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Topic: Business Ethics and Social Responsibility

Subtopic: Business Ethics

Content Nathan Hurwitz:

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### Multiple-Choice Question Type

<question type="mc">

1. What is the problem with corporations basing their ethical code solely on a precise and literal reading of positive law.
  - a. Positive law is not meant to be literal, it is meant to be interpreted.
  - b. Positive laws address what is necessary to not do (or do), not what should not be done (or should).
  - c. Positive law changes over time, while matters of ethics should be constant.
  - d. While federal positive laws are consistent throughout the U.S., state positive laws vary from state to state.

Analysis:

- a. Incorrect. While laws do address what corporations are required to do (or not do), they do not address what they SHOULD do (or not do). The question of basing corporate decisions on a code of behavior informed by the corporation's understanding of itself as a corporate citizen is business ethics.
- b. Correct. While laws do address what corporations are required to do (or not do), they do not address what they SHOULD do (or not do). The question of basing corporate decisions on a code of behavior informed by the corporation's understanding of itself as a corporate citizen is business ethics.
- c. Incorrect. While laws do address what corporations are required to do (or not do), they do not address what they SHOULD do (or not do). The question of basing corporate decisions on a code of behavior informed by the corporation's understanding of itself as a corporate citizen is business ethics.
- d. Incorrect. While laws do address what corporations are required to do (or not do), they do not address what they SHOULD do (or not do). The question of basing corporate decisions on a code of behavior informed by the corporation's understanding of itself as a corporate citizen is business ethics.

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Level of difficulty: Medium

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<question type="mc">

2. What is the theory behind building a set of business ethics on profit maximization?
  - a. By maximizing its profits the business is bringing wealth into the community; what the community chooses to do with that wealth is not up to the business.

- b. The natural function of a business is to earn profits; to ask it to perform any other function is asking it to be other than what it is.
- c. If all business entities hold to the goal of profit maximization, resources will flow to where they are most highly valued by society.
- d. If a business does not hold to an ethical system based on profit maximization, that business is fated to fail.

Analysis:

- a. Incorrect. Those who hold that profit maximization is the basis for any reasonable set of business ethics argue that if all businesses lived by such a set of ethics, resources would flow to there society most highly prizes them.
- b. Incorrect. Those who hold that profit maximization is the basis for any reasonable set of business ethics argue that if all businesses lived by such a set of ethics, resources would flow to there society most highly prizes them.
- c. Correct. Those who hold that profit maximization is the basis for any reasonable set of business ethics argue that if all businesses lived by such a set of ethics, resources would flow to there society most highly prizes them.
- d. Incorrect. Those who hold that profit maximization is the basis for any reasonable set of business ethics argue that if all businesses lived by such a set of ethics, resources would flow to there society most highly prizes them.

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Level of difficulty: Difficult

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3. Contrary to an ethical model based on profit maximization, an ethical model based on corporate citizenship needs to balance between three factors. Which of the following is NOT one of these three?
- a. a corporations' impact on people
  - b. a corporations' impact on the planet
  - c. a corporations' profits and dividends
  - d. a corporations' impact on the government

Analysis:

- a. Incorrect. An ethical model based on viewing the corporation as a corporate citizen requires finding a balance between financial profits (and dividends), the corporation's impact on people, and the corporation's impact on the planet. In theory corporations should not necessarily have a substantial impact on the government, and that should certainly not be a factor in developing their ethical standards.
- b. Incorrect. An ethical model based on viewing the corporation as a corporate citizen requires finding a balance between financial profits (and dividends), the corporation's impact on people, and the

corporation's impact on the planet. In theory corporations should not necessarily have a substantial impact on the government, and that should certainly not be a factor in developing their ethical standards.

c. Incorrect. An ethical model based on viewing the corporation as a corporate citizen requires finding a balance between financial profits (and dividends), the corporation's impact on people, and the corporation's impact on the planet. In theory corporations should not necessarily have a substantial impact on the government, and that should certainly not be a factor in developing their ethical standards.

d. Correct. An ethical model based on viewing the corporation as a corporate citizen requires finding a balance between financial profits (and dividends), the corporation's impact on people, and the corporation's impact on the planet. In theory corporations should not necessarily have a substantial impact on the government, and that should certainly not be a factor in developing their ethical standards.

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4. What does a set of business ethics help determine?

a. whether a business decision is the best decision for that business

b. whether a business decision is the best decision for society

c. whether a business decision carries the weight of the law behind it

d. whether a business decision can be absolved of any liability by ascribing it to an ethical construct

Analysis:

a. Incorrect. Applying a set of business ethics will help a business to decide if a particular decision is the best decision for the society that business exists within.

b. Correct. Applying a set of business ethics will help a business to decide if a particular decision is the best decision for the society that business exists within.

c. Incorrect. Applying a set of business ethics will help a business to decide if a particular decision is the best decision for the society that business exists within.

d. Incorrect. Applying a set of business ethics will help a business to decide if a particular decision is the best decision for the society that business exists within.

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Level of difficulty: Medium

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<question type="mc">

5. Many organizations, including businesses, have internal codes of conduct requiring members of that organization to uphold the code. Which of the following examples is NOT an internal code of conduct?

- a. West Point's honor code
- b. a private prison that requires regularly administered drug tests of the guards and other employees as assurance against the abuse of substances
- c. the filing regulations of the SEC
- d. Google's code of conduct stipulating things like privacy, drug and alcohol use, and confidentiality

Analysis:

- a. Incorrect. Codes of conduct are not behaviors that are legally mandated; they are points of ethics that require adherents to rise above merely what is required by the law, they are rules for behaviors that arise out of an understanding of moral right and wrong.
- b. Incorrect. Codes of conduct are not behaviors that are legally mandated; they are points of ethics that require adherents to rise above merely what is required by the law, they are rules for behaviors that arise out of an understanding of moral right and wrong.
- c. Correct. Codes of conduct are not behaviors that are legally mandated; they are points of ethics that require adherents to rise above merely what is required by the law, they are rules for behaviors that arise out of an understanding of moral right and wrong.
- d. Incorrect. Codes of conduct are not behaviors that are legally mandated; they are points of ethics that require adherents to rise above merely what is required by the law, they are rules for behaviors that arise out of an understanding of moral right and wrong.

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Level of difficulty: Medium

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<question type="mc">

6. Certain industries have their own ethical codes that transcend individual businesses. Which of the following is NOT an industry ethical code?

- a. the American Bar Association's (ABA) rules of professional conduct for attorneys
- b. the requirement that PricewaterhouseCoopers keeps secret the winners of Academy Awards
- c. The American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct
- d. the hypocritic oath taken by doctors

Analysis:

- a. Incorrect. PricewaterhouseCoopers is required contractually to keep the winners of the various Academy Awards secret until they are revealed at the Oscar Awards ceremony. This contractual requirement has nothing to do with an ethic code. All of the other examples listed are industry-wide codes of behavior that impose ethical behavior on members of those professions.

b. Correct. PricewaterhouseCoopers is required contractually to keep the winners of the various Academy Awards secret until they are revealed at the Oscar Awards ceremony. This contractual requirement has nothing to do with an ethic code. All of the other examples listed are industry-wide codes of behavior that impose ethical behavior on members of those professions.

c. Incorrect. PricewaterhouseCoopers is required contractually to keep the winners of the various Academy Awards secret until they are revealed at the Oscar Awards ceremony. This contractual requirement has nothing to do with an ethic code. All of the other examples listed are industry-wide codes of behavior that impose ethical behavior on members of those professions.

d. Incorrect. PricewaterhouseCoopers is required contractually to keep the winners of the various Academy Awards secret until they are revealed at the Oscar Awards ceremony. This contractual requirement has nothing to do with an ethic code. All of the other examples listed are industry-wide codes of behavior that impose ethical behavior on members of those professions.

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<question type="mc">

7. What impact does the Internet have on reputation of businesses that do not behave ethically?

a. The Internet can widely disseminate incidents of unethical behavior more quickly than such information was ever transmitted before.

b. The Internet can be controlled by businesses to put forward they image that the want to put forward; it is the greatest tool possible to control damage due to unethical behavior.

c. The Internet can only help businesses by giving them exposure; any publicity is good.

d. The internet has very little effect on the reputation of businesses.

Analysis:

a. Correct. Businesses that do not behave in an ethical way risk damage to their reputations from those who have suffered from that unethical behavior. Never before in history has such information been able to be broadcast so widely and quickly.

b. Incorrect. Businesses that do not behave in an ethical way risk damage to their reputations from those who have suffered from that unethical behavior. Never before in history has such information been able to be broadcast so widely and quickly.

c. Incorrect. Businesses that do not behave in an ethical way risk damage to their reputations from those who have suffered from that unethical behavior. Never before in history has such information been able to be broadcast so widely and quickly.

d. Incorrect. Businesses that do not behave in an ethical way risk damage to their reputations from those who have suffered from that unethical behavior. Never before in history has such information been able to be broadcast so widely and quickly.

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### True/False Question Type

<question type="true-false">

8. All actions that are legal are inherently ethical.

T

Incorrect. This statement is false. Just because an action is legal it is not necessarily ethical.

F

Correct. This statement is false. Just because an action is legal it is not necessarily ethical.

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Level of difficulty:

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<question type="true-false">

9. Actions that are completely legal can be used to facilitate highly unethical results.

T

Correct. This statement is true. Crafty businesspersons, their collaborators, subordinates, and advisors can use the law to their advantage in unethical matters.

F

Incorrect. This statement is true. Crafty businesspersons, their collaborators, subordinates, and advisors can use the law to their advantage in unethical matters.

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