Managers and the Legal Environment 9th edition Bagley Test Bank

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TRUE/FALSE

1 : Compliance with the law is just the baseline for effective and responsible managerial action.
A : true
B : false

Correct Answer : A

2 : Customers can vote with their feet by boycotting unethical practices, such as clothing made in sweatshops.
A : true
B : false

Correct Answer : A

3 : The subprime mortgage crisis, accounting scandals, and payment of bribes in international business of the past 40 years all indicate that government regulation is a good substitute for knowledgeable self-restraint.
A : true
B : false

Correct Answer : B

4 : Ethics and law are unrelated.
A : true
B : false

Correct Answer : B

5 : A companys CEO does not play a significant role in instilling a sense of ethics throughout the organization.
A : true
B : false

Correct Answer : B

6 : Nobel Prize winner in economics Milton Friedman asserts that the only guiding criterion for the corporation should be profitability within the confines of the law.
A : true
B : false

Correct Answer : A

7 : In 2015, the average workers salary was $36,875, or 35 times less than the average total compensation of CEOs of a company on the Standard and Poors Index.
A : true
B : false

Correct Answer : B

8 : Maximization of shareholder value is considered shareholder primacy and is mandated by law.

A : true
B : false

Correct Answer : B

9 : All fifty states have constituency statutes.
A : true
B : false

Correct Answer : B

10 : The two main schools of ethical thought are teleological and deontological.
A : true
B : false

Correct Answer : A

11 : Teleological theory focuses on the motivation and principle behind an action rather than its consequences.
A : true
B : false

Correct Answer : B

12 : If a company employee chooses to follow orders (and breaks the law), the fact that a supervisor ordered those actions is a complete defense at a criminal trial.
A : true
B : false

Correct Answer : B

13 : The deontological theory focuses on the consequences of an action rather than on the motivation of the individual.
A : true
B : false

Correct Answer : B

14 : Utilitarianism is a major deontological system that operates under the proposition that the ideal is to focus on motivation rather than on consequences.
A : true
B : false

Correct Answer : B

15 : Utilitarianism seeks to equalize the benefit to everyone.
A : true
B : false

Correct Answer : B

16 : All business leaders and academics agree that the primary ethical and legal duty of corporations is to maximize shareholder value.

A : true
B : false

Correct Answer : B

17 : Kantian theory examines the concepts of universalizability and reversibility.
A : true
B : false

Correct Answer : A

18 : The Tylenol example shows that no matter how many economic resources a company puts behind restoring its reputation, public image is not generally regained.
A : true
B : false

Correct Answer : B

19 : Rawlsian moral theory seeks to develop principles behind a veil of ignorance.
A : true
B : false

Correct Answer : A

20 : Rawlsian moral theory seeks to maximize the condition of the worst off person in society.
A : true
B : false

Correct Answer : A

21 : Immanuel Kant argued that spending money in ways that are not consistent with shareholder wishes is tantamount to imposing a tax and unilaterally deciding where the money will be spent.
A : true
B : false

Correct Answer : B

22 : Milton Friedman argued that a company with an action plan for social responsibility is essentially acting in a fundamentally subversive way.
A : true
B : false

Correct Answer : A

MULTIPLE CHOICE

23 : Which of the following allows rights-based moral theories to be compared to other theories such as a utilitarian framework?
A : Deontology
B : Teleological theory

C : Comparative justice
D : Rawlsian moral theory

Correct Answer : C

24 : Yoshi believes firmly in the positive view. Which of the following statements best sums up Yoshis legal philosophy?
A : The law attempts to prohibit all bad behavior.
B : An action that is unethical is also considered illegal in the U.S.
C : Valid laws prohibit all morally objectionable behavior.
D : Any law is real and enforceable if it has been created in accordance with recognized procedures.

Correct Answer : D

25 : The three main theories under the comparative justice framework are:
A : retributive, Kantian, and Rawlsian.
B : compensatory, comparative, and retributive.
C : distributive, compensatory, and retributive.
D : utilitarian, teleological, and compensatory.

Correct Answer : C

26 : In 2015, the average total compensation for a CEO of a company in the Standard and Poors 500 Index was more than _____ times as much as the average worker.
A : 50
B : 150
C : 335
D : 500

Correct Answer : C

27 : Overly generous compensation packages for CEOs can lead to greedy and unethical behavior and reinforces:
A : empathic tendencies.
B : narcissistic tendencies.
C : a shrinking of social distance between CEO and workers.
D : exemplary conduct.

Correct Answer : B

28 : In 1997, the U.S. passed legislation to curb the payment of bribes to government officials by U.S. companies. This legislation is the:
A : Foreign Corrupt Practices Act.
B : DoddFrank Wall Street Reform and Consumer Protection Act.
C : SarbanesOxley Act.
D : Bribery Act.

Correct Answer : A

29 : Which of the following statements about socially responsible funds is NOT true?
A : Few large mutual fund companies or 401(k) retirement plans offer socially responsible options for investment.

B : Investment in socially responsible funds has grown in the United States.
C : Investment in socially responsible funds has grown in Europe.
D : The Coalition for Environmentally Responsible Economics promotes investor guidelines focused on environmental awareness in the context of corporate activities.

Correct Answer : A

30 : In the decision tree used by ethical business leaders, which of the following is the first question managers should ask when determining whether a proposed action is ethical?
A : Will it result in a loss of profits?
B : Will stockholders approve?
C : Will the CEO approve?
D : Is it legal?

Correct Answer : D

31 : Which of the following is the group given the ultimate legal authority to change management?
A : Shareholders
B : Human resource managers
C : The mayor in the applicable jurisdiction
D : The city council in the applicable jurisdiction

Correct Answer : A

32 : Which of the following is a term for the maximization of shareholder value?
A : Shareholder importance
B : Shareholder primacy
C : Value of shares maximization
D : Corporate allocation

Correct Answer : B

33 : A ___________ statute is a state statute authorizing boards of corporations to take into account all stakeholders and constituencies even when a change in control or breakup of the corporation has become inevitable.
A : corporate control
B : break-up
C : constituency
D : protection

Correct Answer : C

34 : ___________ justice focuses on how the burden and benefits of a particular system are distributed.
A : Compensatory
B : Retributive
C : Distributive
D : Rawlsian

Correct Answer : C

35 : According to economist Michael C. Jensen, long-term market value of an organization

cannot be maximized if:
A : outperforming competition has both a long-term and short-term focus.
B : companies chose social responsibility over shareholders.
C : management focuses on long-term value creation over short-term profits.
D : management ignores or mistreats any important constituency.

Correct Answer : D

36 : Which of the following is true regarding shareholder primacy?
A : It is never legally mandated.
B : It is always legally mandated.
C : It is legally mandated only in very narrow circumstances.
D : There is no such thing.

Correct Answer : C

37 : Court rulings and legislation have clearly affirmed that the obligation of a companys directors is to manage the corporation for the best interest of the:
A : corporation.
B : officers.
C : employees.
D : community.

Correct Answer : A

38 : Nobel prize winner Milton Friedman asserts that social responsibility is a fundamentally ___________ doctrine.
A : positive
B : risky
C : good
D : subversive

Correct Answer : D

39 : The ___________ Act illustrates that corporate conduct violating societys expectations can result in new forms of regulation without regard for feasibility or cost.
A : White-Rush Dow Jones Conciliatory
B : Dodd-Frank Wall Street Reform and Consumer Protection
C : Corporate and Securities Reform and Retribution Consumer Protection
D : Securities and Oversight

Correct Answer : B

40 : Which of the following statements regarding the teleological theory is NOT true?
A : Teleological theory is concerned with consequences.
B : Teleological theory judges the ethical good of an action by the effect of the action on others.
C : Teleological theory focuses more on the motivation and principle behind an action.
D : Teleological theory is concerned with consequences and judges the ethical good of an action by the effect of the action on others.

Correct Answer : C

41 : According to ___________, social policies developed behind the veil of ignorance would

create a system benefiting the __________.
A : Rawls; majority
B : Rawls; minority
C : Rawls; least well off
D : Kant; most well off

Correct Answer : C

42 : According to Kants theory of universalizability, the ethical worth of an act is determined by whether a person:
A : would want such a rule applied to minority members of society.
B : would want everyone to perform in this manner.
C : could get away with such an action.
D : could live with the results of such an action.

Correct Answer : B

43 : Kants categorical imperative states that:
A : the form of an action rather than the intended result determines the ethical worth.
B : no one persons interest is given more weight than another.
C : distribution favors the person getting the worst share.
D : morally objectionable actions can never be in the best interests of society.

Correct Answer : A

44 : Which of the following is NOT an example of St. Thomas Aquinas requirements for a law to be just?
A : The law must be within the power of individuals to fulfill it.
B : The law must be consonant with a reasoned determination of the universal good.
C : The law must be formed to promote a private benefit to the majority.
D : The law must be widely promulgated.

Correct Answer : C

45 : A CEOs role of instilling high standards among employees is best exemplified by which of the following statements?
A : You cant judge a book by its cover.
B : Do as I say, not as I do.
C : Early to bed, early to rise, makes a man healthy, wealthy, and wise.
D : Character is doing the right thing when nobodys looking.

Correct Answer : D

46 : According to St. Thomas Aquinas, only laws that followed __________ were true and just.
A : reasoned law
B : customary law
C : eternal law
D : localized law

Correct Answer : C

47 : Companies perceived to act unethically often suffer financial setbacks. What type of company is especially sensitive to public perception based on where its income comes from?

A : Oil refineries
B : Investment banks
C : Consumer products companies
D : Commodities processors

Correct Answer : C

48 : Managers who create ethical solutions while maximizing shareholder value are said to find:
A : the universalizability principle.
B : distributive justice.
C : the sweet spot.
D : shareholder primacy.

Correct Answer : C

49 : The Organization of Economic Cooperation and Development (OECD) comprises:
A : nations from North America, Europe, and Asia-Pacific.
B : a subsidiary of the European Union.
C : nations who entered into the North American Free Trade Agreement.
D : states inside the United States.

Correct Answer : A

50 : The main issue in CASE 2.1 Meinhard v. Salmon (1928) was whether:
A : the parties equitably adhered to the proper morals of the marketplace.
B : Salmon purposely sought to defraud Meinhard.
C : a relationship of trust with fiduciary-like obligations was created under the parties joint venture.
D : a buyers unsavory reputation must be disclosed to a seller.

Correct Answer : C

51 : According to the Delaware Supreme Court, when does the role of a director shift from being a protector of the corporate bastion to being an auctioneer charged with obtaining the highest realizable short-term value for the shareholders?
A : Only when the breakup of the corporation or a change of control has become inevitable
B : Whenever a yearly loss is reflected
C : At the point that a yearly loss has been reflected for three straight years
D : When the CEO and the board of directors are in disagreement, and there has also been a yearly loss reflected for three straight years

Correct Answer : A

52 : Fact Pattern 2-1Jackie, the owner of a restaurant, decides to donate leftover food to a homeless shelter. Blair, an employee who was angry with Jackie over not getting a raise, claimed that Jackie decided to donate the food only for publicity and that Jackie did not really care about homeless people. Pat, another employee, disagreed, contending that regardless of motivation, Jackie was acting ethically because of the consequences involved and the number of people helped.Refer to Fact Pattern 2-1. Upon which of the following would Jackie most likely rely in contending that a motivation to help the poor was the underlying reason for donating the food?
A : Rawlsian moral theory
B : Teleological theory

C : Artificial person application
D : Deontological theory

Correct Answer : D

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A : Rawlsian moral theory
B : Teleological theory
C : Artificial person application
D : Deontological theory

Correct Answer : B

54 : Fact Pattern 2-2Wally and Jamie are both managers in a small corporation set up to manufacture sporting goods. They both receive bonuses for any ideas that benefit the company, although Jamies bonus is computed at a lower rate than Wally s because Jamie has been at the company a shorter amount of time. Jamie has a great marketing idea that would result in a bonus of $1,000. The details are all worked out on Jamies computer. Unknown to Jamie, one evening after business hours, Wally obtains the information from Jamies computer and submits it and takes credit for it the next day. Wally is immediately awarded a bonus of $2,000 for the information. Fortunately for Jamie, Sammy, a custodian, saw Wally in Jamies office and heard Wally calling someone while there to brag about these misdoings. Sammy informed Blake, the CEO, of Wally s actions.Refer to Fact Pattern 2-2. Which of the following types of justice is involved if Blake requires that Wally give Jamie $1,000?
A : Compensatory
B : Retributive
C : Fair
D : Justifiable

Correct Answer : C

55 : Fact Pattern 2-2Wally and Jamie are both managers in a small corporation set up to manufacture sporting goods. They both receive bonuses for any ideas that benefit the company, although Jamies bonus is computed at a lower rate than Wally s because Jamie has been at the company a shorter amount of time. Jamie has a great marketing idea that would result in a bonus of $1,000. The details are all worked out on Jamies computer. Unknown to Jamie, one evening after business hours, Wally obtains the information from Jamies computer and submits it and takes credit for it the next day. Wally is immediately awarded a bonus of $2,000 for the information. Fortunately for Jamie, Sammy, a custodian, saw Wally in Jamies office and heard Wally calling someone while there to brag about these misdoings. Sammy informed Blake, the CEO, of Wally s actions.Refer to Fact Pattern 2-2. Which of the following types of justice is involved if Blake requires that Wally give Jamie the entire $2,000 bonus?
A : Compensatory
B : Retributive
C : Fair
D : Justifiable

Correct Answer : B

56 : As manager, Merce tells all employees the expectation is for them to treat others as they would like to be treated. Which of following is a descriptive term for Merces requirement?
A : The Required Rule
B : The Accepted Rule
C : The Golden Rule
D : The Advanced Rule

Correct Answer : C

MULTIPLE ANSWER

57 : According to St. Thomas Aquinas, an unjust law
A : could not properly be considered law at all.
B : is defective and morally objectionable.
C : must be obeyed even if it is morally objectionable.
D : must be overturned by a supermajority of the legislature.

Correct Answer : D

58 : Which one of the following is NOT a manner in which a company can promote ethical behavior?
A : Lobby legislators for more ethical guidelines
B : Craft an ethical mission statement
C : Provide ethics training
D : Adopt a Code of Ethics

Correct Answer : D

ESSAY

59 : The CEO of ABC Company was reviewing the companys annual report and realized that two of the companys largest customers were no longer purchasing from ABC. Artie got on the phone to the CEOs of those two companies and offered to fix invoices so that they paid less but could claim higher prices as their expenses and pocket the difference. One of the CEOs agreed and began the transactions. The other CEO notified the Interstate Commerce Commission about this collusion. Discuss how the legal and ethical aspects of this scenario differ.

Correct Answer : It is not illegal to try to retain, regain, or solicit customers. It is illegal to conspire to account for transactions in ways that are not transparent. Answers should reference the discussion in section 2-1b that talks about the relationship between law and ethics.

60 : Discuss and explain the ethical business leaders decision tree referenced in the text.

Correct Answer : Students should discuss the questions presented in the decision tree such as whether a proposed action is legal, whether it maximizes shareholder value, and whether the action is ethical.

61 : The text describes ways in which ethics and law are related. Explain those relationships in

terms of what a judge needs to follow and what societys consensus demands.

Correct Answer : (1) A judge or jury's assessment of the ethical character of an action may determine how the law is interpreted and applied in a given case; (2) law often reflects society's consensus about what constitutes appropriate behavior; (3) law can help define the roles managers play, how they play those roles, and whether they have played them well; (4) patterns of unethical behavior tend to result in illegal behavior over time; and (5) unethical conduct tends, over time, to lead to more onerous business regulation.

62 : You are the owner of a small Internet company. You are planning a public offering in 12 months. You ask your accountant to prepare an optimistic business model that shows a greater profitability potential than a conservative estimate would produce. When the accountant questions your profitability assumptions, you remind the accountant of the 10,000 shares of the company stock the accountant was able to purchase at a low price. A public offering would dramatically increase the value of those shares. Discuss the ethical issues faced by the owner and the accountant. How should they be resolved?

Correct Answer : The ethical business leader's decision tree should be consulted. An action that is illegal should not be performed. Assuming illegality is not involved, other considerations are whether shareholder value is maximized; and, if not, whether it is ethical to perform the action. It appears that bribery may be involved. If the optimistic business model would be inaccurate, the owner should withdraw the request; and the accountant should refuse to provide an inaccurate model.

63 : Your company has asked you to write a code of ethics. What should you include and why?

Correct Answer : Many examples are reported in the text of situations in which companies encountered difficulties due to unethical conduct. Students should set forth rules guarding against unethical as well as illegal conduct.

64 : Your company has grown from a national to a multinational entity. How have your ethical responsibilities changed? To whom do you owe these responsibilities?

Correct Answer : As the text makes clear in the section titled "When Ethics Travel," practices regarded as ethically unacceptable in the United States may be common practice in foreign countries. Students should discuss the fact that ethical responsibilities are owed to all affected, including citizens and employees of a host country.

65 : You are the CEO of a multibillion-dollar company. Your company employs more than 75,000 people. The company is being sued for $100 million as the result of racial discrimination against your customers. Your investigation reveals that some of your managers are actively violating the law. Discuss the steps you would take to ensure your companys compliance with ethical norms and legal requirements.

Correct Answer : Students should discuss the need for an ethical code of conduct and the need to take immediate action to end the discrimination, including discharge of those responsible if needed.

66 : Discuss why Enron failed and who should be held responsible for the failure.

Correct Answer : Students should discuss improper accounting practices, questionable information provided to Wall Street investors and the public, wrongful actions by managers, and the wrongful use of partnerships.

67 : List the two main schools of ethical thought and their main focus.

Correct Answer : The two main schools of ethical thought are teleological and deontological. Teleological theory is concerned with consequences. Under teleological theory, the ethical good of an action is to be judged by the effect of the action on others. Deontological theory focuses more on the motivation and principle behind an action than on the consequences.