their own systems of rules. To Kant, what is right for one is right for all, and each of us can discover that "right" by exercising our rational faculties.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-05 Distinguish utilitarianism and formalism.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) A moral rule is "categorical" rather than "hypothetical" in that its prescriptive force is dependent on the consequences of the rule.

Answer: FALSE
Explanation: A moral rule is "categorical" rather than "hypothetical" in that its prescriptive force is independent of its consequences. The formalistic view guides us to make decisions independent of the ends we seek.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-05 Distinguish utilitarianism and formalism.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) Maximizing right rather than good is the teleological standard.

Answer: FALSE
Explanation: Maximizing right rather than good is the deontological standard. The deontologist might well refuse to lie, as a matter of principle, even if lying would maximize good.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
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7) According to act-utilitarianism, our goal is to identify the consequences of a particular act to determine whether it is right or wrong.

Answer: TRUE
Explanation: According to act-utilitarianism, our goal is to identify the consequences of a particular act to determine whether it is right or wrong. Rule-utilitarianism requires us to follow those rules that generate the greatest value for society.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-05 Distinguish utilitarianism and formalism.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) Formalism requires us to follow our own categorical imperative.

Answer: TRUE
Explanation: Formalism requires us to focus on what is right within the act itself . The rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person).
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-05 Distinguish utilitarianism and formalism.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

9) The emotion or intuition approach differs from the biological theory which claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval.

Answer: FALSE
Explanation: In proposing the emotion or intuition approach, moral theorist Marc Hauser claims our brains are biologically endowed with a moral faculty and is designed to reach rapid judgments about right and wrong based on unconscious processes that are involuntary and universal. This automatic, nonreflective moral decision making instantaneously generates feelings of approval or disapproval. Some scientists speculate that controlled moral reasoning may be little more than an after-the-fact method of justifying conclusions already reached automatically via emotions or intuitions.
Difficulty: 1 Easy
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Remember
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10) A danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care giving subordinates not deserving of moral autonomy.

Answer: TRUE
Explanation: Kohlberg's initial experimental subjects were limited to young males. The result, in Gilligan's view, is that women are underscored. Of course, a danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care giving subordinates not deserving of moral autonomy.
Difficulty: 1 Easy
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

11) A stronger sense of moral identity occurs if that identity is centered on one's own creativity.

Answer: FALSE
Explanation: Early evidence suggests that a critical feature in total moral development, including the will to act, involves what is labeled moral identity. In general, moral identity involves the degree to which moral concerns are central to our sense of self. People might have a stronger sense of moral identity if that identity is centered more on moral value than on amoral virtues such as creativity.
Difficulty: 1 Easy
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

12) Organizational culture does not influence corporate misconduct.

Answer: FALSE
Explanation: Individual character influences corporate misconduct, but organizational culture is also important. Unfortunately, only 10 percent of American companies demonstrate the characteristics that are associated with a "strong ethical culture," according to a 2007 Ethics Resource Center study.
Difficulty: 1 Easy
Topic: Why Do Some Managers Cheat?
Learning Objective: 02-06 Describe some of the forces that encourage unethical behavior in the workplace.
Bloom's: Remember
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13) The Sarbanes-Oxley Act forbids corporate executives to personally certify the accuracy of their financial reports.

Answer: FALSE
Explanation: Responding to public outrage over Enron, WorldCom, and other stunning and destructive corporate scandals, Congress and the president approved the 2002 Sarbanes–Oxley Act (SOX) to attack corporate crime by publicly traded companies. The bill requires corporate executives to personally certify the accuracy of their financial reports.
Difficulty: 1 Easy
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

14) Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges within which judges are required to impose sentences on all violations of the Sarbanes-Oxley Act.

Answer: FALSE
Explanation: Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges (e.g., 10–12 months imprisonment) within which judges are advised to impose sentences. Relying on the crime's "offense level" and the defendant's criminal history, the punishment range for each category of both white-collar and street crime is established.
Difficulty: 1 Easy
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

15) In the context of federal sentencing guidelines for corporate or white-collar crime, companies involved in crimes do not receive reduced penalties even if they have effective compliance programs in place.

Answer: FALSE
Explanation: Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place.
Difficulty: 1 Easy
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Remember
AACSB: Ethics
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16) In all nations, the payment of bribes is considered as an unlawful way of doing business.

Answer: FALSE
Explanation: In many cultures, the payment of bribes—*baksheesh* (Middle East), *huilu* (China), *vzyatku* (Russia), *mordida* (South America), or *dash* (Africa)—is accepted as a necessary and, in some cases, a lawful way of doing business. American firms and officers wishing to succeed abroad have faced great pressure to engage in practices that are illegal and unethical in the American culture.
Difficulty: 1 Easy
Topic: Global Bribery
Learning Objective: 02-08 Explain the general requirements of the Foreign Corrupt Practices Act.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

17) The Foreign Corrupt Practices Act (FCPA) requires rigorous internal accounting controls and careful recordkeeping to ensure that bribes cannot be concealed via "slush funds" and other devices.

Answer: TRUE
Explanation: The Foreign Corrupt Practices Act (FCPA) requires rigorous internal accounting controls and careful recordkeeping to ensure that bribes cannot be concealed via "slush funds" and other devices. The act does not forbid "grease" payments to foreign officials or political parties where the purpose of the payments is "to expedite or to secure the performance of a routine governmental action," such as processing papers (like visas), providing police protection, and securing phone service.
Difficulty: 1 Easy
Topic: Global Bribery
Learning Objective: 02-08 Explain the general requirements of the Foreign Corrupt Practices Act.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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18) Among its major provisions, the False Claims Act raises penalties for whistle-blowers to as much as 25 years' imprisonment along with heavy fines.

Answer: FALSE
Explanation: Many federal statutes include whistle-blower provisions and the federal False Claims Act rewards those who help stop fraud involving government contracts. Whistle-blowers typically are entitled to 10 to 30 percent of the recovery from the wrongdoer.
Difficulty: 1 Easy
Topic: Whistle-Blowing
Learning Objective: 02-09 Discuss some of the risks and rewards of whistle-blowing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

19) The federal False Claims Act rewards those who disclose fraud in the workplace with reduced prison sentences.

Answer: FALSE
Explanation: The federal False Claims Act rewards whistle-blowers who help stop fraud against the government. Whistle-blowers typically are entitled to 10 to 30 percent of the recovery from the wrongdoer.
Difficulty: 1 Easy
Topic: Whistle-Blowing
Learning Objective: 02-09 Discuss some of the risks and rewards of whistle-blowing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

20) Which of the following indicates an existentialist's belief?
A) An existentialist believes that Judeo-Christian beliefs are powerful, ethical voices in contemporary life.
B) An existentialist believes reliance on external norms is justified.
C) An existentialist believes all humanity is one undivided and indivisible family.
D) An existentialist believes no actions are inherently right or wrong.

Answer: D
Explanation: Existentialists, led by the famed Jean-Paul Sartre, believe standards of conduct cannot be objectively discovered or rationally justified via ethical theory and reasoning. No actions are inherently right or wrong.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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21) Which of the following ethical theories takes essentially a free market view of ethics?
A) Libertarianism
B) Existentialism
C) Formalism
D) Utilitarianism

Answer: A
Explanation: Contemporary philosopher Robert Nozick, who built an ethical theory rooted in personal liberty, took essentially a free market stance toward ethics. For him, morality coincided with the maximization of personal freedom. Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but from ensuring equal opportunity for all to engage in informed choices about their own welfare.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

22) Virtue ethics focuses on the classic notion that the key to good ethics lies in a person's _____.
A) belief in the Golden Rule
B) belief in personal liberty
C) motivation to do the right thing
D) motivation to follow universal rules

Answer: C
Explanation: In the context of virtue ethics, in recent years, an increasing number of philosophers have argued that the key to good ethics lies not in rules, rights, and responsibilities but in the classic notion of character. As Plato and Aristotle argued, our attention should be given to strategies for encouraging desirable character traits such as honesty, fairness, compassion, and generosity.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Remember
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23) Which of the following provides the foundation for a moral life built on religion?
A) Faith
B) Existentialism
C) Virtue ethics
D) Teleology

Answer: A
Explanation: From a religious point of view, the deity's laws are absolutes that must shape the whole of one's life, including work. Faith, rather than existentialism, teleology, or virtue ethics, provides the foundation for a moral life built on religion.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
Bloom's: Remember
AACSB: Analytical Thinking
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24) Which of the following is involved in a teleological view of life?
A) Obligations
B) Principles
C) Duties
D) Ends

Answer: D
Explanation: A teleological view of life involves ends, goals, and the ultimate good. Duty and obligation are subordinated to the production of what is good or desirable.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
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25) A(n) _____ ethical system emphasizes a duty directed toward what ought to be right.
A) deontological
B) libertarian
C) teleological
D) existential

Answer: A
Explanation: Deontological ethical systems focus on the principle or what ought to be right as primary rather than the consequence, which is considered secondary. Maximizing right rather than good is the deontological standard. Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences and the results of an act rather than the act itself.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
AACSB: Ethics
Accessibility: Keyboard Navigation

26) A(n) _____ believes the consequence of a decision or act is primary.
A) universalist
B) teleologist
C) existentialist
D) consequentialist

Answer: B
Explanation: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences and the results of an act rather than the act itself. A teleological view of life involves ends, goals, and the ultimate good. To the deontologist, principle is primary and consequence is secondary or even irrelevant.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
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27) A(n) _____ believes that good must be weighed against evil in reaching an ethical decision.
A) utilitarian
B) ethicist
C) naturalist
D) theologist

Answer: A
Explanation: According to the utilitarian approach, in reaching an ethical decision, good is to be weighed against evil. A decision that maximizes the ratio of good over evil for all those concerned is the ethical course.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

28) Teleological ethical systems are often referred to as _____.
A) formalist ethical systems
B) existentialist ethical systems
C) deontologist ethical systems
D) consequentialist ethical systems

Answer: D
Explanation: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with the consequences, the results, of an act rather than the act itself. A teleological view of life involves ends, goals, and the ultimate good.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
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29) A father may be morally committed to saving his son from a burning building rather than saving another person who might do more total good for society. The action of the father would be primarily dictated by the _____ ethical system.
A) teleological
B) deontological
C) utilitarian
D) consequentialist

Answer: B
Explanation: Relationships among people are important from a deontological perspective primarily because they create duties. A father may be bound by duty to save his son from a burning building rather than saving another person who could do more total good for society.
Difficulty: 1 Easy
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

30) The principle that is most likely to be followed by a utilitarian is:
A) that moral judgment is guided by individual acts.
B) that ethics are measured by the rightness of the rules.
C) that all good is to be weighed against all evil.
D) that the greatest good for the greatest number determines the act.

Answer: D
Explanation: The rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person). In sum, the principle to be followed for the utilitarian is the greatest good for the greatest number.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Understand
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31) The formalistic view of ethics is best evidenced by which of the following?
A) The moral evaluation of individual acts is determined by the result achieved.
B) The rightness of an act depends on the act's end result.
C) The moral person makes ethical decisions based on the consequences of the decision.
D) Immanuel Kant's categorical imperative.

Answer: D
Explanation: German philosopher Immanuel Kant (1724–1804) developed perhaps the most persuasive and fully articulated vision of ethics as measured not by consequences (teleology) but by the rightness of rules. In this formalistic view of ethics, the rightness of an act depends little (or, in Kant's view, not at all) on the results of the act. A moral rule is "categorical" rather than "hypothetical" because its prescriptive force is independent of its consequences.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Understand
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

32) All of the following are correct statements regarding Immanuel Kant's categorical imperative except:
A) It is the notion that each individual should act on only those principles that a rational person would prescribe as universal laws to be applied to the whole of humankind.
B) It states that one's goal is to identify the consequences of a particular act to determine whether it is right or wrong.
C) A moral rule is "categorical" rather than "hypothetical" because its prescriptive force is independent of the rule's consequences.
D) It states that what is right for one individual is right for all.

Answer: B
Explanation: Immanuel Kant propounded the categorical imperative, the notion that every person should act on only those principles that he or she, as a rational person, would prescribe as universal laws to be applied to the whole of humankind. A moral rule is "categorical" rather than "hypothetical" in that its prescriptive force is independent of its consequences.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Understand
AACSB: Analytical Thinking
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33) Jenny is the CEO of a company that has been affected by an economic meltdown. She realizes that the only way for her company to remain in business during the period of recession is to cut costs drastically. She believes it would be better if all employees took a 10 percent pay cut instead of laying off 10 percent of the workers. She feels this is the correct decision as it would benefit the company and all the employees. Her approach is primarily influenced by the _____ ethical system.
A) rule-utilitarian
B) libertarian
C) deontological
D) formalist

Answer: A
Explanation: Rule-utilitarianism requires us to follow those rules that generate the greatest value for society. Thus, the rule-utilitarian may be forced to shun a particular act that would result in greater immediate good (punishing a guilty person whose constitutional rights have been violated) in favor of upholding a broader rule that results in the greater total good over time (maintaining constitutional principles by freeing the guilty person). In this scenario, Jenny is primarily influenced by the rule-utilitarian ethical system.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-05 Distinguish utilitarianism and formalism.
Bloom's: Apply
AACSB: Ethics; Reflective Thinking
Accessibility: Keyboard Navigation

34) Which of the following is identified as the post-conventional level of the six universal stages of moral development?
A) Pleasing others and adhering to stereotypical images.
B) Following self-chosen universal ethical principles.
C) Letting others follow rules in their self-interest while you follow rules that are in your self-interest.
D) Obeying rules to avoid punishment.

Answer: B
Explanation: Kohlberg identified six universal stages grouped into three levels. The third level is called post-conventional or principled level. Stage 6 of this level involves following self-chosen universal ethical principles. In the event of conflicts, principles override laws.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
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35) Which of the following universal stages is grouped under the conventional level?
A) Adhering to stereotypical images
B) Obeying rules to avoid punishment
C) Following self-chosen universal ethical principles
D) Conforming to secure rewards

Answer: A
Explanation: Kohlberg identified six universal stages grouped into three levels. The second level is called conventional level. Stage 3 of this level involves conforming to meet the expectations of others, pleasing others, and adhering to stereotypical images.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

36) Which of the following statements symbolizes the idea of a feminine "voice" in view of morality?
A) Women build a morality on the ethic of care.
B) Women conform to the expectations of others.
C) Women use the ethic of justice approach to morality.
D) Women give the highest priority to their own self-interests when making decisions.

Answer: A
Explanation: According to Carol Gilligan, men tend to take an impersonal, universal view of morality (the ethic of justice) as contrasted with the feminine "voice" that rises more commonly from relationships and concern for the specific needs of others (the ethic of care). Gilligan criticizes Kohlberg because his highest stages, 5 (that current laws and values are relative) and 6 (that involves following self-chosen universal ethical principles), are structured in terms of the male approach to morality while the feminine voice falls at stage 3 (that involves conforming to meet the expectations of others, pleasing others, and adhering to stereotypical images).
Difficulty: 1 Easy
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Remember
AACSB: Analytical Thinking
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37) If Kohlberg was correct about the six universal stages of moral development, a consequence of adults not passing beyond level 2 (that is, following rules only if it is in their own interest but letting others do the same and conforming to secure rewards) results in
A) decision making that is based on universal principles of justice.
B) decision making that may take an impersonal view on morality as opposed to a voice that rises from relationships and concern for the needs of others.
C) managers behaving unethically because they have not achieved moral maturity.
D) individuals reaching independent moral judgments that may not conform with conventional societal wisdom.

Answer: C
Explanation: Kohlberg found that many adults never pass beyond Level 2; that is, following rules only if it is in own interest but letting others do the same and conforming to secure rewards. Consequently, if Kohlberg was correct, many managers may behave unethically simply because they have not reached the upper stages of moral maturity.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

38) Which of the following is a decisive argument Carol Gilligan's criticism against Kohlberg's proposition on moral development?
A) Kohlberg's initial experimental subjects were limited to young females.
B) Conceptions on morality are substantially based on gender.
C) Moral judgment evolves primarily as a function of age.
D) Moral judgment improves as a function of education.

Answer: B
Explanation: Kohlberg's colleague Carol Gilligan contends that our conceptions of morality are, in substantial part, gender-based. She claims that men typically approach morality as a function of justice, impartiality, and rights (the ethic of justice), whereas women are more likely to build a morality based on care, support, and responsiveness (the ethic of care).
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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39) Of the six universal stages of moral development identified by Kohlberg, which of the following traits is a manager most likely to display if he were at stage three of the conventional level?
A) Follow a rule only if it is in his or her own interest.
B) Adhere to stereotypical images.
C) Obey rules to avoid punishment.
D) Conform to secure rewards.

Answer: B
Explanation: Psychologist Lawrence Kohlberg built and empirically tested a comprehensive theory of moral development in which he claimed that moral judgment evolves and improves primarily as a function of age and education. If a manager was at the third stage of the conventional level, he is most likely to please others, conform to meet expectations, and adhere to stereotypical images.
Difficulty: 1 Easy
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

40) Both Kohlberg and Gilligan shared which of the following perspectives on moral decision making?
A) Biological, unconscious, automatic processes that are involuntary and universal create moral decisions.
B) Analysis, deliberation, and experience create moral decision making.
C) Emotion or intuition creates moral decision making.
D) Automatic and nonreflective processes lead to moral decisions.

Answer: B
Explanation: Kohlberg and Gilligan (and most moral philosophers) take the position that moral decision making is the controlled product of analysis, deliberation, and experience. In recent years, however, new psychological and neuroscience evidence has supported an alternative theory of morality that involves decision making by emotion or intuition.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

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41) In the context of corporate or white-collar crime, which of the following statements is true of sentencing?
A) Companies involved in crimes do not receive reduced penalties even if they have effective compliance programs in place.
B) Federal sentencing guidelines are issued by the Uniform Commercial Code.
C) Departures from federal sentencing guidelines are not permissible for any form of cases.
D) Responsibility for compliance rests explicitly with the board of directors and top-level executives.

Answer: D
Explanation: Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place. Responsibility for compliance rests explicitly with the board of directors and top-level executives.
Difficulty: 2 Medium
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

42) Which of the following statements is true of the Sarbanes-Oxley Act?
A) It was enacted to encourage publicly traded companies to adopt a company-wide ethics code.
B) It was enacted to encourage ethical risk-taking in the financial markets.
C) It established an independent board to oversee the accounting profession.
D) It established an independent board to oversee the banking profession.

Answer: C
Explanation: Responding to public outrage over Enron, WorldCom, and other stunning and destructive corporate scandals, Congress and the president approved the 2002 Sarbanes–Oxley Act (SOX) to attack corporate crime by publicly traded companies. Among its provisions, the bill establishes an independent board to oversee the accounting profession.
Difficulty: 2 Medium
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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43) Wright Corp., an American firm, is establishing an office in Africa with Mary as the manager. After two months of endless efforts, Mary is informed that in order to get utilities for its African branch, she must give some money to the government-based electric company agent as an "encouragement," just as all the other businesses have done. Under the Foreign Corrupt Practices Act, which of the following statements about the payment is true?
A) The payment is illegal even though that is the only way Mary can get utilities.
B) The payment is illegal because it is money paid to secure an improper advantage.
C) The payment is legal because it is money merely to expedite or secure performance of a routine government action.
D) The payment is legal as long as Wright Corp. is listed on a U.S. stock exchange.

Answer: C
Explanation: The Foreign Corrupt Practices Act does not forbid "grease" payments to foreign officials or political parties where the purpose of the payments is "to expedite or to secure the performance of a routine governmental action," such as processing papers (like visas), providing police protection, and securing phone service. In this scenario, the payment to be made by Mary to the African branch is legal since it is merely "grease" money to expedite routine action.
Difficulty: 3 Hard
Topic: Global Bribery
Learning Objective: 02-08 Explain the general requirements of the Foreign Corrupt Practices Act.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

44) Which of the following statements is not true of the Foreign Corrupt Practices Act?
A) It allows grease payments to foreign officials.
B) It requires rigorous internal accounting controls to ensure bribes cannot be concealed as "slush" funds.
C) It creates civil and criminal fines that can be levied on both individuals and companies.
D) It requires all publicly traded companies to develop ethics codes for senior management.

Answer: D
Explanation: The Foreign Corrupt Practices Act allows "grease" payments to foreign officials or political parties where the purpose of the payments is "to expedite or to secure the performance of a routine governmental action." Likewise, rigorous internal accounting controls must be in place to avoid concealing bribes as "slush funds." The Act also created civil and criminal fines that can be levied against individuals and companies.
Difficulty: 2 Medium
Topic: Global Bribery
Learning Objective: 02-08 Explain the general requirements of the Foreign Corrupt Practices Act.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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45) Which of the following is a risk associated with the outcome of whistle-blowing?
A) Poor legal protection
B) Instigation of benchmarking
C) Liquidation of the company's assets
D) Fear of retribution

Answer: D
Explanation: Despite expanded legal protection, whistle-blowers often pay a high price for exercising their consciences. Americans have long deplored "squealing," and we tend to ignore violations, partly out of fear of retribution.
Difficulty: 1 Easy
Topic: Whistle-Blowing
Learning Objective: 02-09 Discuss some of the risks and rewards of whistle-blowing.
Bloom's: Remember
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

46) Which of the following statements is true of the False Claims Act?
A) It creates new crimes and raises penalties to as much as 25 years of imprisonment along with heavy fines.
B) It forbids fraud in government contracts and rewards those who help stop fraud.
C) It requires publicly traded companies to establish internal control systems designed to assure the accuracy of financial information.
D) It requires publicly traded companies to disclose whether they have adopted an ethics code for senior financial management, and if not, why they have not done so.

Answer: B
Explanation: Many federal statutes include whistle-blower provisions and the federal False Claims Act rewards those who help stop fraud involving government contracts. Whistle- blowers typically are entitled to 10 to 30 percent of the recovery from the wrongdoer.
Difficulty: 2 Medium
Topic: Whistle-Blowing
Learning Objective: 02-09 Discuss some of the risks and rewards of whistle-blowing.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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47) Which of the following acts has caused improved financial reporting processes from publicly traded companies?
A) The Sarbanes-Oxley Act
B) The U.S. Sentencing Commission Act
C) The Trust Indenture Act
D) The Dodd-Frank Refinancing Act

Answer: A
Explanation: Among its other provisions, the Sarbanes-Oxley Act (SOX) requires publicly traded companies to establish internal control systems designed to assure the accuracy of financial information.
Difficulty: 1 Easy
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Remember
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48) Explain how religion, libertarianism, and virtue ethics influence contemporary moral analysis.

Answer:
a. Religion: Judeo-Christian beliefs, Islam, Confucianism, Buddhism, and other faiths are powerful ethical voices in contemporary life. They often feature efforts such as the Golden Rule to build absolute and universal standards. Scholarly studies indicate that most American managers believe in the Golden Rule and take it to be their most meaningful moral guidepost. From a religious point of view, the deity's laws are absolutes that must shape the whole of one's life, including work. Faith, rather than reason, intuition, or secular knowledge, provides the foundation for a moral life built on religion.

b. Libertarianism: Contemporary philosopher Robert Nozick built an ethical theory rooted in personal liberty. He stated that morality coincided with the maximization of personal freedom. Justice and fairness, right and wrong are measured not by equality of results (such as wealth) for all but by ensuring equal opportunity for all to engage in informed choices about their own welfare. Nozick took essentially a free market stance toward ethics.

c. Virtue ethics: In recent years, an increasing number of philosophers have argued that the key to good ethics lies not in rules, rights, and responsibilities but in the classic notion of character. As Plato and Aristotle argued, attention should be given to strategies for encouraging desirable character traits such as honesty, fairness, compassion, and generosity. Aristotle believed that virtue could be taught much as any other skill. Virtue ethics applauds the person who is motivated to do the right thing and who cultivates that motivation in daily conduct. Such individuals are more morally reliable than those who simply follow the rules but fail to inspect, strengthen, and preserve their own personal virtues.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-03 Discuss the leading ethical decision-making theories.
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49) Differentiate between teleology and deontology. Give an example of each.

Answer: Teleological ethical systems (often referred to as consequentialist ethical systems) are concerned with an act's consequences or results rather than the act itself. A teleological view of life concerns itself with ends, goals, and the ultimate good. Duty and obligation are subordinated to the production of what is good or desirable. For the teleologist or consequentialist, the end is primary and that end or result is the measure of the ethical quality of a decision or act. For example, Sarah is the president of a company. Her goal is to make her business more profitable. She believes it would be better if all employees took a 10 percent pay cut instead of laying off 10 percent of the workers, as this would benefit the greatest number of people and would not severely harm anyone.

To the deontologist, on the other hand, principle is primary and consequence is secondary or even irrelevant. Maximizing right rather than good is the deontological standard. The deontologist might well refuse to lie even if doing so would maximize good. Deontology is derived from the Greek word meaning duty and is directed toward what ought to be and toward what is right. Relationships among people are important because they give rise to duties. Deontology considers motives. For example, why a crime was committed may be more important than the actual consequences of the crime.
Difficulty: 2 Medium
Topic: Ethics Theories
Learning Objective: 02-04 Distinguish between teleological and deontological ethical systems.
Bloom's: Understand
AACSB: Analytical Thinking; Ethics
Accessibility: Keyboard Navigation

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50) Explain in detail the alternative theory of morality that involves decision making by emotion or intuition.

Answer: In recent years, new psychological and neuroscience evidence has supported an alternative theory of morality that involves decision making by emotion or intuition. The emotion or intuition approach claims that moral decision making is an automatic, nonreflective process in which our minds, when confronted with a moral question, instantaneously generate feelings of approval or disapproval.

Moral theorist Marc Hauser claims that our brains are biologically endowed with a moral faculty that has evolved over eons and is designed to reach very rapid judgments about right and wrong based on unconscious processes that are involuntary and universal. Thus, when we judge an action to be morally right or wrong, Hauser says we are doing so instinctively, using our inborn moral faculty. Even babies seem to make moral judgments. Experiments show that 6- and 10-month-old infants overwhelmingly prefer helping characters (objects manipulated like puppets in helping or hindering situations) over neutral characters and neutral characters are preferred over those who actively hinder others.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
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51) Explain the basis of Carol Gilligan's criticism on Kohlberg's views on moral development.

Answer: Kohlberg's model is based on extensive longitudinal and cross-cultural studies over more than three decades. For example, one set of Chicago-area boys was interviewed at 3-year intervals for 20 years. Thus, the stages of moral growth exhibit "definite empirical characteristics" such that Kohlberg was able to claim that his model had been scientifically validated. Although many critics remain, the evidence, in sum, supports Kohlberg's general proposition.

One of those lines of criticism requires a brief inspection. Kohlberg's colleague Carol Gilligan contends that our conceptions of morality are, in substantial part, gender-based. She claims that men typically approach morality as a function of justice, impartiality, and rights (the ethic of justice), whereas women are more likely to build a morality based on care, support, and responsiveness (the ethic of care). Men, she says, tend to take an impersonal, universal view of morality as contrasted with the feminine "voice" that rises more commonly from relationships and concern for the specific needs of others. Gilligan criticizes Kohlberg because his highest stages, 5 and 6, are structured in terms of the male approach to morality while the feminine voice falls at stage 3. Furthermore, Kohlberg's initial experimental subjects were limited to young males. The result, in Gilligan's view, is that women are underscored. Of course, a danger in the ethic of care is that it might be interpreted to restore and legitimize the stereotype of women as care-giving subordinates not deserving of moral autonomy. Subsequent research both challenges and supports Gilligan's view.
Difficulty: 2 Medium
Topic: Moral Development
Learning Objective: 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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Difficulty: 3 Hard
Topic: Why Do Some Managers Cheat?
Learning Objective: 02-06 Describe some of the forces that encourage unethical behavior in the workplace.; 02-07 Describe Kohlberg's theory of moral development.
Bloom's: Understand
AACSB: Analytical Thinking; Ethics
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53) Identify the major provisions of the 2002 Sarbanes-Oxley Act.

Answer: The Sarbanes-Oxley Act of 2002:

a. establishes an independent board to oversee the accounting profession.

b. requires corporate executives to personally certify the accuracy of their financial reports.

c. creates new crimes and raises penalties.

d. requires publicly traded companies to establish internal control systems designed to assure the accuracy of financial information.

e. requires publicly traded companies to disclose whether they have adopted an ethics code for senior financial management, and if not, why they have not done so.
Difficulty: 2 Medium
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

54) Explain in brief the federal sentencing guidelines issued by the U.S. Sentencing Commission.

Answer: Federal sentencing guidelines, issued by the U.S. Sentencing Commission, provide ranges (e.g., 10–12 months imprisonment) within which judges are advised to impose sentences. Relying on the crime's "offense level" and the defendant's criminal history, the punishment range for each category of both white-collar and street crime is established.

The guidelines are designed to provide greater predictability and consistency in punishment. Companies must develop programs to prevent and detect crime, provide ethics training, and monitor the success of compliance efforts. Companies involved in crimes may receive reduced penalties if they have effective compliance programs in place. Responsibility for compliance rests explicitly with the board of directors and top-level executives. Directors and officers complying with the guidelines may receive leniency while those engaging in aggravating behaviors such as a leadership role in crime may face increased punishment. Of course, the challenges of maintaining close, effective compliance in extended, complex giants such as Enron and McDonald's are formidable.
Difficulty: 2 Medium
Topic: Ethics Codes
Learning Objective: 02-10 Explain the general purpose of ethics codes in the workplace.
Bloom's: Understand
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55) What is a major criticism of the Foreign Corrupt Practices Act?

Answer: The Foreign Corrupt Practices Act (FCPA) has been controversial from the outset. Some businesspeople see it as a blessing both because it is an honorable attempt at a firm's moral stance and because it is often useful for an American businessperson abroad to refuse doing a particular act by saying that the law forbids him or her from doing that. On the other hand, some have seen the act as damaging to American competitiveness. Now other nations are recognizing that corruption is a great risk to the global economy. Once believing that bribery aided the poor, most industrial countries are now moving toward the zero-tolerance view held by the United States.
Difficulty: 2 Medium
Topic: Global Bribery
Learning Objective: 02-08 Explain the general requirements of the Foreign Corrupt Practices Act.
Bloom's: Understand
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