

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Corporate activities demonstrating the inclusion of social and environmental as well as economic responsibilities in business operations as they impact all stakeholders to ensure the long-term survival of the corporation is called: 1) _____
- A) Corporate sustainability (CS)
 - B) Corporate social responsibility (CSR)
 - C) Ethics of business
 - D) Triple bottom line
 - E) Corporate citizenship

Answer: A

- 2) A corporation demonstrating that it takes into account its role in and complete impact on society and the environment as well as its economic influence is called: 2) _____
- A) Corporate sustainability (CS)
 - B) Corporate social responsibility (CSR)
 - C) Ethics of business
 - D) Triple bottom line
 - E) Corporate citizenship

Answer: E

- 3) The way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address stakeholder expectations is referred to as: 3) _____
- A) Corporate sustainability (CS)
 - B) Corporate social responsibility (CSR)
 - C) Ethics of business
 - D) Triple bottom line
 - E) Corporate citizenship

Answer: B

- 4) The three dominant approaches to normative theories of ethics include all of the following *except*: 4) _____
- A) Virtue
 - B) Teleological
 - C) Deontological
 - D) Justice
 - E) All of the above are approaches to normative theories of ethics.

Answer: D

5) One prominent ethicist who wrote extensively about virtue ethics was: 5) _____
A) Kant B) Mills C) Aristotle D) Locke E) Bentham

Answer: C

6) The 'veil of ignorance' test is a variation of _____ theories. 6) _____
A) virtue
B) justice
C) consequentialist
D) deontological
E) teleological

Answer: D

7) Which of the following ethicists wrote that leadership can create opportunities for all to realize their potential? 7) _____
A) Aristotle B) Kant C) Smith D) Plato E) Bentham

Answer: A

8) Government and business work collaboratively with multiple stakeholders to use resources to meet the needs of the members of a society. This arrangement is called the _____ system of a nation. 8) _____
A) free enterprise
B) capitalist
C) economic
D) political
E) responsible enterprise

Answer: C

9) The discussion of the business enterprise system in the Business and Society class today was stimulating. John argued that the Canadian government should apply a _____ model whereby economic decision making is left to those individuals or enterprises who own the means of production. 9) _____
A) capitalism
B) stakeholder capitalism
C) laissez-faire capitalism
D) responsible enterprise
E) free enterprise

Answer: A

10) The discussion of the business enterprise system in the Business and Society class today became heated when a debate broke out as to which capitalist system Canada should employ. Jamal argued that the Canadian government should apply a _____ model whereby economic decision making is left to those individuals or enterprises who own the means of production. A profit motivation, with limited government involvement, would create a competitive market system. Crystal agreed, but added that accountability to society by business was also important and therefore a _____ was better. 10) _____

- A) free enterprise; responsible enterprise
- B) laissez-faire capitalism; stakeholder capitalism
- C) laissez-faire capitalism; responsible enterprise
- D) free enterprise; stakeholder capitalism
- E) sustainable; stakeholder model

Answer: A

11) The discussion of the business enterprise system in the Business and Society class today became interesting when Roberto took the position that the Canadian government should apply a _____ model whereby economic decision making is left to those individuals or enterprises who own the means of production and the government has only the most minimal, strictly limited role. 11) _____

- A) stakeholder capitalism
- B) laissez-faire capitalism
- C) free enterprise
- D) responsible enterprise
- E) capitalism

Answer: B

12) Eduardo argued that Canadian business has a responsibility that goes beyond making money for investors. Businesses operate within communities. Decisions, such as closing down factories, will affect employees, their families as well as other businesses located in the factory's town. Eduardo is arguing for a _____ model of capitalism. 12) _____

- A) laissez-faire
- B) free enterprise
- C) responsible enterprise
- D) sustainable
- E) stakeholder

Answer: E

- 13) Jane is starting a business to sell handmade greeting cards online. She is forming a(n) _____ in that she is planning to assume all the risks and accept all the rewards of business ownership. 13) _____
- A) going concern
 - B) virtual model
 - C) proprietorship
 - D) partnership
 - E) incorporated business

Answer: C

- 14) Julio and Julie are planning to start a business providing holistic, herbal products to consumers. This is an exciting business opportunity which has considerable growth potential. Concerned, however, about assuming a personal level of responsibility for the financial outcome of the enterprise, they decide to structure the business through: 14) _____
- A) incorporation
 - B) limited liability
 - C) proprietorship
 - D) corporation
 - E) partnership

Answer: A

- 15) By incorporating his business, Gordon has taken on partners who will provide financial backing. However, there are governmental requirements that shape the process. This is in contrast to the _____ doctrine that allowed state control over the granting of incorporation. 15) _____
- A) concession
 - B) voluntary
 - C) legal
 - D) going concern
 - E) freedom of association

Answer: A

- 16) Francois is a shareholder in VNO Corporation and regularly attends annual shareholder meetings voting on policies that he feels are particularly relevant to the firm's social responsibilities. Francois is: 16) _____
- A) a direct owner
 - B) an active stakeholder
 - C) a manager
 - D) an indirect owner
 - E) a member of the board of directors

Answer: A

17) Lucia is a shareholder in ULO Corporation, but she doesn't know it! She had thought for years that her pension was just sitting in a bank vault somewhere waiting for her to retire. Lucia is a(n) _____ of ULO Corporation. 17) _____

- A) direct owner
- B) indirect owner
- C) manager
- D) active stakeholder
- E) member of the board of directors

Answer: B

18) Kathleen's responsibility is to manage the business and affairs of KLN Corporation, which manufactures ceramic products for industry. Kathleen is a(n) _____ of KLN Corporation. 18) _____

- A) indirect owner
- B) member of the board of directors
- C) manager
- D) philanthropist
- E) direct owner

Answer: C

19) Julian is planning on retiring from his role as chief executive of LVN Corporation. He doesn't know who will take his place or even if the departure should be gradual, but knows that _____ is the responsibility of the _____. 19) _____

- A) succession planning; manager
- B) succession and termination; board of directors
- C) hiring and termination of leadership; board of directors
- D) succession planning; board of directors
- E) hiring and termination of leadership; manager

Answer: D

20) LK Corporation has recently downsized its operations. The trend towards healthy eating has led to fewer purchases of lollipops and suckers, the principal product of the firm. Knowing that Halloween is approaching and that sales will improve, the company has told the media that the workers will be rehired as soon as sales improve. In planning to rehire the laid off workers, LK Corporation is attributing the layoffs to the _____. 20) _____

- A) unemployment
- B) allocation of resources
- C) business cycle
- D) self-interest
- E) decentralized decision making

Answer: C

- 21) Social media has enabled society to hold business: 21) _____
- A) responsible to stakeholders for profits
 - B) more accountable
 - C) responsible to the government for sustainability initiatives
 - D) less accountable
 - E) to a lower ethical standard

Answer: B

- 22) Christmas season is approaching and Kasia's mom is delighted with the range of offerings on the shelves of the toy store. It seems like every single toy manufacturer had a different strategy for the season. This range of offerings is the result of: 22) _____
- A) decentralized decision making
 - B) self-interest
 - C) innovation
 - D) allocation of resources
 - E) business cycle

Answer: A

- 23) When purchasing a new vehicle, Robert asked the dealer: "So when will the car actually do the driving for me?" The dealer laughed and then showed Robert the new Lexus model that parallel parks for the driver. This example is addressing which issue related to society's attitude towards business? 23) _____
- A) Business cycle
 - B) Self-interest
 - C) Innovation
 - D) Allocation of resources
 - E) Decentralized decision making

Answer: C

- 24) The shareholders of DCV Corporation have agreed to coordinate their share purchases so that the stock looks more profitable just prior to the merger so that the public will see the company as a desirable investment. This is an example of: 24) _____
- A) bid rigging
 - B) kickbacks
 - C) stock-splitting
 - D) misleading financial statements
 - E) stock manipulation

Answer: E

25) In recruiting professionals to come and work for the firm, JKL Corporation provides incentives to the employees attending interviews. For example, Mary is encouraged to bring her husband, Robert, to the job interview at the company's expense. This is an example of what form of corporate wrongdoing? 25) _____

- A) Stock manipulation
- B) Kickbacks
- C) Misleading financial statements
- D) Bid rigging
- E) There is no wrongdoing.

Answer: E

26) The belief in the rightness of an institution, in this case the appropriateness of our business system to supply the goods and services wanted by Canadian society, is called: 26) _____

- A) Righteousness
- B) Licencing
- C) Relevancy
- D) Legitimacy
- E) None of the above.

Answer: D

27) The privilege of operating in society with minimal formalized restrictions, that is legislation, regulation, or market requirements, based on maintaining public trust by doing what's acceptable to stakeholders in the business and society relationship is called: 27) _____

- A) Relevancy
- B) Righteousness
- C) Social Licence
- D) Legitimacy
- E) None of the above.

Answer: C

28) A Maclean's article reveals that approximately _____ of students admit to cheating in written assignments. 28) _____

- A) 20 percent
- B) 50 percent
- C) 15 percent
- D) 35 percent
- E) 5 percent

Answer: B

- 29) A Maclean's article reveals that approximately _____ of professors said they didn't report students caught cheating. 29) _____
- A) 15 percent
 - B) 5 percent
 - C) 20 percent
 - D) 45 percent
 - E) 75 percent

Answer: D

- 30) Which of the following is true regarding the relationship between business and society? 30) _____
- A) Business needs society but the reverse is not true.
 - B) Society needs businesses, but the reverse is not true.
 - C) Business needs the government, and the government needs society.
 - D) Society needs the government, and the government needs business.
 - E) Society and business need each other.

Answer: E

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 31) The study of business and society involves an exploration of what is "right" and/or "wrong" in terms of the social and ethical conduct of business. 31) _____

Answer: True False

- 32) Responses to social and environmental issues will determine the corporations which will survive in the future. 32) _____

Answer: True False

- 33) Integrity refers to the appropriateness of a corporation's behaviour, not to its adherence to moral principles. 33) _____

Answer: True False

- 34) Ethics apply to business in the same manner as they apply to religion. 34) _____

Answer: True False

- 35) A responsible corporation, a business undertaking that responds to social, ethical, and environmental responsibilities in addition to its economic obligations results in a firm's integrity. 35) _____

Answer: True False

- 36) The triple-E bottom line (3E) is the evaluation of a corporation's performance according to a summary of the economic, social or ethical, and environmental value the corporation adds or destroys. 36) _____

Answer: True False

- 37) Most people agree on a universal way to approach ethics and therefore, there is widespread agreement as to the appropriate behaviour by business in society. 37) _____
Answer: True False
- 38) Deontological theories of ethics are rule-based. 38) _____
Answer: True False
- 39) Virtue ethics emphasizes the *situation* that individuals find themselves in and focuses on what they are doing. 39) _____
Answer: True False
- 40) When resolving ethical issues, automatic decisions are reliable. 40) _____
Answer: True False
- 41) The teleological approach to ethics is also referred to as a rule-based theory. 41) _____
Answer: True False
- 42) Virtue ethics focuses upon 'doing' rather than 'being'. 42) _____
Answer: True False
- 43) One advantage of virtue ethics is that there is general agreement as to what constitutes a virtue. 43) _____
Answer: True False
- 44) Utilitarianism is one form of rule-based theories. 44) _____
Answer: True False
- 45) The 'greatest good for the greatest number' is a feature of consequentialist theories. 45) _____
Answer: True False
- 46) A free enterprise system sees a limited role for government. 46) _____
Answer: True False
- 47) The responsible enterprise system and stakeholder capitalism both acknowledge that business has responsibility beyond making profit for shareholders. 47) _____
Answer: True False
- 48) Adam Smith argued for a system of capitalism that would see an enhanced role for government. 48) _____
Answer: True False
- 49) The non-profit sector is alternately known as the third sector or the plural sector. 49) _____
Answer: True False

- 50) There are very few legal requirements for an individual establishing or operating a business in Canada. 50) _____
Answer: True False
- 51) A partnership may involve two or more than two individuals sharing the ownership of a business. 51) _____
Answer: True False
- 52) In a proprietorship or partnership, the owners assume all responsibility for the firm, but they also receive all profits. 52) _____
Answer: True False
- 53) The concession doctrine implies that incorporation is a right, not a privilege for businesses. 53) _____
Answer: True False
- 54) The freedom of association doctrine implies that incorporation should occur without government intervention. 54) _____
Answer: True False
- 55) Legislative safeguards are imposed upon incorporation processes to create and preserve an atmosphere of public confidence, as well as to create protections for investors and creditors. 55) _____
Answer: True False
- 56) A minority of Canadians are owners of businesses, either directly or indirectly. 56) _____
Answer: True False
- 57) Strategic planning is a function of the board of directors. 57) _____
Answer: True False
- 58) The board of directors is responsible to the manager of the corporation. 58) _____
Answer: True False
- 59) Integrity is becoming an increasingly important attribute for managers to possess. 59) _____
Answer: True False
- 60) Canadians' overall attitude towards business has been basically positive over the last ten years. 60) _____
Answer: True False
- 61) Self-interest by firms is an issue that the Canadian public consistently identifies as a negative attribute of the business enterprise system. 61) _____
Answer: True False

- 62) A Hewlett-Packard Co. survey of Canadians found that 90 percent believed the more socially and environmentally responsible a corporation is, the more likely they are to purchase its goods and services. 62) _____
Answer: True False
- 63) There is a positive relationship between living standards and how positive society views business. As living standards increase, the more likely society will view business in a positive manner. 63) _____
Answer: True False
- 64) Self-interest acts as a motivator in the business enterprise system and provides the drive for profit that encourages individuals to get things done. 64) _____
Answer: True False
- 65) A system based on a capitalistic market always leads to the equitable distribution of income. 65) _____
Answer: True False
- 66) Social media is the various forms of interaction or communication enabled by technology-based tools most of which are Internet-based. 66) _____
Answer: True False
- 67) Legitimacy requires belief, trust, and confidence in the business system. 67) _____
Answer: True False
- 68) In order for a business to be legitimate, the business enterprise system must report positive profits and pay dividends to shareholders on a consistent basis. 68) _____
Answer: True False
- 69) Social licence is based on ethics, values, expectations, and self-regulation considered preferable to social or government control which is based on regulation, legislation, litigation, and compliance. 69) _____
Answer: True False
- 70) The integrity of future business entrepreneurs, managers, and employees is unrelated to how these individuals behave while in academic programs. 70) _____
Answer: True False
- 71) There is little concern that a lack of academic integrity will have an influence on business integrity. 71) _____
Answer: True False
- 72) There exists a reciprocal relationship between business and society. 72) _____
Answer: True False

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

73) Why is the term 'ethics of business' preferred over the term 'business ethics'?

Answer: Answers will vary.

74) What is a responsible corporation?

Answer: Answers will vary.

75) Contrast deontological and teleological theories.

Answer: Answers will vary.

76) How does a 'responsible enterprise system' differ from 'stakeholder capitalism'?

Answer: Responsible enterprise system—An economic system operating as a free enterprise system but incorporating the element of accountability. This definition implies that business enterprises are responsible to society for their actions and are answerable or accountable for being the cause, a source of something.

Stakeholder capitalism—An economic system in which corporations accept broader obligations beyond financial ones for shareholders. Corporations are expected to balance the interests of shareholders with those of other stakeholders in the business system, for example employees, suppliers, customers, and the community at large. In stakeholder capitalism, corporations are expected to behave with greater social responsibility and be sensitive to the ethical consequences of their actions.

77) Compare and contrast (a) proprietorship, (b) partnership and (c) incorporation.

Answer: Answers will vary.

78) The business enterprise system has been described in a number of ways. How would you describe our economic system to a new Canadian?

Answer: Answers will vary.

79) Identify the five primary tasks of the board of directors as outlined in the text.

Answer: The board's main tasks are to:

Select, evaluate, and terminate employment of top management, including planning executive succession.

Provide shareholders with financial statements and an external auditor's report on the financial of the corporation presented in an annual corporate report.

Direct and evaluate strategic planning including formulating plans, keeping management accountable for implementation, and assessing performance.

Represent shareholders by participating in any major decisions impacting the corporation's operations relating to ownership, investments, acquisitions, divestments, takeovers, or insolvency.

Fulfill the fiduciary and legal requirements as outlined in the *Canada Business Corporations Act*

80) How does social media enable society to hold business more accountable?

Answer: Answers will vary.

Unethical practices are more likely disclosed and sooner.

Bloggers are free to make comments about the corporation that may or may not be accurate, placing the corporation in a difficult position to respond or counter untruths.

Fake blogs might exist that portray corporations negatively.

81) Some critics of the business enterprise system claim that a system based on a capitalistic market leads to inequities. What is the response by supporters of the capitalist system?

Answer: Answers will vary.

82) Name and discuss four factors influencing attitudes towards business systems.

Answer: **Standard of living** — A prominent argument used in justifying or supporting the business enterprise system is the standard of living that it provides. As living standards increase, it is more likely society will view business in a positive manner.

Decentralized decision making — Another factor of the business system considered desirable is the decentralized decision-making process involved. Millions of businesses make decisions independently of one another, ensuring that a wide variety of goods and services are available. This choice is viewed favourably by consumers.

Allocation of resources — Some argue that the efficient allocation of resources is more likely to occur with a business system, as allocation is based on the price and availability of resources. However, critics of the business system challenge the efficiency claim. They argue that enterprises control prices, for example in oligopolistic industries, or that business enterprises control the availability of resources, creating artificial scarcities.

Self-interest — In a business enterprise system, the individual can behave in his or her own self-interest. Self-interest acts as a motivator, and provides the drive for profit that encourages individuals to get things done. In a competitive business enterprise system, consumers choose among businesses that provide basically the same goods and services.

83) Explain how integrity applies to business students.

Answer: Answers will vary.

84) Why does business need society and society need business?

Answer: An article by Porter and Kramer made a good case for business and society needing each other. Business needs a healthy society in which education and health-care systems exist. There should be equal opportunity in the workforce and safe products for consumers. Carefully developed government policies increase the efficiency of business. This creates demand for products and services, and corporations pursuing profits at the expense of society are naïve. On the other hand, society needs successful companies. Business is needed to create jobs, wealth, and innovations that improve the standard of living for society. If business is weakened by governments and non-governmental organizations jobs disappear, competitiveness is lost, wages stagnate, and wealth declines.