# *Business Ethics 5th edition Hartman Test Bank*

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# Business Ethics 5th Edition by Hartman CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.**

**1)** In a general sense, a business stakeholder is one who has made substantial financial investments in the business.

1) _____

- ◎ true
- ◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**2)** A firm's ethical reputation can provide a competitive advantage in the marketplace with customers, suppliers, and employees.

2) _____

- ◎ true
- ◎ false

**Question Details**
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Learning Objective : 01-03 Explain why ethics is important in the business environment.
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**3)** Ethics refers to how human beings should properly live their lives.

3) _____

- ◎ true
- ◎ false



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.
Topic : Business Ethics as Ethical Decision Making

**4)** Norms appeal to certain values that would be promoted or attained by acting in a certain way.

4) _____

- ◎ true
- ◎ false

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**5)** Values are the only guidance individuals need to act in ways that are positive or ethical.

5) _____

- ◎ true
- ◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**6)** Ethical values are personal codes of ethics that ensure that a person meets his or her individual standards of well-being.



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6) _____

- ◎ true
- ◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**7)** The well-being promoted by ethical values is not a personal and selfish well-being.

7) _____

- ◎ true
- ◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**8)** Societies that value individual freedom legally stipulate codes of personal integrity and common decency to safeguard this freedom.

8) _____

- ◎ true
- ◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.



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**9)** In civil law, there is no room for ambiguity in applying the law because much of the law is established by past precedent.

9) _____

◎ true
◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**10)** Ethical theories are patterns of thinking, or methodologies, to help us decide what to do.

10) _____

◎ true
◎ false

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

**11)** Which of the following represents the role of philosophical ethics in the field of business ethics?

11) _____



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A) providing the fundamental language and categories of ethics
B) understanding how business organizations fit into a broader social and political context
C) recognizing how and why people behave as they do
D) promoting a culture in which ethical behavior flourishes

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Explain three levels at which ethical decisions get made in business.
Topic : Introduction: Getting Comfortable with the Topic

**12)** Identify a true statement about the field of business ethics.

12) _____

A) It is rooted in the more general principle of social ethics.
B) It is not a multidisciplinary field.
C) It is mainly relevant to decision making within an organization.
D) It involves decisions at the individual, at the organizational, and at a broader social and governmental level.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-01 Explain three levels at which ethical decisions get made in business.
Topic : Introduction: Getting Comfortable with the Topic

**13)** Which of the following is a goal of a business ethics class?

13) _____



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A) understanding how and why people behave unethically
B) doing everything required to satisfy business stakeholders
C) separating ordinary ethical consideration from business decisions
D) recognizing that business has its own standards of good and bad

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 2 Medium
AACSB : Analytical Thinking
Topic : Introduction: Getting Comfortable with the Topic
Learning Objective : 01-02 Explain the nature of business ethics as an academic discipline.

**14)** _____ is a theory of human motivation that claims that all human actions are selfish and motivated by self-interest.

14) _____

A) Theoretical reasoning
B) The stakeholder theory
C) Psychological egoism
D) The separation thesis

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**15)** The _____ asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad.

15) _____



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A) scientific method
B) separation thesis
C) concept of theoretical reasoning
D) social ethics model

**Question Details**
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Difficulty : 1 Easy
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**16)** In a general sense, anyone who affects or is affected by decisions made within a firm can be called a business _____.

16) _____

A) nominee
B) stakeholder
C) analyst
D) insider

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**17)** Which of the following best describes a business stakeholder?

17) _____



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A) only the minority shareholders in a business entity
B) only those who have acquired significant shares in a firm
C) anyone who audits a firm
D) anyone who affects or is affected by decisions made within a firm

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**18)** Which of the following best describes ethics?

18) _____

A) an academic discipline that originated in the early 1900s
B) a descriptive approach that provides an account of how and why people do act the way they do
C) the study of how human beings should properly live their lives
D) a descriptive approach such as psychology and sociology

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
AACSB : Analytical Thinking
Learning Objective : 01-02 Explain the nature of business ethics as an academic discipline.
Topic : Business Ethics as Ethical Decision Making

**19)** Which of the following is an approach advocated while teaching ethics?

19) _____



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A) Teachers should teach ethical dogma to a passive audience.
B) Teachers should consider acceptance of customary norms as an adequate ethical perspective.
C) Teachers should understand that their role is only to tell the right answers to their students.
D) Teachers should challenge students to think for themselves.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Explain the nature of business ethics as an academic discipline.
Topic : Business Ethics as Ethical Decision Making

**20)** Philosophers often state that ethics is _____, which means that it focuses on people's reasoning about how they should act.

20) _____

A) normative
B) derivative
C) circumstantial
D) clinical

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**21)** Which of the following observations is true of ethics?

21) _____



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A) It is descriptive in nature.
B) It deals with our reasoning about how we should act.
C) It provides an account of how and why people act the way they do.
D) It is equivalent to law-abiding behavior.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**22)** Social sciences such as psychology and sociology are different from ethics owing to the fact that they are _____.

22) _____

A) normative in nature
B) descriptive in nature
C) conjectural in nature
D) clinical in nature

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**23)** _____ seeks an account of the how and why people should act a certain way, rather than how they do act.

23) _____



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A) Sociology
B) Psychology
C) Ethics
D) Anthropology

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**24)** Which of the following is a factor that distinguishes social sciences, such as psychology and sociology, from ethics?

24) _____

A) Unlike ethics, these disciplines inquire why people act the way they do.
B) Unlike ethics, these disciplines are normative rather than descriptive.
C) Unlike ethics, these disciplines provide an account of how people should act.
D) Unlike ethics, these disciplines give directives about how people should act.

**Question Details**
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**25)** The _____ discipline provides an account of how and why people do act the way they do.

25) _____



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A) descriptive
B) supererogatory
C) normative
D) stipulative

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
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Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**26)** Individual codes of conduct based on one's value structures regarding how one should live, how one should act, what one should do, and what kind of a person should one be is sometimes referred to as _____.

26) _____

A) morality
B) independence
C) leadership
D) rationality

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**27)** Morality is the aspect of ethics that we can refer to by the phrase "_____."

27) _____



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A) personal freedom
B) individual rationality
C) personal integrity
D) persuasive rationality

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**28)** Ethics refers to the applications of _____ on which people's decisions are based.

28) _____

A) values
B) morals
C) etiquettes
D) norms

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**29)** Identify the area of ethics that raises questions about justice, law, civic virtues, and political philosophy.

29) _____



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A) stipulative ethics
B) existential ethics
C) virtue ethics
D) social ethics

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**30)** The aspect of business ethics that examines business institutions from a social rather than an individual perspective is referred to as

30) _____

A) decision making for social responsibility.
B) corporate cultural responsibility.
C) organizational ethical responsibility.
D) institutional morality.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**31)** _____ establish the guidelines or standards for determining what one should do, how one should act, what type of person one should be.

31) _____



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A) Roles
B) Attitudes
C) Norms
D) Laws

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**32)** Which of the following is a true statement about norms?

32) _____

A) They are underlying beliefs that cause people to choose one way or another.
B) They are standards of appropriate and proper behavior.
C) They provide benchmarks of desirable societal conditions.
D) They consist of guidelines for bringing about positive behavioral change.

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**33)** The crux of normative ethics is that these disciplines

33) _____



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A) presuppose some underlying values.
B) describe what people do.
C) should always involve the study or discipline of ethics.
D) branch away from social ethics to personal ethics.

**Question Details**
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**34)** Which of the following refers to an underlying belief that causes people to choose between plausible courses of action?

34) _____

A) norms
B) paradigms
C) protocols
D) values

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**35)** Which of the following is true about values?

35) _____



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A) Values are the highest standards of appropriate and proper behavior.
B) Corporate scandals prove the fact that individuals have personal values, but institutions lack values.
C) Values cannot lead to unethical results.
D) Values are underlying beliefs that cause us to act or to decide in a certain way.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Difficulty : 2 Medium
AACSB : Analytical Thinking
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**36)** _____ are beliefs and principles that provide the ultimate guide to a company's decision making.

36) _____

A) Mission statements
B) Core values
C) Historical milestones
D) Vision statements

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
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**37)** Which of the following is a way of saying that a corporation has a set of identifiable values that establish the expectations for what is normal within the firm?



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37) _____

A) organizational culture
B) organizational policy
C) organizational code
D) organizational structure

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking
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**38)** Ethics requires that the promotion of human welfare be done

38) _____

A) based on the personal opinions of the decision maker.
B) based on the level of need of the beneficiaries.
C) understanding the religious beliefs of the beneficiary.
D) in a manner that is acceptable and reasonable from all relevant points of view.

**Question Details**
AACSB : Ethics
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Topic : Business Ethics as Personal Integrity and Social Responsibility
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**39)** Dramatic examples of tyrannical regimes in history demonstrate that

39) _____



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A) societies valuing freedom welcome laws that require more than the ethical minimum.
B) just societies can only be achieved through strict enforcement of ethical codes.
C) obedience to the law almost always makes people apathetic towards their ethical duties.
D) one's ethical responsibility may run counter to the law.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**40)** Telling organizations that their ethical responsibilities end with obedience to the law

40) _____

A) is just inviting more legal regulation.
B) is enough to maintain an ethical business environment.
C) reduces the frequency of corporate scandals.
D) eliminates ambiguity while making personal ethics-related decisions.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**41)** The failure of personal ethics among companies like Enron and WorldCom led to the creation of the

41) _____



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A) Brooks Act.
B) Gramm-Leach-Bliley Act.
C) Clinger-Cohen Act.
D) Sarbanes-Oxley Act.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**42)** Which of the following observations is true?

42) _____

A) Obedience to the law is sufficient to fulfill one's ethical duties.
B) The law is very effective at promoting "goods."
C) The law cannot anticipate every new dilemma that businesses might face.
D) An individual's ethical responsibility can never run counter to the law.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**43)** Which of the following is a true statement about the Americans with Disabilities Act (ADA)?

43) _____



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A) What counts as a disability remains ambiguous under the law.
B) The law lays out clear-cut rules for reasonable accommodation.
C) The law has not been put into practice till date.
D) Mental disabilities have been left out of the purview of the law.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**44)** A process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives is called _____.

44) _____

A) risk assessment
B) practical reasoning
C) theoretical reasoning
D) risk pooling

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**45)** Practical reasoning is reasoning about

45) _____



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A) what we should think.
B) what we should do.
C) what we should believe.
D) what we should share.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**46)** Reasoning about what should be done is known as _____ reasoning.

46) _____

A) practical
B) objective
C) theoretical
D) predictive

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**47)** Theoretical reasoning is reasoning about

47) _____



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A) what we actually do.
B) what we should do.
C) what we should believe.
D) what we should implement.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**48)** _____ reasoning is reasoning about what we should believe.

48) _____

A) Practical
B) Abstract
C) Theoretical
D) Descriptive

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**49)** Which of the following is the pursuit of the highest standard for what we should believe?

49) _____



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A) theoretical reason
B) notional reason
C) emotional reason
D) practical reason

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**50)** Which of the following is the great arbiter of truth according to the tradition of theoretical reason?

50) _____

A) religion
B) customs
C) science
D) norms

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility
AACSB : Analytical Thinking

**51)** Which of the following can be thought of as the answer to the fundamental questions of theoretical reason?

51) _____



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A) the scientific method
B) the practical approach
C) the contingency approach
D) the normative model

**Question Details**
AACSB : Ethics
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Bloom's : Remember
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility
Difficulty : 2 Medium
AACSB : Analytical Thinking

**FILL IN THE BLANK. Write the word or phrase that best completes each statement or answers the question.**

**52)** A _____ is anyone affected, for better or for worse, by the decisions made within a particular firm.

52) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**53)** _____ is a theory of human motivation that claims that all human actions are selfish and motivated by self-interest.

53) _____



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**Question Details**
AACSB : Ethics
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Bloom's : Remember
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Topic : Making the Case for Business Ethics

**54)** The _____ asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad.

54) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**55)** A process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives is called _____.

55) _____

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**56)** As a discipline, _____ deals with norms and standards of appropriate and proper (normal) behavior.

56) _____



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**Question Details**
AACSB : Ethics
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Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.
Topic : Business Ethics as Ethical Decision Making

**57)** _____ is the aspect of ethics that is referred to by the phrase "personal integrity."

57) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**58)** Normative disciplines presuppose some underlying _____.

58) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**59)** Acts and decisions that seek to promote human welfare are based on _____.

59) _____



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**60)** The aspect of business integrity that focuses on examining business institutions from a collective rather than from an individual perspective falls under the area of _____.

60) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res

**61)** _____ reasoning is reasoning about what we should believe.

61) _____

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**
**62)** Explain how the study of ethics was viewed until recently, and what kind of shift in focus has occurred post the scandals.



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
AACSB : Analytical Thinking
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics
Difficulty : 3 Hard

**63)** Describe the advantages associated with ethical decision making.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
AACSB : Analytical Thinking
Learning Objective : 01-03 Explain why ethics is important in the business environment.
Topic : Making the Case for Business Ethics

**64)** Discuss the hesitation (that may be justified) associated with teaching ethics. Explain briefly how the authors of this text believe that ethics can be taught constructively in a class.



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-02 Explain the nature of business ethics as an academic discipline.
Topic : Business Ethics as Ethical Decision Making

**65)** Define ethics. How is it different from social sciences such as psychology and sociology?

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res
Learning Objective : 01-02 Explain the nature of business ethics as an academic discipline.
Topic : Business Ethics as Ethical Decision Making

**66)** Differentiate the concepts of morality and social ethics.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
AACSB : Analytical Thinking
Learning Objective : 01-05 Distinguish the ethics of personal integrity from the ethics of social res



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**67)** Why is "ethics" considered a normative discipline?

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**68)** Define values and discuss the element of corporate culture in detail.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**69)** Describe the two elements of ethical values.



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Business Ethics as Personal Integrity and Social Responsibility
Bloom's : Understand
Learning Objective : 01-06 Distinguish ethical norms and values from other business-related norms and

**70)** Discuss the impact of maintaining that holding to the law is sufficient to fulfill one's ethical duties, and what it says about the law itself.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**71)** Explain the difficulties associated with telling a business that its ethical responsibilities end with obedience to the law.



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**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Bloom's : Understand
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**72)** Discuss the importance of precedents for most laws concerning business.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**73)** Define risk assessment.

**Question Details**
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
AACSB : Analytical Thinking
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.



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**74)** While using the risk assessment model, what might the decision makers include in their assessment before taking action?

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Ethics and the Law
Learning Objective : 01-04 Explain why ethical responsibilities go beyond legal compliance.

**75)** Differentiate between practical reason and theoretical reason.

**Question Details**
AACSB : Ethics
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-07 Describe ethical decision making as a form of practical reasoning.
Topic : Business Ethics as Personal Integrity and Social Responsibility



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# Business Ethics 5th Edition by Hartman CH01

## Answer Key

Test name: CH01

1) FALSE
In a general sense, a business stakeholder will be anyone who affects or is affected by decisions made within the firm, for better or worse.

2) TRUE
A firm's ethical reputation can provide a competitive edge in the marketplace with customers, suppliers, and employees.

3) TRUE
Ethics refers not only to an academic discipline, but to that arena of human life studied by this academic discipline, namely, how human beings should properly live their lives.

4) TRUE
Norms establish the guidelines or standards for determining what we should do, how we should act, what type of person we should be. Another way of expressing this point is to say that norms appeal to certain values that would be promoted or attained by acting in a certain way.

5) FALSE
In general, values are those beliefs that incline us to act or to choose one way rather than another. One important implication of this guidance, of course, is that an individual's or a corporation's set of values may lead to either ethical or unethical results.

6) FALSE



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It is important to know two elements of ethical values. First, ethical values serve the ends of human well-being. Second, the well-being promoted by ethical values is not a personal and selfish well-being. Thus, ethical values are those beliefs and principles that impartially promote human well-being.

7) TRUE
It is important to know two elements of ethical values. First, ethical values serve the ends of human well-being. Second, the well-being promoted by ethical values is not a personal and selfish well-being. Thus, ethical values are those beliefs and principles that impartially promote human well-being.

8) FALSE
Liberal societies that value individual freedom will seek to legally prohibit the most serious ethical harms. However, they will not legally require acts of charity, common decency, and personal integrity that may otherwise comprise the social fabric of a developed culture.

9) FALSE
In civil law (as opposed to criminal law), where much of the law is established by past precedent, there is always room for ambiguity in applying the law.

10) TRUE
Ethical theories are patterns of thinking, or methodologies, to help us decide what to do.

11) A



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The field of business ethics is rooted in the more general discipline of philosophical ethics. The role of philosophical ethics is to provide the fundamental language and categories of ethics. Learning about philosophical ethics provides a knowledge base for our own study of business ethics so that we will not have to start from scratch.

12) D
Business ethics involves decisions at the individual, at the organizational, and at a broader social and governmental level. The field of business ethics helps us analyze and evaluate decision making at all three of these levels.

13) A
A business ethics class has many goals, including helping us to develop the knowledge base and skills needed to identify ethical issues, understand how and why people behave unethically, decide how we should act, what we should do, and the type of person we should be as individuals, create ethical organizations, and think through the social, economic, and political policies that we should support as citizens.

14) C
Behind some skepticism about the relevance of ethics to business, and often part of the reasoning behind the separation thesis, lies a theory called psychological egoism. This theory purports to be an account of human motivation, asserting that humans are fundamentally and unavoidably motivated by self-interest.

15) B
The separation thesis asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad. It is fair to say that this separation thesis remains common in business circles.



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16) B
In a general sense, a business stakeholder will be anyone who affects or is affected by decisions made within the firm, for better or worse. Failure to consider these additional stakeholders will have a detrimental impact on those stakeholders, on stockholders, specifically, and on the firm's long-term sustainability as a whole.

17) D
In a general sense, a business stakeholder will be anyone who affects or is affected by decisions made within the firm, for better or worse.

18) C
Ethics refers not only to an academic discipline, but to that arena of human life studied by this academic discipline, namely, how human beings should properly live their lives.

19) D
Ethics teachers must challenge students to think for themselves. The teacher's role should not be to preach ethical dogma to a passive audience, but instead to treat students as active learners and to engage them in an active process of thinking, questioning, and deliberating.

20) A
Philosophers often emphasize that ethics is normative, which means that it deals with our reasoning about how we should act. Social sciences, such as psychology and sociology, also examine human decision making and actions; but these sciences are descriptive rather than normative.

21) B
Philosophers often emphasize that ethics is normative, which means that it deals with our reasoning about how we should act. As a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they do act.



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22) B
Social sciences, such as psychology and sociology, also examine human decision making and actions; but these sciences are descriptive rather than normative. This is due to the fact that they provide an account of how and why people act the way they do—they describe; as a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they act.

23) C
As a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they do act. This is why philosophers often emphasize that ethics is normative.

24) A
Social sciences, such as psychology and sociology, provide an account of how and why people do act the way they. As a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they do act.

25) A
Social sciences, such as psychology and sociology, examine human decision making and actions; but, unlike ethics, these sciences are descriptive rather than normative. When we say that they are descriptive, we refer to the fact that they provide an account of how and why people do act the way they do—they describe.

26) A



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How should we live? This fundamental question of ethics can be interpreted in two ways. "We" can mean each one of us individually, or it might mean all of us collectively. In the first sense, this is a question about how I should live my life, how I should act, what I should do, and what kind of person I should be. This meaning of ethics is based on our value structures, defined by our moral systems; and, therefore, it is sometimes referred to as morality.

27) C
Morality is the aspect of ethics that we refer to by the phrase "personal integrity."

28) B
There will be many times within a business setting where an individual will need to step back and ask: What should I do? How should I act? If morals refer to the underlying values on which our decisions are based, ethics refers to the applications of those morals to the decisions themselves. So, an individual could have a moral value of honesty, which, when applied to her or his decisions, results in a refusal to lie on an expense report.

29) D
Social ethics raises questions of justice, public policy, law, civic virtues, organizational structure, and political philosophy. It delves into questions on how a society and social institutions, such as corporations, ought to be structured and about how we ought to live together.

30) A



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Business ethics is concerned with how business institutions ought to be structured, about whether they have a responsibility to the greater society (corporate social responsibility or CSR), and about making decisions that will impact many people other than the individual decision maker. This aspect of business ethics asks people to examine business institutions from a social rather than from an individual perspective. This broader social aspect of ethics is referred to as decision making for social responsibility.

31) C
Norms establish the guidelines or standards for determining what we should do, how we should act, what type of person we should be.

32) B
Norms are standards of appropriate and proper (or “normal") behavior. They establish the guidelines or standards for determining what we should do, how we should act, what type of person we should be.

33) A
Normative disciplines presuppose some underlying values.

34) D
We can think of values as the underlying beliefs that cause us to act or to decide one way rather than another. Thus, the value that someone places on an education leads him or her to make the decision to study rather than indulge in some less productive activity.

35) D
We can think of values as the underlying beliefs that cause us to act or to decide one way rather than another.

36) B



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A company's core values are those beliefs and principles that provide the ultimate guide to its decision making.

37) A
Talk of a corporation's "culture" is a way of saying that a corporation has a set of identifiable values that establish the expectations for what is "normal" within that firm. These norms guide employees, implicitly more often than not, to behave in ways that the firm values and finds worthy.

38) D
From the perspective of ethics, no one person's welfare is more worthy than any other's. Ethical acts and choices should be acceptable and reasonable from all relevant points of view.

39) D
Holding that obedience to the law is sufficient to fulfill one's ethical duties begs the question of whether the law, itself, is ethical. Dramatic examples from history, including Nazi Germany and apartheid in South Africa, demonstrate that one's ethical responsibility may run counter to the law.

40) A
Telling business that its ethical responsibilities end with obedience to the law is just inviting more legal regulation.

41) D
It was the failure of personal ethics among companies such as Enron and WorldCom that led to the creation of the Sarbanes-Oxley Act and many other legal reforms.

42) C



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The law cannot possibly anticipate every new dilemma that businesses might face; so, often, there may not be a regulation for the particular dilemma that confronts a business leader.

43) A
The Americans with Disabilities Act (ADA) requires employers to make reasonable accommodations for employees with disabilities. What conditions are covered under the ADA depends on a number of factors, including the severity of the illness and the effect it has on the employee's ability to work, among others.

44) A
Risk assessment is defined as a process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. It is important to recognize that risk assessment is not simply a value-neutral process of professional judgment. While determining the likelihood of one particular outcome versus another can be a professional judgment for attorneys and accountants, deciding whether the risk is worth taking is not.

45) B
Practical reasoning is reasoning about what we should do.

46) A
Practical reasoning is reasoning about what we should do.

47) C
Theoretical reasoning is reasoning about what we should believe.

48) C
Theoretical reasoning is reasoning about what we should believe.

49) A



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Theoretical reason is the pursuit of truth, which is the highest standard for what we should believe. According to this tradition, science is the great arbiter of truth.

50) C
According to the tradition of theoretical reason, science is the great arbiter of truth. Thus, theoretical reason is the pursuit of truth, which is the highest standard for what we should believe.

51) A
Theoretical reason is the pursuit of truth, which is the highest standard for what we should believe. According to this tradition, science is the great arbiter of truth. Thus, the scientific method can be thought of as the answer to the fundamental questions of theoretical reason: What should we believe?

52) stakeholder
In a general sense, a business stakeholder will be anyone who affects or is affected by decisions made within the firm, for better or worse.

53) Psychological egoism
Behind some skepticism about the relevance of ethics to business, and often part of the reasoning behind the separation thesis, lies a theory called psychological egoism. This theory purports to be an account of human motivation, asserting that humans are fundamentally and unavoidably motivated by self-interest.

54) separation thesis
The separation thesis asserts that ordinary ethical standards should be kept separate from, and not be used to judge, business decisions because business has its own standards of good and bad. It is fair to say that this separation thesis remains common in business circles.



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55) risk assessment
Risk assessment is defined as a process to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

56) normative ethics
As a normative discipline, ethics deals with norms and standards of appropriate and proper (normal) behavior. Norms establish the guidelines or standards for determining what we should do, how we should act, and what type of person we should be.

57) Morality
Morality is the aspect of ethics that we refer to by the phrase "personal integrity."

58) values
Normative disciplines presuppose some underlying values.

59) ethical values
Acts and decisions that seek to promote human welfare are acts and decisions based on ethical values. Thus, ethical values serve the ends of human well-being.

60) social ethics
Social ethics involves questions of political, economic, civic, and cultural norms aimed at promoting human well-being. This aspect of business ethics asks us to examine business institutions from a social rather than from an individual perspective.

61) Theoretical



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Theoretical reasoning is reasoning about what we should believe. It is the pursuit of truth, which is the highest standard for what we should believe.

62) As recently as the mid-1990s, articles in such major publications as *The Wall Street Journal, the Harvard Business Review,* and *U.S. News and World Report* questioned the legitimacy and value of teaching classes in business ethics. Few disciplines face the type of skepticism that commonly confronted courses in business ethics. Many students believed that "business ethics" was an oxymoron. Many also viewed ethics as a mixture of sentimentality and personal opinion that would interfere with the efficient functioning of business.

Leaders realize that they can no longer afford this approach in contemporary business. The questions today are less about why or should ethics be a part of business, than they are about which values and principles should guide business decisions and how ethics should be integrated within business. Students unfamiliar with the basic concepts and categories of ethics will find themselves as unprepared for careers in business as students who are unfamiliar with accounting and finance. Indeed, it is fair to say that students will not be fully prepared, even within fields such as accounting, finance, human resource management, marketing, and management unless they are familiar with the ethical issues that arise within those specific fields.



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63) Unethical behavior not only creates legal risks for a business, it creates financial and marketing risks as well. Managing these risks requires managers and executives to remain vigilant about their company's ethics. It is now clearer than ever that a company can lose in the marketplace, go out of business, and its employees can go to jail if no one is paying attention to the ethical standards of the firm.

A firm's ethical reputation can provide a competitive advantage in the marketplace and with customers, suppliers, and employees. Managing ethically can also pay significant dividends in organizational structure and efficiency. Trust, loyalty, commitment, creativity, and initiative are just some of the organizational benefits that are more likely to flourish within ethically stable and credible organizations.



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64) Part of the hesitation about teaching ethics involves the potential for abuse; expecting teachers to influence behavior may be viewed as permission for teachers to impose their own views on students. Many believe that teachers should remain value-neutral in the classroom and respect a student's own views. Another part of this concern is that the line between motivating students and manipulating students is a narrow one. There are many ways to influence someone's behavior, including threats, guilt, pressure, bullying, and intimidation.

But not all forms of influencing behavior raise such concerns. There is a major difference between manipulating someone and persuading someone, between threatening and reasoning. The tension between knowledge and behavior can be resolved by emphasizing ethical judgment, ethical deliberation, and ethical decision making. The only academically and ethically legitimate way to do this is through careful and reasoned decision making. The fundamental assumption is that a process of rational decision making, a process that involves careful thought and deliberation, can and will result in behavior that is more reasonable, accountable, and ethical.

65) Ethics refers not only to an academic discipline, but to that arena of human life studied by this academic discipline, namely, how human beings should properly live their lives.

Philosophers often emphasize that ethics is normative, which means that it deals with our reasoning about how we should act. Social sciences such as psychology and sociology also examine human decision making and actions, but these sciences are descriptive rather than normative. They provide an account of how and why people do act the way they do; as a normative discipline, ethics seeks an account of how and why people should act a certain way, rather than how they do act.



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66) The fundamental question of ethics “How should we live?” can be interpreted in two ways.

"We” can mean each one of us individually, or it might mean all of us collectively. In the first sense, this is a question about how I should live my life, how I should act, what I should do, and what kind of person I should be. This meaning of ethics is sometimes referred to as morality, and it is the aspect of ethics that we refer to by the phrase “personal integrity.” There will be many times within a business setting where an individual will need to step back and ask: “What should I do? How should I act?”

In the second sense, “How should we live?” refers to how we live together in a community. This is a question about how a society and social institutions such as corporations ought to be structured and about how we ought to live together. This area is sometimes referred to as social ethics and it raises questions of justice, public policy, law, civic virtues, organizational structure, and political philosophy. In this sense, business ethics is concerned with how business institutions ought to be structured, about corporate social responsibility, and about making decisions that will impact many people other than the individual decision maker. This aspect of business ethics asks us to examine business institutions from a social rather than an individual perspective. This broader social aspect of ethics is referred to as decision making for social responsibility.

67) To say that ethics is a normative discipline is to say that it deals with norms: those standards of appropriate and proper (or "normal") behavior. Norms establish the guidelines or standards for determining what we should do, how we should act, what type of person we should be.



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68) In general, values were earlier thought of as those beliefs that incline us to act or to choose one way rather than another.A company's core values, for example, are those beliefs and principles that provide the ultimate guide in its decision making. Individuals can have their own personal values and, importantly, institutions also have values. A corporation's "culture" is a way of saying that a corporation has a set of identifiable values that establish the expectations for what is "normal" within that firm. These norms guide employees, implicitly more often than not, to behave in ways that the firm values and finds worthy. One important implication of this is that an individual or a corporation's set of values may lead to either ethical or unethical result. The corporate culture at Enron, for example, seems to have been committed to pushing the envelope of legality as far as possible in order to get away with as much as possible in pursuit of as much money as possible.

69) First, ethical values serve the ends of human well-being. Acts and choices that aim to promote human welfare are acts and choices based on ethical values.

Second, the well-being promoted by ethical values is not a personal and selfish well-being. Ethical values are those beliefs and principles that impartially promote human well-being.



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70) Holding that obedience to the law is sufficient to fulfill one's ethical duties begs the question of whether or not the law itself is ethical. Examples from history, Nazi Germany and apartheid in South Africa being the most obvious, demonstrate that one's ethical responsibility may run counter to the law.

On a more practical level, this question can have significant implications in a global economy in which businesses operate in countries with legal systems different from those of their home country. For instance, some countries permit discrimination on the basis of gender; but businesses that choose to adopt such practices remain ethically accountable to their stakeholders for those decisions.

71) Telling a business that its ethical responsibilities end with obedience to the law is just inviting more legal regulation. The difficulty of trying to create laws to cover each and every possible business challenge would be enormous. The task would require such specificity that the number of regulated areas would become unmanageable.

Additionally, it was the failure of personal ethics among such companies as Enron and WorldCom, after all that led to the creation of the Sarbanes-Oxley Act and many other legal reforms. If business restricts its ethical responsibilities to obedience to the law, it should not be surprising to find a new wave of government regulations that require what were formerly voluntary actions.

72) Most of the laws that concern business are based on past cases that establish legal precedents. Each precedent applies general rules to the specific circumstances of an individual case. In most business situations, asking "Is this legal?" is really asking "Are these circumstances similar enough to past cases that the conclusions reached in those cases will also apply here?" Since there will always be some differences between cases, the question will always remain somewhat open.



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73) Risk assessment is defined as a process to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

74) Using the risk assessment model, decision makers might include in their assessment before taking action:

- the likelihood of being challenged in court
- the likelihood of losing the case
- the likelihood of settling for financial damages
- a comparison of those costs
- the financial benefits of taking the action
- the ethical implication of the options available

75) Practical reason is described as reasoning about what we should do, whereas theoretical reason involves reasoning about what we should believe.



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