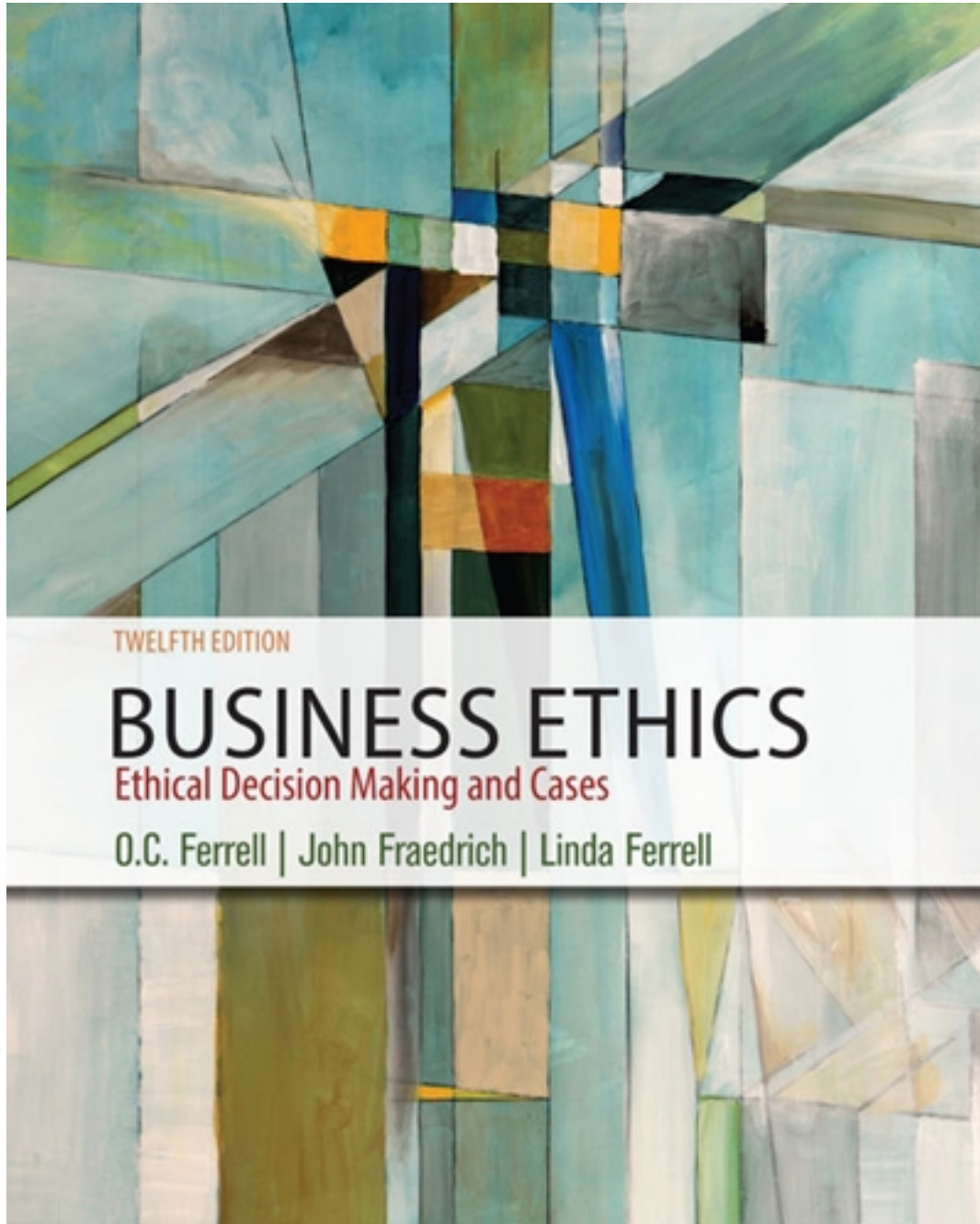


# Test Bank for Business Ethics 12th Edition by Ferrell

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# Test Bank

1. Those who have a claim in some aspect of a firm's products, operations, markets, industry, and outcomes are known as
- shareholders.
  - stockholders.
  - stakeholders.
  - claimholders.
  - special-interest groups.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 30

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

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2. Stakeholders' power over businesses stems from their
- ability to withdraw or withhold resources.
  - ability to generate profits.
  - media impact.
  - political influence.
  - stock ownership.

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: p. 32

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

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3. Which of the following do *not* typically engage in transactions with a company and thus are not essential for its survival?
- Employees
  - Secondary stakeholders
  - Primary stakeholders
  - Investors
  - Customers

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 32  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
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4. A firm that makes use of a \_\_\_\_\_ recognizes other stakeholders beyond investors, employees, and suppliers, and explicitly acknowledges the two-way dialog that exists between a firm's internal and external environments.
- a. stakeholder model of socially responsible corporate governance
  - b. stakeholder bias
  - c. code of ethics
  - d. stakeholder interaction model
  - e. corporate interface model

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**REFERENCES:** p. 32  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Comprehension  
**DATE CREATED:** 11/10/2017 10:21 AM  
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5. The degree to which a firm understands and addresses stakeholder demands can be referred to as
- a. a stakeholder orientation.
  - b. a shareholder orientation.
  - c. the stakeholder interaction model.
  - d. a two-way street.
  - e. a continuum.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 33  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

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6. Which of the following industries tends to generate a *high* level of trust from consumers and stakeholders?

- a. Insurance
- b. Technology
- c. Banks
- d. Mortgage lenders
- e. Financial services

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**REFERENCES:** p. 31

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/10/2017 10:21 AM

7. Why is it important for businesses to recognize secondary stakeholder groups?

- a. They are absolutely necessary for the firm's survival.
- b. They include the employees necessary for the firm's success.
- c. They usually have more power than primary stakeholders.
- d. They provide vital resources that companies need.
- e. They have legitimacy and can exert power.

**ANSWER:** e

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 32

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

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**DATE MODIFIED:** 11/10/2017 10:21 AM

8. A stakeholder group that is absolutely necessary for a firm's survival is defined as
- direct.
  - tertiary.
  - secondary.
  - special-interest.
  - primary.

ANSWER: e

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 32

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

9. When unethical acts are discovered in a firm, in most instances
- they are caused by unwilling participants.
  - the cause is due to external stakeholders.
  - the perpetrators are caught and prosecuted.
  - there was knowing cooperation or complicity from within the company.
  - the cause is a corrupt board of directors.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 30

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/17/2017 8:04 AM

10. The normative approach \_\_\_\_\_.
- focuses on the actual behavior of the firm and usually addresses how decisions and strategies are made for stakeholder relationships
  - describes what happens if firms behave in a particular way
  - is the degree to which a firm understands and addresses stakeholder demands
  - describes reciprocal relationships between the firm and a host of stakeholders
  - identifies guidelines that dictate how firms should treat stakeholders

*ANSWER:* e  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*REFERENCES:* p. 31  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* LO: 2-1 - Identify stakeholders' roles in business ethics.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge  
*DATE CREATED:* 11/10/2017 10:21 AM  
*DATE MODIFIED:* 11/10/2017 10:21 AM

11. A stakeholder orientation can be viewed as a(n)
- a. necessity for business success.
  - b. continuum.
  - c. polarizing concept.
  - d. good marketing ploy.
  - e. expensive proposition.

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*REFERENCES:* p. 36  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* LO: 2-1 - Identify stakeholders' roles in business ethics.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge  
*DATE CREATED:* 11/10/2017 10:21 AM  
*DATE MODIFIED:* 11/10/2017 10:21 AM

12. Shareholders provide resources to an organization that are critical to long-term success. Which of the following does the book suggest that suppliers offer?
- a. The promise of customer loyalty
  - b. Material resources and/or intangible knowledge
  - c. Infrastructure
  - d. Revenue
  - e. Leadership skills

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*REFERENCES:* p. 32  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/17/2017 8:05 AM

13. Which of the following describes the four levels of social responsibility?

- a. Economic, social, legal, and voluntary
- b. Economic, legal, environmental, and ethical
- c. Financial, legal, environmental, and philanthropic
- d. Economic, financial, legal, and ethical
- e. Economic, legal, ethical, and philanthropic

**ANSWER:** e

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 36

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-2 - Define social responsibility.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/17/2017 8:05 AM

14. The first of the three activities that are associated with the stakeholder orientation is the

- a. organization-wide generation of data.
- b. organization's responsiveness to intelligence.
- c. set of consumer attributes identified.
- d. organizational strategy of target markets.
- e. human relations department's set of priorities.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 33

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/10/2017 10:21 AM



15. Public health and safety and support of local organizations are issues most relevant to which stakeholder group?

- a. Investors
- b. Community
- c. Suppliers
- d. Customers
- e. Employees

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 34, Table 2-1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

16. Minimizing the use of energy and reducing emissions and waste are issues of importance to which stakeholder?

- a. Environmental groups
- b. Suppliers
- c. Employees
- d. Industry leaders
- e. Investors

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 34, Table 2-1

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

17. The idea that the mission of business is to produce goods and services at a profit, thus maximizing its contribution to society is associated with

- a. Adam Smith.
- b. Archie Carroll.
- c. Jack Ma.
- d. Noel Biderman
- e. Milton Friedman.



ANSWER: e  
POINTS: 1  
DIFFICULTY: Easy  
REFERENCES: p. 40  
QUESTION TYPE: Multiple Choice  
HAS VARIABLES: False  
LEARNING OBJECTIVES: LO: 2-3 - Examine the relationship between stakeholder orientation and social responsibility.  
NATIONAL STANDARDS: United States - BUSPROG: Ethics  
STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
KEYWORDS: Blooms: Knowledge  
DATE CREATED: 11/10/2017 10:21 AM  
DATE MODIFIED: 11/10/2017 10:21 AM

18. The originator of the idea of the *invisible hand*, which is a fundamental concept in free market capitalism, was
- a. Adam Smith.
  - b. Archie Carroll.
  - c. Jack Ma.
  - d. Noel Biderman.
  - e. Milton Friedman.

ANSWER: a  
POINTS: 1  
DIFFICULTY: Easy  
REFERENCES: p. 40  
QUESTION TYPE: Multiple Choice  
HAS VARIABLES: False  
LEARNING OBJECTIVES: LO: 2-3 - Examine the relationship between stakeholder orientation and social responsibility.  
NATIONAL STANDARDS: United States - BUSPROG: Ethics  
STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
KEYWORDS: Blooms: Knowledge  
DATE CREATED: 11/10/2017 10:21 AM  
DATE MODIFIED: 11/10/2017 10:21 AM

19. Some economists believe that if companies address economic and legal issues, they are satisfying the demands of society, and that trying to anticipate and meet additional needs would be almost impossible. Which economist's theory are they following most closely with this belief?
- a. Adam Smith.
  - b. Archie Carroll.
  - c. Jack Ma.
  - d. Noel Biderman.
  - e. Milton Friedman.

ANSWER: e  
POINTS: 1  
DIFFICULTY: Moderate  
REFERENCES: p. 40  
QUESTION TYPE: Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* LO: 2-3 - Examine the relationship between stakeholder orientation and social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

*DATE CREATED:* 11/10/2017 10:21 AM

*DATE MODIFIED:* 11/10/2017 10:21 AM

20. \_\_\_\_\_ is the idea that because people live in a community, social rules should benefit the community.

- a. The stakeholder interaction model
- b. Consumer protection
- c. The common good
- d. Sustainability
- e. Corporate governance

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

*REFERENCES:* p. 38

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* LO: 2-2 - Define social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

*DATE CREATED:* 11/10/2017 10:21 AM

*DATE MODIFIED:* 11/10/2017 10:21 AM

21. The term used to express how a firm meets its stakeholder expectations of its economic, legal, ethical, and philanthropic responsibilities is

- a. reputation.
- b. corporate citizenship.
- c. corporate ethical audit.
- d. ethical citizenship.
- e. fiduciary duties.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 37

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* LO: 2-2 - Define social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

*DATE CREATED:* 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

22. In corporate governance, \_\_\_\_\_ is the process of auditing and improving organizational decisions and actions.
- a. profit
  - b. loyalty
  - c. accountability
  - d. control
  - e. diligence

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 43

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

23. Accountability, oversight, and control all fall under the definition and implementation of corporate
- a. profit.
  - b. loyalty.
  - c. care.
  - d. governance.
  - e. diligence.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 43

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

24. Major corporate governance issues normally involve \_\_\_\_\_ decisions. (Choose the response that is *most* correct)
- a. strategic-level
  - b. tactical-level
  - c. divisional-level

- d. marketing-level
- e. accounting-level

ANSWER: a  
 POINTS: 1  
 DIFFICULTY: Moderate  
 REFERENCES: p. 44  
 QUESTION TYPE: Multiple Choice  
 HAS VARIABLES: False  
 LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
 NATIONAL STANDARDS: United States - BUSPROG: Ethics  
 STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
 KEYWORDS: Blooms: Comprehension  
 DATE CREATED: 11/10/2017 10:21 AM  
 DATE MODIFIED: 11/10/2017 10:21 AM

25. Which of the following is a major ethical concern among corporate boards of directors?

- a. Compensation
- b. The non-traditional directorship approach
- c. Dividend reporting
- d. Secondary stakeholders
- e. Debt swaps

ANSWER: a  
 POINTS: 1  
 DIFFICULTY: Easy  
 REFERENCES: p. 42  
 p. 46-48  
 QUESTION TYPE: Multiple Choice  
 HAS VARIABLES: False  
 LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
 NATIONAL STANDARDS: United States - BUSPROG: Ethics  
 STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
 KEYWORDS: Blooms: Knowledge  
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 DATE MODIFIED: 11/10/2017 10:21 AM

26. The purpose of a stakeholder orientation is to

- a. emphasize shareholders and provide them with a return on their investment.
- b. maximize positive outcomes that meet stakeholder needs.
- c. enhance the profitability of the firm.
- d. determine which stakeholders to address and which to ignore.
- e. allow stakeholders to determine the limits of executive compensation.

ANSWER: b  
 POINTS: 1  
 DIFFICULTY: Moderate

**REFERENCES:** p. 41  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-3 - Examine the relationship between stakeholder orientation and social responsibility.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/10/2017 10:21 AM

27. The specific steps for implementing the stakeholder perspective do *not* include which of the following?
- a. Identifying stakeholder groups
  - b. Identifying stakeholder issues
  - c. Identifying and gaining stakeholder feedback
  - d. Identifying and gaining government feedback
  - e. Assessing organizational commitment to social responsibility groups

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**REFERENCES:** p. 48-50  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-6 - List the steps involved in implementing a stakeholder perspective in social responsibility and business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/10/2017 10:21 AM

28. What are the four levels of social responsibility?
- a. Financial, religious, ethical, and philanthropic
  - b. Ethical, philanthropic, selfish, and short-sighted
  - c. Economic, long-term, ethical, and philanthropic.
  - d. Economic, legal, ethical, and philanthropic
  - e. Economic, compliance, legal, and philanthropic

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 36, Figure 2-3  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-2 - Define social responsibility.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/10/2017 10:21 AM

29. The \_\_\_\_\_ model is founded in classic economic precepts.

- a. economic
- b. shareholder
- c. stakeholder
- d. board
- e. ISO

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 44

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Knowledge

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/10/2017 10:21 AM

30. Which of the following are *not* typically secondary stakeholders?

- a. Television news anchors
- b. Special-interest groups
- c. Customers
- d. Trade associations
- e. Journalists

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**REFERENCES:** p. 32, Figure 2-2

**QUESTION TYPE:** Multiple Choice

**HAS VARIABLES:** False

**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

**KEYWORDS:** Blooms: Comprehension

**DATE CREATED:** 11/10/2017 10:21 AM

**DATE MODIFIED:** 11/10/2017 10:21 AM

31. Which of the following are *not* typically primary stakeholders?

- a. Customers
- b. Trade associations

- c. Employees
- d. Shareholders
- e. Suppliers

ANSWER: b  
 POINTS: 1  
 DIFFICULTY: Easy  
 REFERENCES: p. 32, Figure 2-2  
 QUESTION TYPE: Multiple Choice  
 HAS VARIABLES: False  
 LEARNING OBJECTIVES: LO: 2-1 - Identify stakeholders' roles in business ethics.  
 NATIONAL STANDARDS: United States - BUSPROG: Ethics  
 STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
 KEYWORDS: Blooms: Comprehension  
 DATE CREATED: 11/10/2017 10:21 AM  
 DATE MODIFIED: 11/10/2017 10:21 AM

32. Why do critics argue that high compensation for boards of directors is a bad thing?
- a. It is too expensive for the organization.
  - b. It could cause conflicts of interest between the directors and the organization.
  - c. It is not fair to poorly compensated employees.
  - d. High pay will render the board less complacent.
  - e. Board of director compensation is negatively related to corporate growth.

ANSWER: b  
 POINTS: 1  
 DIFFICULTY: Easy  
 REFERENCES: p. 46  
 QUESTION TYPE: Multiple Choice  
 HAS VARIABLES: False  
 LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
 NATIONAL STANDARDS: United States - BUSPROG: Ethics  
 STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
 KEYWORDS: Blooms: Knowledge  
 DATE CREATED: 11/10/2017 10:21 AM  
 DATE MODIFIED: 11/10/2017 10:21 AM

33. Board members being linked to more than one company is an example of
- a. the stakeholder concept.
  - b. the stakeholder model of corporate governance.
  - c. interlocking directorate.
  - d. conflict of interest.
  - e. multiple directorate.

ANSWER: c  
 POINTS: 1  
 DIFFICULTY: Moderate



**REFERENCES:** p. 46  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Comprehension  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/17/2017 7:56 AM

34. What is the first step in implementing a stakeholder perspective in an organization?

- a. Identifying resources and determining urgency
- b. Identifying stakeholder groups
- c. Identifying stakeholder issues
- d. Assessing the corporate culture
- e. Assessing organizational commitment to social responsibility

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 48-50  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-6 - List the steps involved in implementing a stakeholder perspective in social responsibility and business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
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35. A stakeholder orientation is not complete unless it includes

- a. clear accounting procedures.
- b. major financing activities.
- c. marketing strategy.
- d. feedback from special-interest groups.
- e. activities that actually address stakeholder issues.

**ANSWER:** e  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 35  
**QUESTION TYPE:** Multiple Choice  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge  
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36. Compare and contrast the stakeholder and shareholder models of corporate governance.

*ANSWER:* The shareholder model of corporate governance is founded on classic economic precepts, including the goal of maximizing wealth for investors and owners. The stakeholder model of corporate governance adopts a broader view of the purpose of business and answers to all stakeholders.

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 45

*QUESTION TYPE:* Essay

*HAS VARIABLES:* False

*STUDENT ENTRY MODE:* Basic

*LEARNING OBJECTIVES:* LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

*DATE CREATED:* 11/10/2017 10:21 AM

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37. Why is ethical misconduct more difficult to overcome than poor financial performance?

*ANSWER:* Lost finances can be regained but loss of reputation and shareholder confidence could be deadly.

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 31

*QUESTION TYPE:* Essay

*HAS VARIABLES:* False

*STUDENT ENTRY MODE:* Basic

*LEARNING OBJECTIVES:* LO: 2-2 - Define social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

*DATE CREATED:* 11/10/2017 10:21 AM

*DATE MODIFIED:* 11/10/2017 10:21 AM

38. Discuss the difference between primary and secondary stakeholders in the stakeholder interaction model and give examples for each type.

*ANSWER:* The stakeholder interaction model acknowledges there are reciprocal relationships between the company and several primary and secondary stakeholders. The model also acknowledges the dialogue between the company's internal and external environments. Primary stockholders are essential to the company's survival and include employees, shareholders, suppliers, community, government regulatory agencies, and customers. Secondary stakeholders are not essential to the company's survival and include special interest groups,

the mass media, competitors, and trade associations.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**REFERENCES:** p. 32-33, figure 2-2  
**QUESTION TYPE:** Essay  
**HAS VARIABLES:** False  
**STUDENT ENTRY MODE:** Basic  
**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.  
**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Comprehension  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/17/2017 8:14 AM

39. Why do some businesspeople and scholars question whether ethics should have a role in business?

**ANSWER:** Many business people and scholars question the role of ethics and social responsibility in business. Legal and economic responsibilities are generally accepted as the most important determinants of performance. "If this is well done," say classic economic theorists, "profits are maximized more or less continuously and firms carry out their major responsibilities to society."

**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 40  
**QUESTION TYPE:** Essay  
**HAS VARIABLES:** False  
**STUDENT ENTRY MODE:** Basic  
**LEARNING OBJECTIVES:** LO: 2-3 - Examine the relationship between stakeholder orientation and social responsibility.  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Comprehension  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/17/2017 8:14 AM

40. Discuss three corporate governance issues, why they are defined as issues, and how you would solve them. Use examples in your answer.

**ANSWER:** Students could choose from any of several topics listed in the text and in Table 2-4 Corporate Governance Topics on page 43. Most students will choose executive compensation as one topic since it was discussed frequently in the text. Compensation is an issue because most people believe executives are not worth millions of dollars in annual salary and bonuses. Students may site JP Morgan's policy limiting executive pay to 20 times the pay of any other employee. There are several other issues including board composition, financial oversight, and shareholder rights.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**REFERENCES:** p. 43, Table 2-4  
p. 47 - 48  
p. 42  
**QUESTION TYPE:** Essay  
**HAS VARIABLES:** False

*STUDENT ENTRY MODE:* Basic

*LEARNING OBJECTIVES:* LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Comprehension

*DATE CREATED:* 11/10/2017 10:21 AM

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41. A broader view of social responsibility

- a. views customers as the most important stakeholder.
- b. takes into account a shareholder orientation.
- c. prioritizes all stakeholders the same way.
- d. considers the long-term welfare of society.
- e. emphasizes adherence to law as the highest priority.

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 38

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* LO: 2-4 - Delineate a stakeholder orientation in creating corporate social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*KEYWORDS:* Blooms: Knowledge

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42. Which of the following is one of an organization's greatest intangible assets with tangible values?

- a. Reputation
- b. Profitability
- c. Philanthropic activities
- d. Corporate governance
- e. Shareholder value

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

*REFERENCES:* p. 37

*QUESTION TYPE:* Multiple Choice

*HAS VARIABLES:* False

*LEARNING OBJECTIVES:* LO: 2-2 - Define social responsibility.

*NATIONAL STANDARDS:* United States - BUSPROG: Ethics

*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

*DATE CREATED:* 11/10/2017 10:21 AM

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43. In *Dodge vs. Ford Motor Co.*, the court ruled that a business exists for the profit of shareholders, and the board of directors should focus on that objective.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: p. 41

QUESTION TYPE: True / False

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

44. The final step in implementing a stakeholder perspective is identifying stakeholders.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: p. 48-50

QUESTION TYPE: True / False

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-6 - List the steps involved in implementing a stakeholder perspective in social responsibility and business ethics.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

STATE STANDARDS: United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities

KEYWORDS: Blooms: Knowledge

DATE CREATED: 11/10/2017 10:21 AM

DATE MODIFIED: 11/10/2017 10:21 AM

45. Social responsibility rests on a stakeholder orientation.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: p. 38

QUESTION TYPE: True / False

HAS VARIABLES: False

LEARNING OBJECTIVES: LO: 2-4 - Delineate a stakeholder orientation in creating corporate social responsibility.

NATIONAL STANDARDS: United States - BUSPROG: Ethics

**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
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46. *Ethics and social responsibility* can be used interchangeably.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 36  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-2 - Define social responsibility.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
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47. Government regulators are a secondary stakeholder.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** Figure 2-2, p. 35  
**QUESTION TYPE:** True / False  
**HAS VARIABLES:** False  
**LEARNING OBJECTIVES:** LO: 2-1 - Identify stakeholders' roles in business ethics.

**NATIONAL STANDARDS:** United States - BUSPROG: Ethics  
**STATE STANDARDS:** United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
**KEYWORDS:** Blooms: Knowledge  
**DATE CREATED:** 11/10/2017 10:21 AM  
**DATE MODIFIED:** 11/10/2017 10:21 AM

48. The board of directors' fiduciary duty to a company means they have assumed a position of trust and confidence that entails certain responsibilities.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**REFERENCES:** p. 18

*QUESTION TYPE:* True / False  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge  
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*DATE MODIFIED:* 11/10/2017 10:21 AM

49. Directors share a \_\_\_\_\_, which means all their decisions should be in the best interests of the corporation and its stakeholders.

- a. duty of loyalty
- b. duty of oversight
- c. duty to audit
- d. duty of control
- e. duty of cooperation

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities  
*KEYWORDS:* Blooms: Knowledge  
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50. Both directors and officers of corporations are fiduciaries for the shareholders. Fiduciaries are persons placed in positions of trust that act on behalf of the best interests of the organization. This is defined as

- a. duty of oversight and loyalty.
- b. duty of care or a duty of diligence
- c. duty of control and audit.
- d. duty of confidence and leadership.
- e. duty of analysis and insight.

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*QUESTION TYPE:* Multiple Choice  
*HAS VARIABLES:* False  
*LEARNING OBJECTIVES:* LO: 2-5 - Explore the role of corporate governance in structuring ethics and social responsibility in business.  
*NATIONAL STANDARDS:* United States - BUSPROG: Ethics  
*STATE STANDARDS:* United States - None - DISC: Ethical Responsibilities - Ethical Responsibilities



*KEYWORDS:* Bloom's: Knowledge  
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