**Chapter 01 Ethics and Business**

**True / False Questions**

1. Ethical decision making in business is limited to major corporate decisions with dramatic social consequences.

True False

2. In business, every decision can be covered by economic, legal, or company rules and regulations.

True False

3. Due to the high incidence of corporate frauds today, the direct costs of unethical business practice are less visible now than they have ever been before.

True False

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

True False

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

True False

6. The Grayson-Himes Pay for Performance Act was passed to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008.

True False

7. Ethics refers to how human beings should properly live their lives.

True False

8. Ethical business leadership is the skill to create a work environment that helps employees guiltlessly embrace their own good and bad facets.

True False

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

True False

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

True False

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

True False

12. The well-being promoted by ethical values is not a personal and selfish well-being.

True False

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

True False

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

True False

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

True False

**Multiple Choice Questions**

16. Identify a true statement about ethical decision making in business.

A. Ethical decision making is not limited to major corporate decisions with dramatic social consequences.

B. Ethical decisions that employees make have to always be based upon clearly established guidelines laid down by the board of directors.

C. All ethical decisions can be covered by economic, legal, or company rules and regulations.

D. Every instance of ethical decision making should be based on the law of the land.

17. Identify a true statement about ethical decision making in business.

A. Employees only have to deal with situations that call for ethical decision making once they reach managerial positions within organizations.

B. At some point, every worker will be faced with an issue that will require ethical decision making.

C. Companies are legally obligated to cover all ethical decisions by internal rules and regulations.

D. Ethical decision making should not rely on the personal values and principles of the individuals involved.

18. Which of the following statements is true about ethical decision making in business?

A. Ethical decision making is limited to the type of major corporate decisions with social consequences.

B. Every employee does not face an issue that requires ethical decision making.

C. All ethical decisions can be covered by economic, legal, or company rules and regulations.

D. Ethical decision making should rely on the personal values and principles of the individuals involved.

19. In a general sense, anyone who affects or is affected by decisions made within a firm can be called a business \_\_\_\_\_.

A. nominee

B. stakeholder

C. analyst

D. insider

20. Which of the following best describes a business stakeholder?

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

21. Identify the bill that was passed in April 2009 to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards.

A. The Gramm-Rudman-Hollings Performance and Results Act

B. The Employee Pay Comparability Act

C. The Grayson-Himes Pay for Performance Act

D. The Statutory Pay-As-You-Go Act

22. Which of the following is a power granted to the Treasury secretary of the United States under the Grayson-Himes Pay for Performance Act?

A. Specifying which employees are eligible to be paid bonuses

B. Reviewing how companies give their bonuses

C. Reviewing the constitution of the boards of directors of companies

D. Specifying what criteria must be considered when elevating people to upper-management positions

23. Which of the following best describes ethics?

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

24. Which of the following is an approach advocated while teaching ethics?

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.

25. Philosophers often state that ethics is \_\_\_\_\_, which means that it focuses on people's reasoning about how they should act.

A. normative

B. derivative

C. circumstantial

D. clinical

26. Which of the following observations is true of ethics?

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.

27. Social sciences such as psychology and sociology are different from ethics owing to the fact that they are \_\_\_\_\_.

A. normative in nature

B. descriptive in nature

C. conjectural in nature

D. clinical in nature

28. \_\_\_\_\_ seeks an account of the how and why people should act a certain way, rather than how they do act.

A. Sociology

B. Psychology

C. Ethics

D. Anthropology

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

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.

30. The \_\_\_\_\_ discipline provides an account of how and why people do act the way they do.

A. descriptive

B. supererogatory

C. normative

D. stipulative

31. 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 \_\_\_\_\_.

A. morality

B. independence

C. leadership

D. rationality

32. Morality is the aspect of ethics that we can refer to by the phrase "\_\_\_\_\_."

A. personal freedom

B. individual rationality

C. personal integrity

D. persuasive rationality

33. Ethics refers to the applications of \_\_\_\_\_ on which people's decisions are based.

A. values

B. morals

C. etiquettes

D. norms

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

A. Stipulative ethics

B. Existential ethics

C. Virtue ethics

D. Social ethics

35. The aspect of business ethics that examines business institutions from a social rather than an individual perspective is referred to as:

A. decision making for social responsibility.

B. corporate cultural responsibility.

C. organizational ethical responsibility.

D. institutional morality.

36. \_\_\_\_\_ establish the guidelines or standards for determining what one should do, how one should act, what type of person one should be.

A. Roles

B. Attitudes

C. Norms

D. Laws

37. Which of the following is a true statement about norms?

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.

38. The crux of normative ethics is that these disciplines:

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.

39. Which of the following refers to an underlying belief that causes people to choose between plausible courses of action?

A. Norms

B. Paradigms

C. Protocols

D. Values

40. Which of the following is true about values?

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.

41. \_\_\_\_\_ are beliefs and principles that provide the ultimate guide to a company's decision making?

A. Mission statements

B. Core values

C. Historical milestones

D. Vision statements

42. 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?

A. Organizational culture

B. Organizational policy

C. Organizational code

D. Organizational structure

43. Ethics requires that the promotion of human welfare be done:

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.

44. Dramatic examples of tyrannical regimes in history demonstrate that:

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.

45. Telling organizations that their ethical responsibilities end with obedience to the law:

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.

46. The failure of personal ethics among companies like Enron and WorldCom led to the creation of the:

A. Brooks Act.

B. Gramm-Leach-Bliley Act.

C. Clinger-Cohen Act.

D. Sarbanes-Oxley Act.

47. Which of the following observations is true?

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.

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

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.

49. Practical reasoning is reasoning about:

A. what we should think.

B. what we should do.

C. what we should believe.

D. what we should share.

50. Reasoning about what should be done is known as \_\_\_\_\_ reasoning.

A. practical

B. objective

C. theoretical

D. predictive

51. Theoretical reasoning is reasoning about:

A. what we actually do.

B. what we should do.

C. what we should believe.

D. what we should implement.

52. \_\_\_\_\_ reasoning is reasoning about what we should believe.

A. Practical

B. Abstract

C. Theoretical

D. Descriptive

53. Which of the following is the pursuit of the highest standard for what we should believe?

A. Theoretical reason

B. Notional reason

C. Emotional reason

D. Practical reason

54. Which of the following is the great arbiter of truth according to the tradition of theoretical reason?

A. Religion

B. Customs

C. Science

D. Norms

55. Which of the following can be thought of as the answer to the fundamental questions of theoretical reason?

A. The scientific method

B. The practical approach

C. The contingency approach

D. The normative model

**Fill in the Blank Questions**

56. A \_\_\_\_\_ is anyone affected, for better or for worse, by the decisions made within a particular firm.

57. In an organizational context, \_\_\_\_\_ is the skill of creating a circumstance in which good people are able to do good, and bad people are prevented from doing bad.

58. \_\_\_\_\_ is the aspect of ethics that is referred to by the phrase "personal integrity."

59. \_\_\_\_\_ ethics asks us to simply step back from implicit everyday decisions to examine and evaluate them.

60. To say that ethics is a \_\_\_\_\_ discipline is to say that it deals with standards of appropriate and proper behavior

61. Normative disciplines presuppose some underlying \_\_\_\_\_.

62. Acts and decisions that seek to promote human welfare are based on \_\_\_\_\_.

63. One way to distinguish the various types of values is in terms of the ends they serve. \_\_\_\_\_ values serve the end of beauty.

64. The \_\_\_\_\_ Act requires employers to make reasonable accommodations for employees with disabilities.

65. \_\_\_\_\_ reasoning is reasoning about what we should believe.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Essay Questions**

66. Explain how ethical decisions are required to be made by every worker in a corporate setting, and how they have the capacity to influence more than just the decision maker.

67. Explain how the study of ethics was viewed until recently, and what kind of shift in focus has occurred post the scandals.

68. Describe the advantages associated with ethical decision making.

69. 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.

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

71. Differentiate the concepts of morality and social ethics.

72. Why is "ethics" considered a normative discipline?

73. Define values, and discuss the element of corporate culture in detail.

74. Describe the two elements of ethical values.

75. 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.

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

77. Discuss the importance of precedents for most laws concerning business.

78. Define risk assessment.

79. While using the risk assessment model, what might the decision makers include in their assessment before taking action?

80. Differentiate between practical reason and theoretical reason.

**Chapter 01 Ethics and Business Key**

**True / False Questions**

1. Ethical decision making in business is limited to major corporate decisions with dramatic social consequences.

**FALSE**

Ethical decision making in business is not at all limited to major corporate decisions with dramatic social consequences. At some point, every worker, and certainly everyone in a management role, will be faced with an issue that will require ethical decision making.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-01 Explain why ethics is important in the business environment.  
Topic: Introduction: Making the Case for Business Ethics*

2. In business, every decision can be covered by economic, legal, or company rules and regulations.

**FALSE**

At some point, every worker, and certainly everyone in a managerial role, will be faced with an issue that will require ethical decision making. Not every decision can be covered by economic, legal, or company rules and regulations.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-01 Explain why ethics is important in the business environment.  
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3. Due to the high incidence of corporate frauds today, the direct costs of unethical business practice are less visible now than they have ever been before.

**FALSE**

The direct costs of unethical business practice are more visible today than perhaps they have ever been before. The first decade of the new millennium has been riddled with highly publicized corporate scandals, the effects of which did not escape people of any social or income class.

*AACSB: Ethics  
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4. In a general sense, a business stakeholder is one who has made substantial financial investments in the business.

**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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-01 Explain why ethics is important in the business environment.  
Topic: Introduction: Making the Case for Business Ethics*

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

**TRUE**

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

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Understand  
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6. The Grayson-Himes Pay for Performance Act was passed to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008.

**TRUE**

The Grayson-Himes Pay for Performance Act was passed "to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards."

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7. Ethics refers to how human beings should properly live their lives.

**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.

*AACSB: Ethics  
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Learning Objective: 01-02 Explain the nature of business ethics as an academic discipline.  
Topic: Business Ethics as Ethical Decision Making*

8. Ethical business leadership is the skill to create a work environment that helps employees guiltlessly embrace their own good and bad facets.

**FALSE**

Ethical business leadership is the skill to create the circumstances in which good people are able to do good, and bad people are prevented from doing bad. Business leaders have a responsibility for the business environment that they create.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

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

**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.

*AACSB: Analytical Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

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

**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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
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11. Ethical values are personal codes of ethics that ensure that a person meets his or her individual standards of well-being.

**FALSE**

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.

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Topic: Business Ethics as Personal Integrity and Social Responsibility*

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

**TRUE**

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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

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

**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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

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

**TRUE**

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

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

**Multiple Choice Questions**

16. Identify a true statement about ethical decision making in business.

**A.** Ethical decision making is not limited to major corporate decisions with dramatic social consequences.

B. Ethical decisions that employees make have to always be based upon clearly established guidelines laid down by the board of directors.

C. All ethical decisions can be covered by economic, legal, or company rules and regulations.

D. Every instance of ethical decision making should be based on the law of the land.

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Accessibility: Keyboard Navigation  
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**B.** At some point, every worker will be faced with an issue that will require ethical decision making.

C. Companies are legally obligated to cover all ethical decisions by internal rules and regulations.

D. Ethical decision making should not rely on the personal values and principles of the individuals involved.

At some point, every worker, and certainly everyone in a management role, will be faced with an issue that will require ethical decision making. Not every decision can be covered by economic, legal, or company rules and regulations.

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19. In a general sense, anyone who affects or is affected by decisions made within a firm can be called a business \_\_\_\_\_.

A. nominee

**B.** stakeholder

C. analyst

D. insider

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.

*AACSB: Analytical Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-01 Explain why ethics is important in the business environment.  
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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

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A. The Gramm-Rudman-Hollings Performance and Results Act

B. The Employee Pay Comparability Act

**C.** The Grayson-Himes Pay for Performance Act

D. The Statutory Pay-As-You-Go Act

The Grayson-Himes Pay for Performance Act was passed in April 2009, "to amend the executive compensation provisions of the Emergency Economic Stabilization Act of 2008 to prohibit unreasonable and excessive compensation and compensation not based on performance standards." This bill would ban future "unreasonable and excessive" compensation at companies receiving federal bailout money.

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Accessibility: Keyboard Navigation  
Blooms: Remember  
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Learning Objective: 01-01 Explain why ethics is important in the business environment.  
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22. Which of the following is a power granted to the Treasury secretary of the United States under the Grayson-Himes Pay for Performance Act?

A. Specifying which employees are eligible to be paid bonuses

**B.** Reviewing how companies give their bonuses

C. Reviewing the constitution of the boards of directors of companies

D. Specifying what criteria must be considered when elevating people to upper-management positions

Under the Grayson-Himes Pay for Performance Act, Treasury secretary would have the power to define what constitutes reasonable compensation and to review how companies give their bonuses. This bill would ban future "unreasonable and excessive" compensation at companies receiving federal bailout money.

*AACSB: Analytical Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
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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

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.

*AACSB: Analytical Thinking  
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Blooms: 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*

24. Which of the following is an approach advocated while teaching ethics?

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.

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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
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Learning Objective: 01-02 Explain the nature of business ethics as an academic discipline.  
Topic: Business Ethics as Ethical Decision Making*

25. Philosophers often state that ethics is \_\_\_\_\_, which means that it focuses on people's reasoning about how they should act.

**A.** normative

B. derivative

C. circumstantial

D. clinical

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

26. Which of the following observations is true of ethics?

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.

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

27. Social sciences such as psychology and sociology are different from ethics owing to the fact that they are \_\_\_\_\_.

A. normative in nature

**B.** descriptive in nature

C. conjectural in nature

D. clinical in nature

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.

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28. \_\_\_\_\_ seeks an account of the how and why people should act a certain way, rather than how they do act.

A. Sociology

B. Psychology

**C.** Ethics

D. Anthropology

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.

*AACSB: Analytical Thinking  
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Blooms: Remember  
Difficulty: 1 Easy  
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29. Which of the following is a factor that distinguishes social sciences, such as psychology and sociology, from ethics?

**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.

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.

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30. The \_\_\_\_\_ discipline provides an account of how and why people do act the way they do.

**A.** descriptive

B. supererogatory

C. normative

D. stipulative

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.

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31. 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 \_\_\_\_\_.

**A.** morality

B. independence

C. leadership

D. rationality

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.

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32. Morality is the aspect of ethics that we can refer to by the phrase "\_\_\_\_\_."

A. personal freedom

B. individual rationality

**C.** personal integrity

D. persuasive rationality

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

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Blooms: Remember  
Difficulty: 1 Easy  
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Topic: Business Ethics as Personal Integrity and Social Responsibility*

33. Ethics refers to the applications of \_\_\_\_\_ on which people's decisions are based.

A. values

**B.** morals

C. etiquettes

D. norms

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.

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

A. Stipulative ethics

B. Existential ethics

C. Virtue ethics

**D.** Social ethics

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.

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35. The aspect of business ethics that examines business institutions from a social rather than an individual perspective is referred to as:

**A.** decision making for social responsibility.

B. corporate cultural responsibility.

C. organizational ethical responsibility.

D. institutional morality.

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.

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36. \_\_\_\_\_ establish the guidelines or standards for determining what one should do, how one should act, what type of person one should be.

A. Roles

B. Attitudes

**C.** Norms

D. Laws

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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Difficulty: 1 Easy  
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Topic: Business Ethics as Personal Integrity and Social Responsibility*

37. Which of the following is a true statement about norms?

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.

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.

*AACSB: Analytical Thinking  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
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Topic: Business Ethics as Personal Integrity and Social Responsibility*

38. The crux of normative ethics is that these disciplines:

**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.

Normative disciplines presuppose some underlying values.

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39. Which of the following refers to an underlying belief that causes people to choose between plausible courses of action?

A. Norms

B. Paradigms

C. Protocols

**D.** Values

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.

*AACSB: Analytical Thinking  
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40. Which of the following is true about values?

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.

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

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41. \_\_\_\_\_ are beliefs and principles that provide the ultimate guide to a company's decision making?

A. Mission statements

**B.** Core values

C. Historical milestones

D. Vision statements

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

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Difficulty: 1 Easy  
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42. 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?

**A.** Organizational culture

B. Organizational policy

C. Organizational code

D. Organizational structure

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.

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43. Ethics requires that the promotion of human welfare be done:

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.

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.

*AACSB: Analytical Thinking  
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Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

44. Dramatic examples of tyrannical regimes in history demonstrate that:

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.

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.

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Difficulty: 2 Medium  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

45. Telling organizations that their ethical responsibilities end with obedience to the law:

**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.

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

*AACSB: Analytical Thinking  
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Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

46. The failure of personal ethics among companies like Enron and WorldCom led to the creation of the:

A. Brooks Act.

B. Gramm-Leach-Bliley Act.

C. Clinger-Cohen Act.

**D.** Sarbanes-Oxley Act.

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.

*AACSB: Ethics  
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Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

47. Which of the following observations is true?

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.

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.

*AACSB: Analytical Thinking  
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Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

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

**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.

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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
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Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

49. Practical reasoning is reasoning about:

A. what we should think.

**B.** what we should do.

C. what we should believe.

D. what we should share.

Practical reasoning is reasoning about what we should do.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

50. Reasoning about what should be done is known as \_\_\_\_\_ reasoning.

**A.** practical

B. objective

C. theoretical

D. predictive

Practical reasoning is reasoning about what we should do.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

51. Theoretical reasoning is reasoning about:

A. what we actually do.

B. what we should do.

**C.** what we should believe.

D. what we should implement.

Theoretical reasoning is reasoning about what we should believe.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

52. \_\_\_\_\_ reasoning is reasoning about what we should believe.

A. Practical

B. Abstract

**C.** Theoretical

D. Descriptive

Theoretical reasoning is reasoning about what we should believe.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

53. Which of the following is the pursuit of the highest standard for what we should believe?

**A.** Theoretical reason

B. Notional reason

C. Emotional reason

D. Practical reason

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.

*AACSB: Ethics  
Accessibility: Keyboard Navigation  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

54. Which of the following is the great arbiter of truth according to the tradition of theoretical reason?

A. Religion

B. Customs

**C.** Science

D. Norms

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
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Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

55. Which of the following can be thought of as the answer to the fundamental questions of theoretical reason?

**A.** The scientific method

B. The practical approach

C. The contingency approach

D. The normative model

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?

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Blooms: Remember  
Difficulty: 2 Medium  
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Topic: Ethics as Practical Reason*

**Fill in the Blank Questions**

56. A \_\_\_\_\_ is anyone affected, for better or for worse, by the decisions made within a particular firm.

**Ans: 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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
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Topic: Introduction: Making the Case for Business Ethics*

57. In an organizational context, \_\_\_\_\_ is the skill of creating a circumstance in which good people are able to do good, and bad people are prevented from doing bad.

**Ans: ethical business leadership**

Ethical business leadership is the skill to create the circumstances within which good people are able to do good, and bad people are prevented from doing bad.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

58. \_\_\_\_\_ is the aspect of ethics that is referred to by the phrase "personal integrity."

**Ans: Morality**

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

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

59. \_\_\_\_\_ ethics asks us to simply step back from implicit everyday decisions to examine and evaluate them.

**Ans: Philosophical**

Philosophical ethics merely asks us to step back from implicit everyday decisions to examine and evaluate them.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

60. To say that ethics is a \_\_\_\_\_ discipline is to say that it deals with standards of appropriate and proper behavior.

**Ans: normative**

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

61. Normative disciplines presuppose some underlying \_\_\_\_\_.

**Ans: values**

Normative disciplines presuppose some underlying values.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

62. Acts and decisions that seek to promote human welfare are based on \_\_\_\_\_.

**Ans: 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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

63. One way to distinguish the various types of values is in terms of the ends they serve. \_\_\_\_\_ values serve the end of beauty.

**Ans: Aesthetic**

One way to distinguish various types of values is in terms of the ends they serve. Financial values serve monetary ends; religious values serve spiritual ends; aesthetic values serve the end of beauty; legal values serve law, order, and justice, and so forth.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

64. The \_\_\_\_\_ Act requires employers to make reasonable accommodations for employees with disabilities.

**Ans: Americans with Disabilities**

The Americans with Disabilities Act (ADA) requires employers to make reasonable accommodations for employees with disabilities.

*AACSB: Analytical Thinking  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

65. \_\_\_\_\_ reasoning is reasoning about what we should believe.

**Ans: Theoretical**

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

**Essay Questions**

66. Explain how ethical decisions are required to be made by every worker in a corporate setting, and how they have the capacity to influence more than just the decision maker.

Ethical decision making in business is not limited to the type of major corporate decisions with dramatic social consequences known in the form of Enron, JPMorgan, and WorldCom, etc. At some point, every worker, and certainly everyone in a management role, will be faced with an issue that will require ethical decision making. Not every decision can be covered by economic, legal, or company rules and regulations. More often than not, responsible decision making must rely on the personal values and principles of the individuals involved. Individuals will have to decide for themselves what type of person they want to be.

At other times, decisions will involve significant general policy issues that affect entire organizations, as happened in all the well-known corporate scandals. The managerial role especially involves decision making that establishes organizational precedents and has organizational and social consequences.

*AACSB: Ethics  
Blooms: Understand  
Difficulty: 2 Medium  
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Topic: Introduction: Making the Case for Business Ethics*

67. Explain how the study of ethics was viewed until recently, and what kind of shift in focus has occurred post the scandals.

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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Blooms: Understand  
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68. Describe the advantages associated with ethical decision making.

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Blooms: Understand  
Difficulty: 1 Easy  
Learning Objective: 01-01 Explain why ethics is important in the business environment.  
Topic: Introduction: Making the Case for Business Ethics*

69. 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.

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.

*AACSB: Ethics  
Blooms: 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*

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

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-02 Explain the nature of business ethics as an academic discipline.  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Ethical Decision Making  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

71. Differentiate the concepts of morality and social ethics.

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Blooms: Understand  
Difficulty: 1 Easy  
Learning Objective: 01-03 Distinguish the ethics of personal integrity from the ethics of social responsibility.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

72. Why is "ethics" considered a normative discipline?

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

73. Define values, and discuss the element of corporate culture in detail.

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

74. Describe the two elements of ethical values.

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.

*AACSB: Ethics  
Blooms: Understand  
Difficulty: 1 Easy  
Learning Objective: 01-04 Distinguish ethical norms and values from other business-related norms and values.  
Topic: Business Ethics as Personal Integrity and Social Responsibility*

75. 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.

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Blooms: Understand  
Difficulty: 2 Medium  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

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

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.

*AACSB: Analytical Thinking  
AACSB: Ethics  
Blooms: Understand  
Difficulty: 1 Easy  
Learning Objective: 01-05 Distinguish legal responsibilities from ethical responsibilities.  
Topic: Ethics and the Law*

77. Discuss the importance of precedents for most laws concerning business.

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.

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

78. Define 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.

*AACSB: Analytical Thinking  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

79. While using the risk assessment model, what might the decision makers include in their assessment before taking action?

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

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-06 Explain why ethical responsibilities go beyond legal compliance.  
Topic: Ethics and the Law*

80. Differentiate between practical reason and theoretical reason.

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

*AACSB: Ethics  
Blooms: Remember  
Difficulty: 1 Easy  
Learning Objective: 01-07 Describe ethical decision making as a form of practical reasoning.  
Topic: Ethics as Practical Reason*

Chapter 01 Ethics and Business Summary

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