Dynamic Business Law The Essentials 6th edition Kubasek Test Bank

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) Ethics is the study and practice of decisions about what is good or right.
   - ⊚ true
   - ⊚ false

2) Business ethics is concerned with making correct decisions when making important decisions about the future of the business.
   - ⊚ true
   - ⊚ false

3) An ethical dilemma is a problem about what a firm should do even if there is a clear, right decision is available.
   - ⊚ true
   - ⊚ false

4) Reasonable people should not expect to disagree about optimal solutions to ethical dilemmas.
   - ⊚ true
   - ⊚ false

5) A business decision can be legal but unethical.
   - ⊚ true
   - ⊚ false

6) Ethical standards are not uniform internationally.
   - ⊚ true
   - ⊚ false

7) The stakeholders of a business are the many different groups of people who are affected by the business's decisions.
   - ⊚ true
   - ⊚ false

8) Business managers should not make sure they consider all relevant stakeholders when they engage in ethical reasoning, but rather they should only be concerned with their own sense of what is right or wrong.
   - ⊚ true
   - ⊚ false

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9) Employees are one of the major stakeholders of a business.
   - true
   - false

10) The social responsibility of business consists of the expectations the community imposes on firms doing business outside its borders.
   - true
   - false

11) We derive our ethics from the interplay of laws.
   - true
   - false

12) The Golden Rule is the idea that we should interact with other people in the hopes that we will benefit financially from that interaction.
   - true
   - false

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

13) Guy and Martina work for American Corporation. Both see what they believe to be unethical treatment of a certain group of employees. The employees do not complain and do not say anything about this treatment. Guy and Martina are not sure whether to report the potential violation. This is an example of an ethical ________.
   A) standard
   B) mandate
   C) imperative
   D) dilemma
   E) hypothesis

14) The ________ of business consists of the expectations the community impose(s) on firms.
   A) social responsibility
   B) legal obligations
   C) consumer perspective
   D) marketing insight
   E) financial conscience

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15) Which of the following is a correct statement regarding values?
    A) Values are negative abstractions.
    B) Values capture our sense of what is good or desirable.
    C) Values come from the interplay of ethics.
    D) Values are ideas that underlie conversations about business dilemmas.
    E) Values represent our understanding of the purposes we will fulfill by making financial progress.

16) Which of the following is an example of the primary value of justice?
    A) To minimize costs
    B) To possess the capacity or resources to act as one wishes
    C) To provide resources in proportion to need
    D) To maximize the amount of wealth in society
    E) To get the most from a particular output

17) When Dole Food Company (Dole) was sued by a bunch of its employees for the use of a chemical on its bananas, the jury ordered Dole to pay $2.5 million in punitive damages. What became of this punitive damage award?
    A) On appeal, the appellate court doubled the punitive damage award to $5 million.
    B) A judge vacated the punitive damage award.
    C) A judge capped the punitive damage award to the level of actual damages.
    D) On appeal, the appellate court tripled the punitive damage award to $7.5 million.
    E) The punitive damages were distributed to various charitable organizations.

18) The "Who" in the WH process of ethical decision-making means what?
    A) Who are the corporate decision makers?
    B) Who are the people in power?
    C) Who are the stakeholders affected by the decisions a firm makes?
    D) Who determines what is right or wrong?
    E) Who can sue in a lawsuit?

19) Positive abstractions that capture our sense of what is good and desirable are known as:
    A) Values
    B) Beliefs
    C) Ethics
    D) Norms
    E) Philosophies

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20) What does the "Golden Rule" mean when discussing ethics?
  A) It suggests that before we act, we should imagine the act being broadcast across national television channels.
  B) It asks us to consider what the world would be like if our decision was copied by everyone else.
  C) It asks us to consider what the government would deem right and wrong when making business decisions.
  D) It suggests that we interact with other people in a manner consistent with the way we would like for them to interact with us.
  E) It suggests that we use a cost-benefit-analysis approach in all decision-making.

21) What does the so-called public disclosure or "television test" mean in regard to ethical considerations?
  A) It requires us to imagine that our actions are being broadcast on national television.
  B) It requires that actions be discussed with local officials before any action is taken.
  C) It suggests that we interact with other people in a manner consistent with the way we would like for them to interact with us.
  D) It asks us to consider what the world would be like if our decision was copied by everyone else.
  E) It asks us to consult with the public before any major industry decision is made.

22) If Lamar decides that it is okay to cheat on his taxes, and he believes that it is okay for everyone to cheat on their taxes, which ethical test does he believe in?
  A) The public disclosure test
  B) The universalization test
  C) The Golden Rule
  D) The universal ethical dilemma test
  E) The ethical paradigm standard

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23) Environmental Concerns. Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and was also committed to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper products and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics. Which of the following is the minimal standard that a business must meet in a consideration of business ethics?

A) Decisions must be legal.
B) Decisions must meet the criteria of a follower of the WH Framework for Business Ethics.
C) Decisions must meet the requirements of the most important stakeholders.
D) Decisions must receive a majority vote of acceptance by employees.
E) Both that decisions must be legal and that decisions receive a majority vote of acceptance by employees.

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24) Environmental Concerns. Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and was also committed to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper products and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics. Which of the following would be a stakeholder in the company?

A) The community only
B) The shareholders only
C) Future generations only
D) The community and shareholders only
E) The community, shareholders, and future generations

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25) Environmental Concerns. Connie, the president of a company that makes paper, has a new interest in the environment. She recently went to a seminar on environmental dangers and has decided to take steps to clean things up. She started at home and was also committed to change things at work. Connie had to face the fact that her company has been cheating and is not in compliance with applicable environmental regulations due to dumping in a nearby river. Her company has never been cited, however, because it employs a very large number of people in the community, including the mayor's wife and the chief-of-police's brother. On her mission to clean things up, Connie has decided to go even further than the law requires and install the very latest environmental protections. When she announced her plan, the chair of the company's board of directors, Brooke, had a meeting with Connie. Brooke told Connie to analyze the situation carefully because the cost of the additional equipment would mean no dividend to shareholders and no raise for employees. Furthermore, Brooke told Connie that installing all the new equipment would result in higher prices for the company's paper products and could bankrupt the company because of foreign competition. Brooke hinted that Connie could be fired if she persisted. Brooke suggested that Connie just be concerned with a minimal standard of ethics. Connie, however, decides to go forward with her plan to clean things up because she wants to treat others in the same manner that she wants to be treated. Connie's approach is best referred to as the ________.

A) Golden Rule
B) public disclosure test
C) universalization test
D) Sarbanes-Oxley Rule
E) television test

26) Business ethics requires all except the following:

A) weighing the benefits of a decision compared to its harm
B) consideration of duties owed to other human beings
C) the characteristics possessed by a virtuous person
D) contemplation of Christian principles of faith
E) the care we have for the well-being of those affected by business decisions

27) Before business managers consider the social responsibilities of firms in their communities, they need to:

A) see who the local mayor is and determine if they are business friendly.
B) determine how corporate friendly the community is.
C) determine the relevant educational background of the community.
D) determine if the tax base is fair.
E) gather all the relevant facts.

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28) According to the textbook, customer commitment, quality, and integrity are core values associated with which company?
    A) Adidas
    B) Nike
    C) American Express
    D) Mastercard
    E) Dole

29) When evaluating primary values, what is not one of the alternative meanings to “justice” described in the textbook?
    A) To receive the products of your labor
    B) To maximize the amount of wealth to society
    C) To treat all humans identically, regardless of class, gender, age, and sexual preference
    D) To provide resources in proportion to need
    E) To possess anything that someone else is willing to grant you

30) The many groups of people affected by a firm’s decisions are known as:
    A) Stockholders
    B) Lobbyists
    C) Third party beneficiaries
    D) Outliers
    E) Stakeholders

31) The public disclosure test is also referred to as the:
    A) The broadcast test
    B) The radio test
    C) The social media test
    D) The television test
    E) The popular channel test

32) What happened that caused WorldCom’s CEO Bernard Ebbers to go to jail?
    A) Ebbers and other WorldCom officials used fraudulent accounting methods to overstate their financial status.
    B) Ebbers and other WorldCom officials were embezzling money from the company.
    C) Ebbers and other WorldCom officials were caught selling fraudulent company stock.
    D) High level officials including Ebbers allowed unsafe working conditions in the workplace in violation of OSHA regulations.
    E) Worldcom’s board of directors caught Ebbers selling trade secrets to China, in violation of the company’s intellectual property rights.

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33) In 2011, Tyson Foods of Arkansas was found guilty of violating which law when it was found to be receiving bribes from Mexican officials?

A) The Anti-Corruption Act
B) The Foreign Corrupt Practices Act
C) The Bribery and Defamation Act
D) The Occupational Safety and Health Act
E) The International Agreement on Free Trade Act

34) Kristin Richmond, one of the founders of Revolution Foods, believes that the objective of Revolution Foods is to do what in response to Kraft's Lunchables?

A) To provide higher-quality ingredients to cultivate healthier life styles
B) To show that Kraft Lunchables are too high in fat and sodium and therefore unhealthy
C) To dominate the market with healthier alternatives by using only natural foods, and thereby force Kraft out of the packaged lunch market
D) To prove that Revolution Foods products are more ethically prepared and distributed
E) To show consumers that Kraft was falsely advertising its calorie and fat contents

35) The ethical guideline that urges us to consider before we act, what the world would be like if everyone acted in this way is the:

A) Public disclosure test
B) Golden rule
C) Universalization test
D) The hardship test
E) Monkey see test

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Answer Key

Test name: Chapter 02

1) TRUE
2) FALSE
3) FALSE
4) FALSE
5) TRUE
6) TRUE

Different countries have different ethical standards. Thus, ethical conceptions shape business law and business relationships uniquely in each country.

7) TRUE
8) FALSE
9) TRUE
10) FALSE
11) FALSE
12) FALSE
13) D

An ethical dilemma is a problem about what a firm should do for which no clear, right decision is available. Reasonable people can expect to disagree about optimal solutions to ethical dilemmas.

14) A

The expectations that a community places on the actions of a business are referred to as the social responsibility of business. If the community expects businesses to obey certain standards of fairness, even when the standards interfere with profit maximization, firms that choose to ignore this expectation do so at their peril.

15) B

Values are positive abstractions that capture our sense of what is good or desirable. They are ideas that underlie conversations about business ethics. We derive our ethics from the interplay of values. Values represent our understanding of the purposes we will fulfill by making particular decisions.

16) C

The primary value of justice includes to provide resources in proportion to need.

17) B

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On November 15, 2007, a jury ordered Dole also to pay $2.5 million in punitive damages to five of the workers—that is, damages paid in excess of the plaintiffs' proved injuries. Later, however, a judge vacated the punitive damages and lowered the actual damages of $3.3 million to $1.58 million.

18) C
The "W" in the WH process of ethical decision making stands for "Who"; namely, the stakeholders who are affected by the decisions a firm makes. Those stakeholders include customers, owners or investors, management, employees, the community, and future generations.

19) A
Values are positive abstractions that capture our sense of what is good and desirable.

20) D
The Golden Rule is the idea that we should interact with other people in a manner consistent with the way we would like for them to interact with us.

21) A
The public disclosure test is sometimes called the "television test," for it requires us to imagine that our actions are being broadcast on national television.

22) B
Before we act, the universalization test asks us to consider what the world would be like were our decision copied by everyone else. Applying the universalization test causes us to wonder aloud: "Is what I am about to do the kind of action that, if others followed my example, makes the world a better place for me and those I love?"

23) A
The legality of a decision is the minimal standard that must be met in a consideration of business ethics. The existence of that minimum standard is essential for the development of business ethics. Think of the law as the most recent consensus about the lower level of business ethics. Law and business ethics serve as an interactive system—informing and assessing each other.

24) E
Stakeholders of a firm are the many groups of people affected by the firm's decisions. They include owners or shareholders, employees, customers, management, the general community where the firm operates, and future generations.

25) A

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The Golden Rule represents the idea that we should interact with other people in a manner consistent with the way we would like them to interact with us. This guideline urges us to be aware that other people, including their rights and needs, matter.

26) D
Business ethics requires a thought process that weighs the benefits of a decision compared to its harm, consideration of the duties we owe other human beings, the characteristics possessed by a virtuous person, and the care we have for the well-being of those affected by business decisions.

27) E
Before business managers consider the social responsibilities of firms in their communities, they need to gather all the relevant facts. Experienced managers know that assembling the facts is just the beginning of a thoughtful business decision.

28) C
American Express's core values as shown in Exhibit 2-3 and include the following: customer commitment, quality, and integrity.

29) B
To help make WH useful to you as a manager, Exhibit 2-5 makes clear the central role of clarifying what version of a value one feels loyalty toward. In Exhibit 2-5 "Primary Values and Business Ethics", Justice has four alternative meanings: To receive the products of your labor, to treat all humans identically, regardless of class, gender, age, and sexual preference, to provide resources in proportion to need, to possess anything that someone else is willing to grant you.

30) E
The stakeholders of a firm are the many groups of people affected by the firm's decisions.

31) D
The public disclosure test is also known as the television test.

32) A
WorldCom used fraudulent accounting methods that allowed it to overstate its financial status to its shareholders. Specifically, CEO Bernard Ebbers presented a false picture of WorldCom's net worth, informing the Board of Directors of WorldCom that the company would continue growing vigorously. However, Ebbers knew that his projections were inconsistent with WorldCom's declining position.

33) B

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In 2011, Tyson was charged with conspiracy and violating the Foreign Corrupt Practices Act by allowing company officials to receiving bribes and making them appear legal. To avoid trial, Tyson was forced to pay $4 million as a criminal penalty and $1.2 million to the Securities Exchange Commission for the charge of maintaining illegal records.

34) A
Kristin Richmond, one of the founders of Revolution Foods, believes that the objective of Revolution Foods is to provide higher-quality ingredients to cultivate healthier lifestyles. Making foods with real meat, real cheese, and other recognizable ingredients appears to be the driving force behind the company. In other words, rather than focusing solely on profits, Revolution Foods attempts to focus on what will also help the consumer lead a healthier lifestyle.

35) C
The universalization test is the ethical guideline that urges us to consider before we act, what the world would be like if everyone acted in this way.