Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

SKU: 9781305117457-TEST-BANK

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

Chapter 02 Business Ethics and Social Responsibility

TRUEFALSE

1. Business ethics provides a guarantee of profitability.

(A) True

(B) False

Answer : (B)

2. Unethical behavior is not necessarily illegal behavior.

(A) True

(B) False

Answer : (A)

3. A lack of business ethics can result in a lack of business goodwill.

(A) True

(B) False

Answer : (A)

4. Business ethics is the application of standards for moral reasoning to business dilemmas.

(A) True

(B) False

Answer : (A)

5. Situational ethics is also known as moral relativism.

(A) True

(B) False

Answer : (A)

6. Natural law and positive law are one and the same theories of ethical standards.

(A) True

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

(B) False

Answer : (B)

7. Milton Friedman's standard for business social responsibility is one that requires a company to do all that it can for its community.

(A) True

(B) False

Answer : (B)

8. Waiting your turn, while not a statute, is typically an ordinance.

(A) True

(B) False

Answer : (B)

9. Natural law, unlike other rules, does not change.

(A) True

(B) False

Answer : (A)

10. An employee's actions away from the job has no relevance to his or her employer.

(A) True

(B) False

Answer : (B)

11. A company, such as Nike, can have no affect on the work environment in a foreign country.

(A) True

(B) False

Answer : (B)

12. Giving a false impression, although not actually an untruth, is still an ethical violation.

(A) True

(B) False

Answer : (A)

13. A code of ethics is an individual firm's behavior standard for employees.

(A) True

(B) False

Answer : (A)

14. A company with a code of ethics has no further concern with regard to the tone at the top for the ethical behavior of the company's employees.

(A) True

(B) False

Answer : (B)

15. Condoning unethical behavior is an ethical breach.

(A) True

(B) False

Answer : (A)

16. A government employee releasing personal tax information about an individual is an ethical breach.

(A) True

(B) False

Answer : (A)

17. The "front page of the newspaper test" is an application of whether conduct gives the appearance of impropriety.

(A) True

(B) False

Answer : (A)

18. The first question of the Blanchard/Peale model for resolving ethical dilemmas is whether the

conduct is legal.

(A) True

(B) False

Answer : (A)

19. Whether everyone else does it is one method for evaluating the ethics of a particular course of action.

(A) True

(B) False

Answer : (B)

20. "I was just following orders," is a defense in law and a test for ethical behavior.

(A) True

(B) False

Answer : (B)

21. A relativist asks why someone is engaged in unethical or illegal conduct before determining whether the conduct is right or wrong.

(A) True

(B) False

Answer : (A)

22. "That's the way it has always been done," is a phrase that often signals ethical difficulties.

(A) True

(B) False

Answer : (A)

23. The first question of the *Wall Street Journal* model is whether the conduct complies with the law.

(A) True

(B) False

Answer : (A)

24. In the *Parable of the Sadhu*, the hikers are certain the religious pilgrim survived.

(A) True

(B) False

Answer : (B)

25. In the *Parable of the Sadhu*, the hikers' climb is successful.

(A) True

(B) False

Answer : (A)

26. Ethics can provide a strategic advantage for companies.

(A) True

(B) False

Answer : (A)

27. The *Parable of the Sadhu* emphasizes the importance of focusing on survival rather than others.

(A) True

(B) False

Answer : (B)

28. Rationalization is an effective means of analysis for ethical issues.

(A) True

(B) False

Answer : (B)

29. An ethics officer and/or ethics hotline are both critical to an ethical culture in a company.

(A) True

(B) False

Answer : (A)

30. The least corrupt countries have the most stable economies.

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

(A) True

(B) False

Answer : (A)

31. "Everybody else does it" is a valid test for determining whether conduct is ethical.

(A) True

(B) False

Answer : (B)

32. Warren Buffett follows the Front-Page-of-the-Newspaper test as a guide for his businesses.

(A) True

(B) False

Answer : (A)

33. Compliance with the law meets all ethical standards.

(A) True

(B) False

Answer : (B)

34. The level of cheating in high schools and colleges is declining.

(A) True

(B) False

Answer : (B)

35. Sarbanes-Oxley is extensive congressional reform of federal laws that apply to corporations.

(A) True

(B) False

Answer : (A)

36. An anonymous reporting system is a requirement for companies under Sarbanes-Oxley.

(A) True

(B) False

Answer : (A)

37. Having a code of ethics does not reduce a company's sentence under the federal sentencing guidelines.

(A) True

(B) False

Answer : (B)

38. A company that self-reports a legal violation risks a higher penalty.

(A) True

(B) False

Answer : (B)

39. Training employees in ethics is a factor that reduces a company's sentence under the federal sentencing guidelines.

(A) True

(B) False

Answer : (A)

40. The Federal Sentencing Commission is concerned only with corporate ethical processes and not ethical corporate cultures.

(A) True

(B) False

Answer : (B)

41. Christian and Judaism principles concerning ethical behavior are radically different.

(A) True

(B) False

Answer : (B)

42. Long-term corruption affects a nation's economy.

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

(A) True

(B) False

Answer : (A)

43. Trust is not critical to investment or economic success.

(A) True

(B) False

Answer : (B)

44. Ethics consists of the unwritten rules we apply in both business and personal lives.

(A) True

(B) False

Answer : (A)

45. "When in Rome, do as the Romans do," is an example of moral relativism.

(A) True

(B) False

Answer : (A)

46. In Douglas Brown's opinion, economic growth requires the lack of corruption to succeed.

(A) True

(B) False

Answer : (A)

47. Downloading music using peer-to-peer file sharing is not an ethical breach.

(A) True

(B) False

Answer : (B)

48. "It's a gray area," if it applies, means that the conduct you are evaluating is ethical, so long as you stay in the gray area.

(A) True

(B) False

Answer : (B)

49. Rationalization is one form of ethical analysis.

(A) True

(B) False

Answer : (B)

50. The cost of a climb in the Himalayas is a point of pressure in the life and death ethical dilemmas climbers face.

(A) True

(B) False

Answer : (A)

51. One cause of corruption and hyperinflation in Brazil is the country's strong observance of ethical processes to a point that is not required.

(A) True

(B) False

Answer : (B)

52. To obtain the protections and benefits of the sentencing guidelines, companies must have a code of ethics.

(A) True

(B) False

Answer : (A)

53. To obtain the protections and benefits of the sentencing guidelines, companies must have some form of anonymous reporting.

(A) True

(B) False

Answer : (A)

54. Ethics are key to the success of economic systems.

(A) True

(B) False

Answer : (A)

55. Corruption impedes economic development.

(A) True

(B) False

Answer : (A)

56. Normative standards are measured by reaction to conduct that is not illegal, but creates outrage.

(A) True

(B) False

Answer : (A)

57. Cheating on a test in college will result in a criminal prosecution because it is considered a crime.

(A) True

(B) False

Answer : (B)

58. Moral relativists would say that stealing is always immoral and illegal.

(A) True

(B) False

Answer : (B)

59. The social contract requires people to act in the way that everyone would agree is "the right thing to do."

(A) True

(B) False

Answer : (A)

60. Immanuel Kant's categorical imperative is a similar idea to the Golden Rule of treating others like you would want to be treated.

(A) True

(B) False

Answer : (A)

MULTICHOICE

61. Ethical decisions based on whether or not an activity is legal or not is based on the _____ theory.

(A) positive

(B) negative

(C) relativism

(D) fairness

Answer : (A)

62. A stakeholder is anyone:

(A) but a shareholder.

(B) who has an interest in a business.

(C) but a firm's employees.

(D) except the community where a firm is located.

Answer : (B)

63. Which of the following statements is true about an ethical business?

(A) It will always be profitable.

(B) It will always satisfy all stakeholders.

(C) It will always survive over the long run.

(D) It will avoid the consequences of unethical behavior.

Answer : (D)

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

64. Which of the following is not always a result of unethical behavior?

(A) Loss of trust

(B) Loss of goodwill

(C) Loss of profits

(D) Strained relations with regulators

Answer : (C)

65. A manager at a chemical weapons plant discovered that toxic by-products from chemical manufacturing at the plant are simply put in barrels and stacked near the boundary lines of the plant property. Children in the homes near these boundaries have an unusually high rate of kidney disease. The manager does not want to disclose the barrels' contents because he will lose his job and the town will lose its major employer. Which of the following ethical tests would support the manager's decision?

(A) *Wall Street Journal* model

(B) Ethical relativism

(C) Blanchard/Peale model

(D) "Front Page of the Newspaper Test"

Answer : (B)

66. Which of the following models has a question that requires analysis of the effect of a decision on stakeholders?

(A) Blanchard/Peale

(B) *Wall Street Journal* model

(C) Does the conduct comply with the law?

(D) All of the above

Answer : (B)

67. Milton Friedman's philosophy on corporate behavior is:

(A) a business serves its shareholders best by serving the community.

(B) a business serves its shareholders best by serving society at large.

(C) a business serves its shareholders best by serving regulatory interests.

(D) a business serves its shareholders best by serving shareholders.

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

Answer : (D)

68. In the example of 1980s musical hits on CDs performed by "The Original Artists", the group's name is an example of creating a:

(A) relative impression.

(B) personal decadence.

(C) false impression.

(D) organizational abuse.

Answer : (C)

69. A magazine rating car performance that receives the bulk of its advertising revenue from one particular auto manufacturer without disclosing that fact is an example of:

(A) false impression.

(B) conflict of interest.

(C) divulging information.

(D) interpersonal abuse.

Answer : (B)

70. Which of the following is not an ethical breach?

(A) Taking things that do not belong to you

(B) Giving or allowing false impressions

(C) Perpetrating interpersonal abuse

(D) All of the above are ethical breaches.

Answer : (D)

71. Which of the following is not a consequence of poor ethical choices by a company?

(A) Loss of reputation

(B) Loss of earning power

(C) Additional regulation

(D) All of the above are consequences of poor ethical choices.

Answer : (D)

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

72. Which of the following is not a question for the Blanchard/Peale test for ethical behavior?

(A) Is it legal?

(B) Does it follow industry code?

(C) Is it balanced?

(D) How does it make me feel?

Answer : (B)

73. Which of the following actions would be permitted under the Friedman philosophy of business involvement in social issues?

(A) A corporate contribution to a shelter program for runaway teenagers

(B) A corporate contribution to a pro-choice organization

(C) A corporate contribution to Mother Teresa's worldwide organization

(D) A corporate contribution to a mass transit system that will serve the offices of the company throughout the city

Answer : (D)

74. Who suggests that a corporation best serves by serving its shareholders?

(A) Andrew Cuomo

(B) Warren Buffett

(C) Milton Friedman

(D) Immanuel Kant

Answer : (C)

75. An unclear situation that has potential legal and ethical issues can be referred to as a ____ area.

(A) green

(B) gray

(C) black-and-white

(D) gratuitous

Answer : (B)

76. "How would I view the issue if I stood on the other side of the fence?" is one question in the

process to analyze an ethical dilemma developed by:

(A) Milton Friedman.

(B) Laura Nash.

(C) Norman Vincent Peale.

(D) Kenneth Blanchard.

Answer : (B)

77. Which of the following is not a part of the language of rationalization?

(A) "Everyone else does it."

(B) "It really doesn't hurt anyone."

(C) "I was just following orders."

(D) "We'll wait until the government tells us it's wrong."

Answer : (D)

78. The policy on travel reimbursement at Public Service Company is that receipts for meals under $25.00 are not required. Internal auditors at Public Service have recently discovered that 80 percent of all meal submissions are in a range from $12.50 to $12.99. When one manager is questioned about his submissions and those of his employees he responds, "So, they make a little bit on meals - it helps their miserable salaries." The manager's evaluation:

(A) demonstrates an ethical commitment to his employees.

(B) is ethical since no one is really harmed.

(C) demonstrates a lapse in the company's ethical culture.

(D) is an example of Christian consequentialism.

Answer : (C)

79. Which of the following is not necessarily a benefit of using ethics as a business strategy?

(A) Firm's profits increase

(B) Affords opportunity for planning

(C) Creates goodwill in the community

(D) All of the above are benefits.

Answer : (A)

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

80. The "front page of the newspaper test":

(A) was developed by Laura Nash.

(B) is the same as the *Wall Street Journal* test.

(C) was developed by Blanchard/Peale.

(D) uses the perspective of an objective reporter.

Answer : (D)

81. In the *Parable of the Sadhu:*

(A) the lesson of personal values vs. organizational or group values is drawn.

(B) the lesson that the rules of business prevail over personal values is drawn.

(C) the lesson of survival of the fittest is given.

(D) the lesson of "every man for himself" is critical for business survival.

Answer : (A)

82. In international business:

(A) there are no ethical rules.

(B) corruption facilitates commerce.

(C) trust and honesty are required for investment and economic growth.

(D) a company must operate by a set of rules different from its U.S. rules.

Answer : (C)

83. Which of the following is not an element of the Nash test?

(A) Will I feel as good over the long term about this decision?

(B) Is it legal?

(C) What am I trying to accomplish with my decision?

(D) Could I discuss this decision with the affected parties?

Answer : (B)

84. Which of the following is not important for capitalism to function?

(A) Consumer confidence

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

(B) Absence of corruption

(C) Grease payments

(D) Risk takers comfortable with trustworthiness of government officials

(E) All of the above are necessary for capitalism.

Answer : (C)

85. Milton Friedman's view of the social responsibility of business is best described as:

(A) the social responsibility of a business is to make money within the rules of the game.

(B) the social responsibility of a business should be dictated by its managers.

(C) the social responsibility of a business requires it to be environmentally clean.

(D) businesses have no social responsibility.

(E) None of the above

Answer : (A)

86. Which of the two following groupings of ethical thought would you describe as opposites?

(A) Natural Law and Moral Relativism

(B) Moral Relativism and Situational Ethics

(C) Natural Law and Religious Beliefs

(D) Moral Absolutes and Natural Law

(E) None of the above

Answer : (A)

87. Which of the following ethical models incorporates conscience into the decision-making process?

(A) Front-page-of-the-newspaper test

(B) *Wall Street Journal* test

(C) Blanchard and Peale model

(D) Positive law

(E) None of the above

Answer : (C)

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

88. Enron Corporation filed for bankruptcy following a number of revelations about its accounting procedures. Enron used a complex structure of corporations and off-the-books debt to mask its true financial picture from the markets. When asked about the propriety of Enron's reporting methods, many analysts have responded, "They simply did what most corporations do." Their comments:

(A) reflect analysis under the Nash model.

(B) reflect analysis under the Blanchard/Peale model.

(C) reflect rationalization.

(D) reflect *Wall Street Journal* analysis.

(E) None of the above

Answer : (C)

89. Enron's failure to disclose its off-the-book debts was legal. Which of the following ethical categories do you think apply to that type of financial reporting?

(A) Balancing ethical dilemmas

(B) Giving or allowing a false impression

(C) Taking unfair advantage

(D) Both b and c

(E) None of the above

Answer : (D)

90. Which of the following statements best describes the ethical position of Enron executives?

(A) If it's legal, its ethical.

(B) If we are under pressure to keep the stock price up, we do what it takes.

(C) Everybody does it.

(D) Both a and b

Answer : (D)

91. Which of the following is not a requirement of Sarbanes-Oxley?

(A) Code of ethics

(B) Ethics hotline (anonymous)

(C) Ethics officer

(D) Both a and c

Answer : (D)

92. Sarbanes-Oxley is:

(A) a philosophical school that serves society first.

(B) federal legislation that imposed ethics requirements on corporations.

(C) an international accounting treaty.

(D) the former CEO of World.Com.

Answer : (B)

93. Dennis Kozlowski, the former CEO of Tyco, who was famous for this lavish party and decorating expenses, said that he asked that all of his pay packages, loans, and expenditures be authorized by the board and company policy.

(A) The authorizations make all the expenses and loans ethical.

(B) Mr. Kozlowski could have taken unfair advantage of the board and his position.

(C) Being able to do something procedurally correct does not mean it is ethical.

(D) Both b and c

Answer : (D)

94. Which of the following countries is one of the best examples of the long-term impact of foreign business corruption?

(A) Russia

(B) Mexico

(C) Italy

(D) Japan

Answer : (C)

95. Jane Eyring works for PharmaMeds, Inc. Jane is a physician-scientist who is responsible for running the pilot tests on PharmaMed's new oral spray medication for individuals with adult onset diabetes. Jane has discovered that if those in the test group do not spray the medicine correctly or if they spray for too short of a time, the medicine is not effective, or as effective, and insulin shock has resulted in a few of the patients. Jane talks with one of her colleagues who responds, "Look, there's no need to stop the testing or the drug's release. Just tell them in the test and in the brochures that will be with the spray, â□□Spray correctly! If you do not, you may not receive your necessary dose.'"

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

Jane is not sure anyone can be 100% accurate in spraying all the time. Jane's ethical dilemma is:

(A) a conflict of interest.

(B) taking things that don't belong to you.

(C) giving or allowing false impressions.

(D) All of the above

Answer : (C)

96. Jane Eyring works for PharmaMeds, Inc. Jane is a physician-scientist who is responsible for running the pilot tests on PharmaMed's new oral spray medication for individuals with adult onset diabetes. Jane has discovered that if those in the test group do not spray the medicine correctly or if they spray for too short of a time, the medicine is not effective, or as effective, and insulin shock has resulted in a few of the patients. Jane talks with one of her colleagues who responds, "Look, there's no need to stop the testing or the drug's release. Just tell them in the test and in the brochures that will be with the spray, â□□Spray correctly! If you do not, you may not receive your necessary dose.'" Jane is not sure anyone can be 100% accurate in spraying all the time. What risks does the company run if the spray doesn't work for the patients?

(A) Fines and penalties

(B) Litigation by patients who become ill

(C) Damage to its reputation

(D) All of the above

Answer : (D)

97. Why does the late Dr. Milton Friedman feel that managers should not involve their companies in social issues?

(A) They are agents of the shareholders and should act in their best interests

(B) Companies lose money when they are socially responsible

(C) Economic studies show businesses that are socially responsible make less money

(D) All of the above

Answer : (A)

98. Colleges and universities are given complimentary trips, staff assistance, marketing stipends and other in-kind materials by companies that provide study-abroad programs for students in exchange for the colleges and universities marketing the programs exclusively to their student bodies. Students are not aware of the benefits the travel-abroad companies provide to their colleges and universities. Which category of ethical dilemma applies here?

(A) Conflict of interest

(B) Hiding information

(C) Taking unfair advantage

(D) All of the above

Answer : (D)

99. Tim Donaghy was a referee for the NBA. Mr. Donaghy began betting in 2003 on NBA games. He also provided tips to other gamblers on who would win games in which he was serving as a referee. Mr. Donaghy's actions:

(A) were illegal under federal law, but not an ethical breach.

(B) were a conflict of interest.

(C) were not a breach of ethics because he used the money he made for a summer camp for underprivileged children.

(D) None of the above

Answer : (D)

100. "If you think what we're doing now is bad, you should have seen 10 years ago at this company..." is an example of:

(A) ethical analysis.

(B) rationalization.

(C) comparative or relative ethics.

(D) Both a and c

Answer : (B)

101. Which model for resolution of ethical dilemmas consists of compliance, contribution and consequences?

(A) The Blanchard-Peale model

(B) The Laura Nash model

(C) *The Wall Street Journal* model

(D) Immanuel Kant's categorical imperative

Answer : (C)

102. Which is not one of the 12 categories of business ethics dilemmas?

(A) Taking things that don't belong to you.

(B) Saying things that are not true.

(C) Permitting organizational abuse

(D) Protesting against authority

Answer : (D)

103. The Divine Command theory is another name for:

(A) Natural law.

(B) Power theory.

(C) Moral relativism.

(D) Ethics.

Answer : (A)

104. Under the rights theory:

(A) it is the government's job to enforce its citizens' rights.

(B) humans have rights that cannot be infringed.

(C) conflicts among different individuals' rights may be in conflict.

(D) All of the above.

Answer : (D)

105. Which of the following scenarios is violating one of the 12 categories of business ethical dilemmas?

(A) A car dealer who refuses to give a warranty on a used car.

(B) A car dealer who calls a particular car "a SWEEEEET ride."

(C) A car dealer who says that a car can get 40 MPG when the tests show that it typically gets between 35 and 40 MPG.

(D) A car dealer who assures a customer that a vehicle has not been in an accident, even though it has.

Answer : (D)

ESSAY

106. Discuss the following advertising issues and determine whether the ads are ethical.

a. Mrs. Butterworth's syrup has a label that states there is "Grade A Butter" in the syrup. The fine print on the label describes "0.4 percent butter" in the "syrup product."

b. Carnation Coffeemate Lite is advertised as having "50% LESS FAT." The claim is true but there is less than 0.5 grams of fat eliminated from Lite as compared to regular Coffeemate. It is important to understand that the average American consumes 100 grams of fat per day.

Answer :

a. The students should address the issues of whether the ad is legal (it is) and then move on to whether it is balanced and how it would make them feel to have a product using these descriptions. The example is similar to the manner in which some grocers display strawberries in the store: Only the ones on top are good, and the description or appearance may mislead the customer. The student should also discuss the fallout from such claims when consumers discover the discrepancy: loss of goodwill and public relations problems with resultant effect on sales.

b. Students should take the same approach as in answer (a) because the advantages of trying to use a health concern to sell products when there is little the product does to help can create a feeling of opportunism on the part of the company. In this case, the ad seems worse than the syrup because there are health consequences associated with this advertising. Presently the FDA and FTC are examining the issue of product advertising with respect to health claims and the use of the words lite, light, fat-free, and cholesterol-free.

107. Harvard University recently sold most of its investments in tobacco companies. The investments were quite profitable for the Harvard endowment. Derek Bok, who was Harvard's president at that time, said the divestiture was prompted by recognition of the dangers of smoking and concern over aggressive marketing tactics to promote tobacco products to teenagers and in countries where the dangers of smoking are not widely known. Bok stated the university was "motivated by a desire not to be associated as a shareholder with companies engaged in significant sales of products that create a substantial and unjustified risk of harm to other human beings." Harvard owned $58 million in tobacco company shares. An investment analyst noted that Harvard's action will have a "strong ripple effect across the country." Evaluate the actions of Harvard and evaluate the conduct of the tobacco companies to this point using both the Blanchard/Peale model and the moral reasoning process.

Answer :

Neither Harvard nor the tobacco companies are doing anything illegal. Cigarettes are still lawful products in the United States and around the world, so the product is not illegal. Harvard's actions are a reflection of how the investment makes them feel because of the medical harm to individuals and the aggressive marketing techniques. Under the moral reasoning process, Harvard uses the moral standard that they do not want to be associated with any activity that causes significant harm

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

to other human beings. Data indicate that smoking produces such harm. Without divestiture, Harvard would be unethical since there is harm to individuals. The tobacco firms could apply the same reasoning process but have not. Their data indicate the harm is not clear and they have not reached the Harvard conclusion. Furthermore, there are other moral standards such as the freedom to choose on the part of the consumer that creates conflicts for the tobacco companies' moral reasoning process. Their attitude under Blanchard/Peale appears to stop after the question of whether the activity is legal.

108. The breakfast cereal aisle of the grocery store is a delightful place with boxes decorated with Barbie, Ninja Turtles, and Batman. The boxes are filled with toys, special offers, and plenty of sugar in the cereal. Several parent groups are concerned about the marketing techniques, the sugar levels, and the diet of American children. One group proposed regulation on the location of the boxes in the aisles (they should be placed in a way that eliminates the snazzy boxes from the child's view). Discuss the ethics of the cereal manufacturers in their marketing approaches. What action would a firm in the social responsibility school take?

Answer :

Nothing illegal is being done, but the firms are taking advantage of childhood fantasies and cartoon images to sell cereals that may not be nutritionally sound. The children and their parents are stakeholders, and a socially responsible firm would take independent action or propose regulation regarding advertising constraints and cereal content and the placement of the boxes as temptations in the stores. The attitude would be that good nutrition is good for society and therefore the product should be nutritious.

109. ABC, Inc. is the manufacturer of a line of bumper stickers and T-shirts that display the phrase "Sex, Drugs, and Rock & Roll." Evaluate the ethical posture of the firm.

Answer :

The firm is doing nothing illegal. If it is answering to its shareholders, the sales are being made and it is following the Friedman creed. However, the socially responsible firm would pause to consider the effect such a phrase would have on society and the contribution it is making by seeing that the phrase is well distributed. The firm is making a profit, but at what cost?

110. The Alabama Attorney General recently filed suit in federal court in Montgomery, Alabama, alleging that Maytag secretly reconditioned defective microwave ovens at its Magic Chef plant in Anniston, Alabama; altered their serial numbers; and sold them as new. Janis Cooper, a vice president for Maytag, says the company is reviewing its procedures at the plant and that Maytag "considers the trust of our customers very important." Regardless of whether the allegations are true, what problems will Maytag experience as a result of the incident?

Answer :

General loss of consumer trust; public relations difficulties; drop in sales; case is an excellent illustration of how even the taint of unethical behavior can be very costly to a firm.

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

111. A bar and restaurant located directly next to the edge of the campus at Arizona State University is called "The Dash Inn." The Inn is a favorite stop for students and is generally very crowded in the afternoon and evenings. When a student uses a credit card to pay his or her tab at the Dash Inn, the receipt for the student and the credit card data have recorded automatically at the top, "The Dash Inn Bookstore." Why do the receipts have this inscription at the top? What ethical problems do you see with this inscription?

Answer :

The Dash Inn is attempting to help the students disguise from spouses and families their true spending habits. No one is likely to challenge receipts from a bookstore. But it does make the Dash Inn a participant, indeed the instigator, in an ethical breach of giving or allowing false impressions.

112. Ralph Dewey is an assistant superintendent in the Maple Leaf school district. Mr. Dewey's job is to award contracts for all facilities management. Dewey awarded an asbestos removal contract to his brother's firm. Discuss the ethical issues. What models could have helped Dewey in his decision-making process?

Answer :

Ralph has a conflict of interest in awarding the contract to his brother's firm.

Tests:	Newspaper Test
	Could I discuss this with the superintendent?
	Is it balanced?

113. Why are religious standards frequently suggested for comparison as ethical standards for individuals and organizations?

Answer :

Religious standards are absolute standards. As such, these standards do not change through time so they can always be used. It is also easier to compare a company's ethical code or standards against a fixed - rather than relative - standard. Many religious standards also speak to economic issues as well.

114. Google was asked by the Justice Department to turn over information about users who were running searches for child pornography. Google refused to turn over the information to the federal government. Discuss the ethical issues Google was grappling with in making its decision.

Answer :

The two values in conflict are Google's protection of its users' privacy - divulging information - and permitting abuse (child pornography is indeed a pernicious activity and society has an interest in

Cengage Advantage Books Foundations of the Legal Environment of Business 3rd edition Jennings Test Bank

protecting children from such predatory activity). Google opted to have privacy as the greater value, but the students can explore the implications of that decision. They might also explore whether Google can get out of the either/or conundrum by perhaps warning users about its cooperation with authorities on federal investigations. Computer users can then opt for a different avenue for search or take the risk of being identified.

115. Halley Salton is the purchasing manager for South Island Imports. One of South's suppliers has just had a tablet computer delivered to Halley as a gift. What should she do?

Answer :

Halley has a conflict. Those she awards contracts to are offering compensation, which may influence Halley's decisions in the future. She should either refuse the gift or turn it over to her supervisor.

116. VideoGamer sells several video games that show acts of decapitation, murder and violence. Discuss the ethical issues in their sale.

Answer :

Students should discuss the social responsibility issues in touting violence in toys for children. They might also discuss parental roles and the impact on society. They may also discuss Constitutional protections such as free speech. Are violent video games protected as free speech? There may also be ethical issues such as warning labels or ratings which should be provided.

117. You are the person responsible for awarding printing contracts for your company. Your friend owns his own printing company, has a good reputation, and would like your company's business. Would you award your friend any of the contracts your company awards? Why or why not? What process would you go through to weigh this decision?

Answer :

Students should discuss: a). The conflict of interest -- Are you awarding this contract because he is your friend or because he will do a good job? Are you awarding all the work to him or will you use several different printers? Do you stand to gain anything personally?
b.) Will you ask for competitive bids? If so, will you automatically choose the lowest bidder or will cost be only part of the decision?
c). The perception awarding the contract to your friend would create. Does your boss or supervisor know of your relationship to your friend? Does he/she approve of you awarding business to your friend?
d.) Special circumstances -- Does your friend have special capabilities that your company would benefit from?
Process: Should have competitive bids, should have supervisor approval, should have clear understanding of the expectations of the contract.

118. Are businesses responsible for making sure their advertisements are understood accurately or

is it enough to be technically accurate?

Answer :

Businesses should be technically accurate in their advertising, but they should also ensure that their advertising is not misleading or giving a false impression. For example, the CD that advertised, "All songs by original artists" gives the impression that the tracks are recordings of the artists who originally performed them. In reality, the songs on the CD were performed by a group called, "The Original Artists." Technically accurate, but misleading and unethical.

MULTICHOICE

119. Jane is able to "hop onto" her neighbor's WiFi because it is unsecured. Jane has WiFi access without having to pay for the service.

Which of the following is correct about Jane's conduct?

(A) Since the neighbor did not secure her WiFi, Jane has an implied invitation to use it.

(B) Jane has taken something that did not belong to her.

(C) Jane has not taken anything because no one is affected by her use.

(D) Jane would be fine in using the WiFi if her neighbor agreed to it.

Answer : (B)

120. Jane is able to "hop onto" her neighbor's WiFi because it is unsecured. Jane has WiFi access without having to pay for the service.

Suppose Jane explains, "I am just doing something that everyone else does!" Which applies to Jane?

(A) Jane is following a positive law standard for ethics.

(B) Jane is following a natural law standard for ethics.

(C) Jane is following a normative standard for ethics.

(D) Jane is an inherent standard for ethics.

Answer : (C)

121. What did the jurors in the Citigroup case conclude?

(A) That the Citigroup managers had violated the law

(B) That the Citigroup managers acted with criminal intent

(C) Both a and b

(D) That the Citigroup managers' conduct was appalling, but did not violate the law

Answer : (D)

122. Nancy's husband owns land in an area near San Francisco that could use some form of mass transit into the city. Nancy's husband also owns an interest in a company that constructs light-rail systems. Nancy works for the county and is part of the planning for the light-rail system. She recommends placing the access station near her husband's property, something that will increase the value of the property by 150%. Which of the following is correct?

(A) Nancy has a conflict of interest.

(B) Nancy does not have a conflict of interest if other employees are also involved in making the decision.

(C) Nancy does not have a conflict as long as she does not have her name on the title to the property.

(D) Nancy does not have a conflict as long as she does not benefit from the proceeds of her husband's businesses.

Answer : (A)