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| *Indicate whether the statement is true or false.* |

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| 1. ​Unless a corporation violates a law, its actions do not raise questions about corporate ethics.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. Ethics is the study of the principles that lead tofinancially successful conduct.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. Business ethics looks at the decisions that businesses make or have to make and whether those decisions are right or wrong.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. Ethics is as clearly defined as the law.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. Focusing on a firm's short-run profits without considering the company’s long-term needs may be acting unethically.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. It may be *unethical* for a company to refuse to negotiate liability claims for alleged injuries because of a faulty product.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. The legality of an action is always clear.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. Adhering strictly to all business laws is all that is necessary to fulfill all business ethics obligations.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. The study of ethics goes beyond legal requirements to evaluate what is right for society.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. If an action is legal, it is ethical.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. If people merely comply with the law, they are acting at the lowest ethical level society will tolerate.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. An action may be legal but not ethical.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Acting in good faith gives a business firm a better chance of defending its actions in court.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. Ethical reasoning is the process through which an individual links his or her moral convictions or ethical standards to the particular situation at hand.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. Duty-based ethical standards often come from religious precepts or through philosophical reasoning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. Religious rules generally are absolute with respect to the behavior of their adherents.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. Ethical reasoning is the process through which an individual rationalizes whatever action he or she chooses to take.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. Under the principle of rights theory, one person’s principles are as “right” as another’s.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. In ethical terms, a cost-benefit analysis is an assessment of the negative and positive effects of alternative actions on individuals.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. According to utilitarianism, it does not matter how many people suffer a negative effect from an act.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. The concept of corporate social responsibility is imposed on corporations by law.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. Corporations can be viewed as “citizens” that are expected to participate in bettering society.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. Corporations can be perceived as owing ethical duties to groups other than their shareholders.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. In a corporation, managers are often faced with ethical trade-offs when a certain decision will benefit one group, but harm another.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. Sometimes, there is no “good” answer to the ethical questions that arise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. Managers must apply the same ethical standards to their employees as they do to themselves.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. Business owners’ misbehavior has no negative consequences for their business.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. Management’s behavior sets the ethical tone of a firm.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. The effectiveness of internal company codes of ethics is determined by the degree of their enforcement by legal authorities.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. Few companies provide any kind of support such as ethical training programs to make their ethical codes more effective.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. Codes of ethical conduct can indicate how employees are expected to act.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. Effective corporate ethical policies must be clearly communicated to employees.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. Companies are required to set up confidential systems so that employees can “raise red flags” about suspected illegal or unethical accounting practices.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. Some provisions of U.S. bribery laws are directed toward accountants.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. Bribery of foreign government officials is both an ethical and a legal issue.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. ​In studying the legal environment of business, students also review ethics in a business context. Ethics includes the study of what constitutes   |  |  |  | | --- | --- | --- | |  | a. | ​fair or just behavior. | |  | b. | ​financially rewarding behavior. | |  | c. | ​legal behavior. | |  | d. | ​religious behavior. | |

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| 37. Donna works for eMarketing, Inc. Her job includes putting “spin” on the firm’s successes and failures. In this context, ethics has to do with how businesspersons, in making their decisions, apply   |  |  |  | | --- | --- | --- | |  | a. | legal doctrine. | |  | b. | ​moral and ethical principles. | |  | c. | corporate guidelines.​ | |  | d. | financial priorities. | |

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| 38. Julie is sales manager for Kelso’s Concrete & Stone Products, Inc. In applying ethical principles to the business of the firm, Kelso’s and Julie will most likely evaluate   |  |  |  | | --- | --- | --- | |  | a. | what duties and responsibilities should exist for the business. | |  | b. | how to maximize profits in the short run | |  | c. | ​how to maximize profits in the long run. | |  | d. | ​marketing campaigns to counter potential bad publicity. | |

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| 39. Flexo Trucking Company transports hazard-ous waste. Garn is a Flexo driver, whom the company knows drives longer hours than federal regula-tions permit. One night, Garn exceeds the limit and has an accident. Spilled chemicals contaminate Hill City’s water source, forcing the residents to move away. Flexo acted unethically because   |  |  |  | | --- | --- | --- | |  | a. | Flexo showed reckless disregard for Hill City’s residents and others. | |  | b. | ​Garn exceeded the federal time limit. | |  | c. | harm was caused by an unfortunate accident. | |  | d. | Hill City should have better protected its water source. | |

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| 40. Peak & Vale Accountants provides other firms with accounting services.Questions of what is ethical involve the extent to which Peak & Vale has   |  |  |  | | --- | --- | --- | |  | a. | a legal duty beyond those duties mandated by ethics. | |  | b. | an ethical duty beyond those duties mandated by law. | |  | c. | ​any duty beyond those mandated by both ethics and the law. | |  | d. | any duty when it is uncertain whether a legal duty exists. | |

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| 41. Invested Capital Corporation provides other firms with funds to expand op-erations.If InvestedCapital strictly complies with existing laws, the firm’sbusiness ethics obligations will   |  |  |  | | --- | --- | --- | |  | a. | be entirely met. | |  | b. | not be met. | |  | c. | be partially met. | |  | d. | not need to be met. | |

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| 42. SuperMeds Corporation develops a new drug that controls severe acne. The drug is not approved by the government for sale in the United States because one of its ingredients is a banned chemical. This chemical is not banned in Mexico. Whether it is ethical for SuperMeds to sell the drug in Mexico depends on   |  |  |  | | --- | --- | --- | |  | a. | theeffect of any “bad” publicity from the sale. | |  | b. | the number of potential customers. | |  | c. | which legal standards are applied. | |  | d. | which ethical standards are applied. | |

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| 43. Housemate, Inc., makes and sells a variety of household products. With a fair amount of certainty, Housemate’s decision makers can predict whether a given business action would be legal in   |  |  |  | | --- | --- | --- | |  | a. | all situations. | |  | b. | many situations. | |  | c. | ​no situations. | |  | d. | few situations. | |

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| 44. Precision Engineering Inc., like other corporations, is subject to laws that are broad in their purpose and their scope. Compliance with these laws is not always sufficient to determine “right” behavior because   |  |  |  | | --- | --- | --- | |  | a. | the law does not codify all ethical requirements. | |  | b. | company codes are also sources of law. | |  | c. | business decisions can have negative impacts. | |  | d. | ethical problems occur in business. | |

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| 45. Brewster, the chief executive officer of Cog & Gear Lubricants Corporation, wants to en-sure that Cog & Gear’s activities are legal and ethical. The best course for Brewster and Cog & Gear is to act   |  |  |  | | --- | --- | --- | |  | a. | in good faith. | |  | b. | out of ignorance of the law. | |  | c. | ​with regard for the firm’s shareholders only. | |  | d. | in their own self-interest. | |

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| 46. Sam, the chief accounting officer of Texas Fencing Corporation, wants to be sure that all the company’s accounts are legal and ethical. Sometimes, however, he is unsure exactly what is legal and what is illegal. Sam should   |  |  |  | | --- | --- | --- | |  | a. | not worry about what is legal or illegal as long as the corporate officers benefit in the short run. | |  | b. | try his best to not do anything illegal and keep documentation showing that he always acts in good faith. | |  | c. | not worry about what is legal or illegal as long as it benefits the shareholders. | |  | d. | not worry about what is legal or illegal as long as it benefits the directors of the corporation. | |

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| 47. Dispatch Hauling Corporation has an online forum where employees can post comments.Eddie posts a racially offensive video on the forum. Dispatch should   |  |  |  | | --- | --- | --- | |  | a. | do nothing because Eddie has the right to free speech. | |  | b. | do nothing because acknowledging the video will give it credibility. | |  | c. | take action against Eddie to show that racial discrimination is unacceptable atDispatch. | |  | d. | take action against Eddie because videos can consume considerable bandwidth on a company server. | |

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| 48. In business deals, Fiona, the chief executive officer of Glazed Donuts, Inc., follows duty-based ethical standards. These are most likely derived from   |  |  |  | | --- | --- | --- | |  | a. | a corporate ethics code. | |  | b. | a cost-benefit analysis. | |  | c. | philosophical reasoning. | |  | d. | the law. | |

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| 49. Ryland, an officer for Sports Park, Inc., attempts to apply a duty-based approach to ethical reasoning in conflicts that occur on the job. This approach is based on the idea that a person must   |  |  |  | | --- | --- | --- | |  | a. | achieve the greatest good for the most people. | |  | b. | avoid unethical behavior regardless of the consequences. | |  | c. | conform to society’s ethical standards. | |  | d. | place his or her employer’s interest first. | |

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| 50. In making business decisions,Glenda, personnel manager for HVAC Maintenance, Inc., applies her belief that all persons have fundamental rights. This is   |  |  |  | | --- | --- | --- | |  | a. | a religious rule. | |  | b. | the categorical imperative. | |  | c. | the principle of rights. | |  | d. | utilitarianism. | |

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| 51. As CEO of Alabama Archery Supplies, Bertrand applies ethical standards derived from religious principles. For businesses, religious principles can be   |  |  |  | | --- | --- | --- | |  | a. | a unifying force for employees. | |  | b. | all of the choices. | |  | c. | a rallying point to increase employee motivation. | |  | d. | thebasis for an action that leads to negative publicity. | |

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| 52. Steaks n’ Fries Restaurant Company’s decision makers view a particular risk in the consumption of Steaks n’ Fries’ products as open and obvious. Continuing to market the products without explicitly telling consumers of the risk could be justified from a perspective of   |  |  |  | | --- | --- | --- | |  | a. | duty-based ethics. | |  | b. | corporate social responsibility. | |  | c. | religious ethical principles. | |  | d. | outcome-based ethics. | |

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| 53. Provident Medical Health Center asks its employees, many of which are mem-bers of the American Nurses Association, to apply the utilitarian theory of ethics.This theory does *not* require   |  |  |  | | --- | --- | --- | |  | a. | a choice among alternatives to produce the maximum so-cietal utility. | |  | b. | a determination of whom an action will affect. | |  | c. | an assessment of the effects of alternatives on those affected. | |  | d. | the acquiring of the means of production by workers. | |

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| 54. Dyan, the owner of Expert Restoration Services, Inc., adheres to the “principle of rights” theory. Under this theory, a key factor in determining whether a business decision is ethical is how that decision   |  |  |  | | --- | --- | --- | |  | a. | complieswith religious principles. | |  | b. | affects the rights of others. | |  | c. | causes consequences that would follow if everyone acted the same way. | |  | d. | supports the right to make a profit. | |

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| 55. In making decisions for Commercial Janitorial & Maintenance Services, Inc., Isaiah uses a cost-benefit analysis. This analysis is part of   |  |  |  | | --- | --- | --- | |  | a. | duty-based ethics. | |  | b. | Kantian ethics. | |  | c. | the principle of rights. | |  | d. | utilitarianism. | |

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| 56. Morgan and other executive officers of Regional Economic Development Associates, Inc., applies the utilitarian theory of ethics in business contexts. Utilitarianism focuses on   |  |  |  | | --- | --- | --- | |  | a. | moral values. | |  | b. | religious beliefs. | |  | c. | the consequences of an action. | |  | d. | the nature of an action. | |

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| 57. Bob, research manager for CornAgri Products, Inc., ap-plies utilitarian eth-ics to determine that an action is morally cor-rect when it produces the greatest good for   |  |  |  | | --- | --- | --- | |  | a. | Bob. | |  | b. | CornAgri. | |  | c. | the fewest people. | |  | d. | the most people. | |

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| 58. Palette Paints, Inc. expends funds and takes steps to ensure that all employees are safe on the job, that all products are safe for consumers, and that the environmental impact of the corporation is minimal. Palette Paints appears to believe in the concept of   |  |  |  | | --- | --- | --- | |  | a. | the moral minimum. | |  | b. | corporate social responsibility. | |  | c. | the categorical imperative. | |  | d. | utilitarianism. | |

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| 59. In deciding questions of corporate social responsibility, Waste Disposal & Recycling, Inc., is concerned with   |  |  |  | | --- | --- | --- | |  | a. | how the corporation can best fulfill any ethical duty to society. | |  | b. | the effect on corporate profits of ignoring any ethical duty to society. | |  | c. | whether the corporation owes any ethical duty to society. | |  | d. | all of the choices. | |

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| 60. According to the view that New Allied Manufacturing Corporation is a “citizen,” New Allied is expected to   |  |  |  | | --- | --- | --- | |  | a. | participate in bettering communities and society. | |  | b. | primarily generate revenue for its owners. | |  | c. | have no responsibility other than profit maximization. | |  | d. | efficiently allocate scarce resources. | |

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| 61. Any decision by the management of Fast-Food Franchise Corporation may significantly affect its   |  |  |  | | --- | --- | --- | |  | a. | operators only. | |  | b. | operators, owners, suppliers, the community, or society as a whole. | |  | c. | owners only. | |  | d. | suppliers, the community, or society as a whole only. | |

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| 62. Mary works in the accounting department of New Trends Sales Company. Her job includes reviewing expense reports submitted by management and employees. In determining which expenses are “padding,” Mary should apply to management   |  |  |  | | --- | --- | --- | |  | a. | a different set of principles from those that apply to employees. | |  | b. | the same ethical principles that apply to employees. | |  | c. | those principles that produce the most favorable financial outcome. | |  | d. | whatever result is in the best interest of New Trends. | |

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| 63. Lucas is a business manager for Micro Manufacturing Company. Ethical dilemmas that Lucas is *not* likely to encounter include deciding   |  |  |  | | --- | --- | --- | |  | a. | the kind of pizza to order for a company meeting. | |  | b. | whether to lay off employees or take a loss in corporate profits. | |  | c. | whether to admonish an employee making rude jokes in the workplace. | |  | d. | what to tell a reporter about the recent drop in corporate stock prices. | |

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| 64. At a meeting of employees, Fuel Injection Design & Manufacturing, Inc.’s managers announce the creation of a new company-wide code of ethical conduct and the initiation of an ad campaign to publicize the new code. They also say that any employees who do not adhere to the code will be discharged. The effectiveness of this code will be determined by   |  |  |  | | --- | --- | --- | |  | a. | the commitment of company leadership to enforcing the code. | |  | b. | the extent to which the employees comply with the code. | |  | c. | a marketing campaign posted online to tout the firm’s ethical tone. | |  | d. | managementdirecting employees to “do as we say, not as we do.” | |

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| 65. Fealty Credit Corporation asks its employees to evaluate their actions and get on the ethical business decision-making “bandwagon.” Guidelines for judging individual actions most likely include all of the following except   |  |  |  | | --- | --- | --- | |  | a. | an individual’s conscience. | |  | b. | business rules and procedures. | |  | c. | loopholes in the law or company policies. | |  | d. | promises to others. | |

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| 66. Duncan is in charge of the ethics of Earth Eggs, Inc., an organic egg raising company. As part of this responsibility, Duncan is most likely *not* in charge of   |  |  |  | | --- | --- | --- | |  | a. | aninternal company ethical code. | |  | b. | ethics training programs. | |  | c. | internal ethical audits. | |  | d. | ethical reviews of employees’ family members. | |

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| 67. Ridgeline Excavation & Construction, LLC, creates an internal code of ethics. Like the codes of other firms, Ridgeline’s company code is *not*   |  |  |  | | --- | --- | --- | |  | a. | law. | |  | b. | a set of rules that the company can enforce. | |  | c. | an outline of the company’s policies. | |  | d. | a guide for decision makers facing ethical questions. | |

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| 68. Ethical standards would most likely be considered violated if Team Logos Merchandising Corporation deals with a company in a developing nation that   |  |  |  | | --- | --- | --- | |  | a. | agrees to produce goods at Team Logos’s desired price. | |  | b. | goes unnoticed by “corporate watch” groups. | |  | c. | routinely violates labor and environmental standards. | |  | d. | pays its workers less than the U.S. minimum wage. | |

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| 69. Major Construction & Manufacturing Corporation makes a side payment to a govern-ment official in India. Under the Foreign Corrupt Practices Act, this is permitted   |  |  |  | | --- | --- | --- | |  | a. | under no circumstances. | |  | b. | if the purpose is to secure a favorable contract. | |  | c. | under the dictum “When in Rome, do as the Romans do.” | |  | d. | if the official is not a U.S. citizen. | |

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| 70. To assist in detecting illegal bribes, International Civil Engineers, Inc., and all other U.S. companies must   |  |  |  | | --- | --- | --- | |  | a. | conceal financial records that reveal past bribes. | |  | b. | keep records that “accurately and fairly” reflect their financial activities. | |  | c. | make bribes through third parties rather than directly to officials. | |  | d. | permit payments to foreign officials that are unlawful in that country. | |

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| 71. Frances, an executive with GMO Seed & Feed, Inc., has to decide whether to market a product that could offer substantial benefits but might also have potentially serious side effects for a small per-centage of users. How should Frances de-cide whether to sell the product? How does the standard of ethics that is applied affect this answer? |

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| 72. Recreation & Sports Equipment Corporation sells a product that is capable of seriously injuring consumers who misuse it in a foreseeable way. Does the firm owe an ethical duty to take this product off the market? What con-flicts might arise if the firm stops selling this product? |

**Answer Key**

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| 1. False |

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| 2. True |

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| 3. True |

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| 4. False |

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| 5. True |

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| 6. True |

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| 7. False |

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| 8. False |

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| 9. True |

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| 10. False |

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| 71. When a corporate executive has to decide whether to market a product that might have unde-sirable side ef-fects for a small percentage of users but that would be beneficial for most users, the decision turns on the benefit to the many versus the harm to the few. Of course, all pos-sible pre-cautions should be taken to protect the few. A more specific answer depends on which sys-tem of ethics is applied.  From a religious duty-based perspective, the answer might be abso-lute: do not sell the product because some would be harmed, sell the prod-uct only to those who would not be harmed, or sell the product with clear warnings of the possible harm. Similar conclusions might be reached through a philosophical, “categorical imperative,” duty-based approach, which would consider the result if every corporation chose to sell the prod-uct. A principle-of-rights duty-based approach might likewise come to the same conclusions, reasoning that all persons have a right to life, for exam-ple, and that the corporation has an ethical duty to respect that right and act accordingly.  From a utilitarian perspective, under a cost-benefit analysis, if the product were sold, it could benefit the greatest number of persons—future and cur-rent employees, as well as shareholders, and most consumers. If there was “bad” publicity, and it was adverse enough to re-duce sales, however, more persons could benefit from the decision not to market the product.  Under any of the different corporate social responsibil-ity theories, the decision whether to market the product would acknowledge the firm’s duty to act ethically and be accountable to society. There might be a balancing of the interests of competing stakeholder groups or a shoul-dering of the responsibility to behave in a socially beneficial way as a good corporate citizen. Of course, the firm would likely have to accept any legal liability that would arise from its sale of the product. |

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| 72. Ethical behavior can sometimes generate sufficient good will to warrant practicing it out of a desire for increased profits. By the same to-ken, unethical behav-ior can sometimes generate enough bad publicity to warrant avoiding it out of the same desire. A business firm’s activities that are perceived as ethical and receive wide publicity can benefit the firm’s owners in the short run-and even in the long run if the firm’s enhanced public image continues to attract more consumers to its products.  There is nothing unethical about making a profit. It is the behavior that generates the profit that can be questionable. Business ethics thus has a practical element. A business firm should act in its best interest. A firm inter-ested in profits should also be interested in the public’s opinion.  Of course, it is not a company’s fault when consumers mis-use its product. If continuing to sell a product is not a strict violation of the law, stopping its sale would likely re-duce profits. This could impact the firm’s owners, employees, and others. But suspending sales could re-duce injuries, and it could lead to increased profits from the sales of other products, if the suspension stops negative publicity.  When a busi-ness en-tity decides to re-spond to what it sees as a moral or ethical obliga-tion by removing a product from the market, an ethi-cal conflict is raised be-tween the firm and its employees and between the firm and its share-holders. This conflict arises directly out of the impact that the decision has on the firm’s profits. If meeting this perceived obligation in-creases the firm’s profitability, then all parties “win” and the dilemma would be easily re-solved in favor of “doing the right thing.” |