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| 1. Private law provides the legal rules within which firms compete.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - AACSB: Analytic |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Introduction: Winning Legally |
| *KEYWORDS:* | Blooms: Knowledge |

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| 2. Managers can make their own "public" law.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - AACSB: Analytic |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2 Law and Public Policy |
| *KEYWORDS:* | Blooms: Knowledge |

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| 3. Insurance policies may help firms manage risk.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - AACSB: Analytic |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Introduction: Winning Legally |
| *KEYWORDS:* | Blooms: Comprehension |

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| 4. Researchers have determined that Fortune 500 firms convicted of illegal conduct earned significantly lower returns on assets than firms that had not been convicted of wrongdoing.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 5. Lobbying legislators is one method by which managers can help shape the environment in which they do business.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Knowledge |

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| 6. Laws enacted in response to corporate misdeeds often impose fewer restrictions and costs on business than would have been imposed had firms as a whole acted more responsibly at the outset.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 7. Promoting economic growth is one of the primary public policy objectives of laws and regulations applicable to business.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2 Law and Public Policy |
| *KEYWORDS:* | Blooms: Comprehension |

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| 8. Worker protection is one major public policy concern underlying U.S. business law.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2 Law and Public Policy |
| *KEYWORDS:* | Blooms: Comprehension |

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| 9. A firm's illegal conduct has no bearing on the firm's competitive advantage because it does not necessarily divert ​funds form strategic investments or affect its image and reputation with its customers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1b Effect of Law on the Competitive Environment and the Firm's Resources |
| *KEYWORDS:* | Blooms: Application |

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| 10. Researchers found a statistically significant inverse relationship between a country's economic prosperity, as measured by the per capita gross domestic product, and the country's judicial independence.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Introduction: Winning Legally |
| *KEYWORDS:* | Blooms: Application |

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| 11. As used in the text, the term "legal astuteness" refers to the ability of a manager to avoid situations making consultation with legal counsel necessary.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 12. The entering into of nondisclosure agreements is an unethical practice that should not be tolerated by a legally astute manager.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. A legally astute manager would wait as long as possible to consult legal counsel once a problem arises in order to keep legal fees to a minimum.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 The Legally Astute Manager |
| *KEYWORDS:* | Blooms: Application |

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| 14. A legally astute manager understands that legal analysis is often ambiguous.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 The Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 15. Each activity in regard to "law and the value chain" referenced in the text has legal aspects.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - AACSB: Analytic |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 16. The European Union's center of operations is in Brussels, Belgium.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Global View |
| *KEYWORDS:* | Blooms: Knowledge |

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| 17. According to the text, adequate protection of m​minority shareholder rights increases investment in new ventures.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Introduction: Winning Legally |
| *KEYWORDS:* | Blooms: Comprehension |

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| 18. Under the resource-based view of a business firm, a firm's resources can be a source of sustained competitive advantage if they are valuable, rare, and perfectly imitable by competitors.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 19. Self-regulation within the advertising industry has been largely successful in reducing the number of fast-food commercials directed at children.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Inside Story: Obesity Epidemic |
| *KEYWORDS:* | Blooms: Knowledge |

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| 20. The Systems Approach recognizes that law is dynamic, as opposed to static.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 21. J.P. Morgan Chase's "Sons and Daughters" hiring program, involving hiring children of China's ruling elite, was approved by the United States Department of Justice and the Securities Exchange Commission.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | A Manager's Dilemma: Putting It Into Practice |
| *KEYWORDS:* | Blooms: Comprehension |

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| 22. Exhibit 1.5 indicates that the protection of private property rights is one way to promote economic growth within a society.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | True |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 23. Which of the following is NOT one of the four primary public policy objectives furthered by laws and regulations applicable to U.S. business?

|  |  |  |
| --- | --- | --- |
|   | a.  | Promoting economic growth |
|   | b.  | Protecting workers |
|   | c.  | Promoting consumer welfare |
|   | d.  | Promoting governmental regulation |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *POINTS:* | 1 |
| *NATIONAL STANDARDS:* | United States - AACSB: Analytic |

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| 24. Managers can make their own \_\_\_\_\_\_\_\_\_\_ law by entering into contracts and crafting certain governance structures.

|  |  |  |
| --- | --- | --- |
|   | a.  | public |
|   | b.  | primary |
|   | c.  | cohesive |
|   | d.  | private |

|  |  |
| --- | --- |
| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Introduction: Winning Legally |
| *KEYWORDS:* | Blooms: Application |

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| 25. The \_\_\_\_\_\_\_\_\_\_ approach recognizes that "business decisions consist of continuous, interrelated economic and moral components."

|  |  |  |
| --- | --- | --- |
|   | a.  | procedural |
|   | b.  | systems |
|   | c.  | conciliatory |
|   | d.  | mandated |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 26. The \_\_\_\_\_\_\_\_\_\_ theory recognizes that firms have relationships with many constituent groups which both affect and are affected by the actions of the firm.

|  |  |  |
| --- | --- | --- |
|   | a.  | stakeholder |
|   | b.  | stockholder |
|   | c.  | relational |
|   | d.  | cohesive |

|  |  |
| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 27. The \_\_\_\_\_\_\_\_\_\_ was enacted after widespread abuses in the subprime mortgage market.

|  |  |  |
| --- | --- | --- |
|   | a.  | Walsh-Healy Mortgage Reformation and Consumer Protection Act of 2009 |
|   | b.  | Mortgage Lending and Financial Reform Act of 2009 |
|   | c.  | Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 |
|   | d.  | Financial Institution Regulatory Pronouncement and Consumer Revision Act of 2010 |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 28. Legally astute management teams practicing strategic compliance management:

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|   | a.  | view the cost of complying with government regulation is viewed as an investment, not an expense. |
|   | b.  | view the cost of complying with government regulation is viewed as an expense which should be avoided until legal action is threatened. |
|   | c.  | do only the minimum necessary to comply with any applicable law should be done. |
|   | d.  | view the cost of complying with government regulation as an expense which should be avoided until legal action is threatened, while only engaging in the minimum efforts necessary to comply with any applicable law. |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 29. By \_\_\_\_\_\_\_\_\_\_, managers help shape the legal environment in which they do business.

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|   | a.  | lobbying legislators |
|   | b.  | forming coalitions |
|   | c.  | refusing to follow laws viewed as unneeded by company officials |
|   | d.  | lobbying legislators, forming coalitions, and but not by refusing to follow laws viewed as unneeded by company officials |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 30. \_\_\_\_\_\_\_\_\_\_ law is a type of law referencing formal rules embodied in constitutions and statutes enacted by legislatures.

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|   | a.  | Public |
|   | b.  | Private |
|   | c.  | Substantive |
|   | d.  | Remedial |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: COmprehension |

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| 31. Based on Exhibit 1.7, which of the following is NOT a way in which U.S. law promotes consumer welfare?

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|   | a.  | Collect taxes and spend money |
|   | b.  | Promote sale of safe products and services |
|   | c.  | Facilitate innovative products and services |
|   | d.  | Prevent deceptive practices |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 32. Based on Exhibit 1.6, which of the following is NOT a way in which U.S. law protects workers?

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|   | a.  | Through regulating certain terms and conditions of employment |
|   | b.  | Through requiring the employer to provide certain benefits |
|   | c.  | Through protecting civil rights in the workplace |
|   | d.  | Through requiring the provision of educational opportunities to workers |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 33. The \_\_\_\_\_\_\_\_\_\_ is an advocacy group that has commended Disney's new advertising and marketing guidelines for children.

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| --- | --- | --- |
|   | a.  | Alliance to Ban Advertising Targeting Children |
|   | b.  | Protect the Children Foundation |
|   | c.  | Center for Science in the Public Interest |
|   | d.  | Group for Ethical Marketing Practices |

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| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Inside Story: Obesity Epidemic |
| *KEYWORDS:* | Blooms: Application |

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| 34. Which of the following is true regarding a comparison of the law of the United States and the law of the European Union?

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| --- | --- | --- |
|   | a.  | Laws of the United States and the European Union differ in regard to consumer privacy and emissions standards but are similar in regard to chemical usage and accounting standards. |
|   | b.  | Laws of the United States and the European Union differ in regard to consumer privacy, emissions standards, and chemical usage but are similar in regard to accounting standards. |
|   | c.  | Laws of the United States and the European Union differ in regard to consumer privacy, emissions standards, chemical usage, and accounting standards. |
|   | d.  | Laws of the United States and the European Union are similar in all significant areas involving business regulation and vary in only minor respects. |

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| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Global View: Lobbying in the European Union |
| *KEYWORDS:* | Blooms: Analysis |

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| 35. According to Exhibit 1.6, which of the following is true regarding typical requirements placed on employers mandating the provision of employee benefits?

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|   | a.  | Employers are typically required to provide workers' compensation, to pay unemployment insurance, and to pay social security and Medicare taxes. |
|   | b.  | Employers are typically required to pay unemployment insurance and to pay social security and Medicare taxes, but employers are not required to pay workers' compensation insurance. |
|   | c.  | Employers are typically required to pay workers' compensation insurance and to pay social security and Medicare taxes, but employers are not required to pay unemployment insurance. |
|   | d.  | Employers are typically required to provide workers' compensation and to pay unemployment insurance, but employers are not required to pay social security and Medicare taxes. |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 36. ​ At its core, legal astuteness is the ability of a manager to:

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| --- | --- | --- |
|   | a.  | ​ effectively communicate and solve problems with counsel.  |
|   | b.  | ​ prevent deceptive trade practices and piracy. |
|   | c.  | ​ develop the firm's brand and marketing strategy. |
|   | d.  | ​ encourage the sale of safe products at a fair price. |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 37. The "systems approach" to business and society builds on which of the following stakeholder theory insights?

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|   | a.  | That firms have relationships with many constituent groups, which both affect and are affected by the actions of the firm. |
|   | b.  | That firms have relationships with many constituent groups, and that these groups must be managed to best promote value to stockholders. |
|   | c.  | That although firms have relationships with many constituent groups, these groups have little impact on the ongoing management of business firms. |
|   | d.  | That firms have relationships with only a few groups, such as employees, that are directly connected with business operations. |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 38. \_\_\_\_\_\_\_\_\_\_ is a term addressing the ability of a manager to communicate effectively with counsel and to work together to solve complex problems.

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|   | a.  | Legal astuteness |
|   | b.  | Conciliatory interaction |
|   | c.  | Mediation |
|   | d.  | Arbitration |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 The Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 39. Which of the following has the responsibility for deciding which allocation of resources and rewards in a business makes the most business sense?

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|   | a.  | The general manager |
|   | b.  | The in-house lawyer |
|   | c.  | An independently retained lawyer |
|   | d.  | An independently retained law firm, not just one lawyer |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Knowledge |

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| 40. Based on Exhibit 1.9, which of the following is NOT a component of legal astuteness as referenced in the text?

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|   | a.  | A set of value-laden attitudes about the importance of law to the firm's success |
|   | b.  | A practice of leaving the resolution of legal issues to outside counsel |
|   | c.  | The ability to exercise informed judgment when managing the legal aspects of business |
|   | d.  | Context-specific knowledge of the law and the appropriate use of legal tools |

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| *ANSWER:* | b |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Comprehension |

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| 41. Based on Exhibit 1.9, which of the following is listed in the text as a component of managing risk when assembling a team in business development?

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|   | a.  | Analyzing any covenants not to compete |
|   | b.  | Purposefully refusing to address issues such as sexual harassment |
|   | c.  | Informing employees that e-mail communications are not discoverable |
|   | d.  | Ignoring whistleblower protection |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Keyword |

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| 42. The \_\_\_\_ approach to business and society introduced in the text is a descriptive framework that integrates legal and societal considerations with mainstream theories of competitive advantage and social responsibility.

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|   | a.  | Integrative |
|   | b.  | Systems |
|   | c.  | Proactive |
|   | d.  | Economic |

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| *ANSWER:* | b |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 43. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_​ strategies for dealing with the interface between a firm's business and the natural environment that go beyond \_\_\_\_\_\_\_\_\_\_\_ regulatory compliance have been associated with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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|   | a.  | ​Proactive, environmental, sub-par financial performance.  |
|   | b.  | ​Legislative, environmental, improved financial performance. |
|   | c.  | ​Proactive, environmental, improved financial performance. |
|   | d.  | ​Defensive, environmental, peak financial performance.  |

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| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1b Effect of Law on the Competitive Environment and the Firm's Resources |
| *KEYWORDS:* | Blooms: Comprehension |

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| 44. According to the Systems Approach to Business and Society in Exhibit 1.1, the \_\_\_\_\_\_\_\_\_\_ is at the ​center of the societal context.

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|   | a.  | ​Competitive Environment |
|   | b.  | ​Firm's Resources |
|   | c.  | ​Public Law |
|   | d.  | ​Top Management Team |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: APplication |

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| 45. Under the \_\_\_\_\_\_\_\_\_\_ view of the firm, resources can be a source of competitive advantage if they are \_\_\_\_\_\_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | resource-based, rare |
|   | b.  | systems-based, hard to copy |
|   | c.  | resource-based, available to competitors |
|   | d.  | systems-based, available to competitors |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 46. \_\_\_\_\_\_\_\_\_\_ is a type of relationship building lobbying that is prevalent in China.

|  |  |  |
| --- | --- | --- |
|   | a.  | Xantu |
|   | b.  | Olaying |
|   | c.  | Guanxi |
|   | d.  | Quinta |

|  |  |
| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Easy |
| *NATIONAL STANDARDS:* | United States - AACSB: Diversity |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | A Manager's Dilemma |
| *KEYWORDS:* | Blooms: Analysis |

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| 47. According to Exhibit 1.8, what is one of the ways U.S. law promotes public welfare.?

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| --- | --- | --- |
|   | a.  | ​Protecting fundamental rights |
|   | b.  | ​Preventing deceptive practices |
|   | c.  | ​Regulating terms and conditions of employment |
|   | d.  | ​Allocating risks |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2 Law and Public Policy |
| *KEYWORDS:* | Blooms: Knowledge |

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| 48. ​ The European Union's \_\_\_\_\_\_\_\_\_\_ rules are \_\_\_\_\_\_\_\_\_\_, so a former government official can begin exploiting his connections \_\_\_\_\_\_\_\_\_\_.

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| --- | --- | --- |
|   | a.  | ​ antitrust, strong, one day he after leaving office |
|   | b.  | ​ criminal, enforceable, one year after leaving office |
|   | c.  | ​ ethical, weak, one year after leaving office |
|   | d.  | ​ ethical, weak, the day he leaves office |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Global View |
| *KEYWORDS:* | Blooms: Application |

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| 49. ​ Managers practicing \_\_\_\_\_\_\_\_\_\_ view the cost of compliance as a(n) \_\_\_\_\_\_\_\_\_\_.

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| --- | --- | --- |
|   | a.  | ​ value-based compliance management, investment rather than an expense |
|   | b.  | ​ strategic compliance management, investment rather than an expense |
|   | c.  | ​ resource-based management, expense rather than an investment |
|   | d.  | ​ strategic-based risk management, investment rather than an expense |

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| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 The Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 50. ​ According to Exhibit 1.2, which of the following is NOT one of "Porter's Five Forces" that affect the competitive environment?

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|   | a.  | ​ Threat of Entry |
|   | b.  | ​ Direct Competition |
|   | c.  | ​ Logistics and Component Supply |
|   | d.  | ​ Buyer Power |

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| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Analysis |

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| 51. Which of the following was created by food advertisers in an attempt to halt government regulation aimed at stopping marketing preying on children's vulnerability?

|  |  |  |
| --- | --- | --- |
|   | a.  | The Children's Advertising Review Unit |
|   | b.  | The Minor's Board Unit |
|   | c.  | The Minor Protection Review Unit |
|   | d.  | The Children's Enhancement Board |

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| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | Inside Story: Obesity Epidemic |
| *KEYWORDS:* | Blooms: Application |

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| ​**Fact Pattern 1-1**​Susan, the CEO of ABC Company, which was involved in the production and sale of hair care products, decided to hire new employees to develop new product lines for a planned expansion into the dog shampoo arena. She was concerned, however, that the employees specializing in canine products might leave at some point, taking company secrets with them for use in competition with ABC. She, therefore, required that the employees sign contracts containing covenants not to compete. Susan also consulted her in-house counsel, Sam, regarding the effect of some new regulations involving the use of certain chemicals in shampoo and conditioner. Sam told her, however, to ignore the regulations until some type of investigation of the company was started. Sam says that more than likely no one will ever check to see whether or not ABC is in compliance. Susan disagrees with his advice and decides to seek other counsel.​ |

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| 52. Refer to Fact Pattern 1-1. The covenants not to compete involved which of the following types of law?

|  |  |  |
| --- | --- | --- |
|   | a.  | Public |
|   | b.  | Private |
|   | c.  | Circumscribed |
|   | d.  | Tangent |

|  |  |
| --- | --- |
| *ANSWER:* | b |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Analysis |

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| 53. Refer to Fact Pattern 1-1. The use of covenants not to compete involves which of the following forces identified by Michael Porter and referenced in the text?

|  |  |  |
| --- | --- | --- |
|   | a.  | Supplier power |
|   | b.  | Threat of entry |
|   | c.  | Substitution |
|   | d.  | Buyer power |

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| --- | --- |
| *ANSWER:* | c |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 54. Refer to Fact Pattern 1-1. The government regulations pertaining to the use of certain chemicals involved which of the following types of law?

|  |  |  |
| --- | --- | --- |
|   | a.  | Public |
|   | b.  | Private |
|   | c.  | Circumscribed |
|   | d.  | Tangent |

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| --- | --- |
| *ANSWER:* | a |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Analysis |

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| 55. Refer to Fact Pattern 1-1. Assuming that Susan seeks to be a legally astute manager, which of the following is true regarding the advice given by Sam to ignore the regulations pending an investigation?

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| --- | --- | --- |
|   | a.  | Sam is correct that it is unlikely that any investigation will ever occur and that the regulations may be safely ignored. |
|   | b.  | Sam is correct only if ABC has not had past investigations because if past investigations have occurred, it is more likely that the company will be the target of future investigations. |
|   | c.  | Sam is incorrect but only because safety regulations are concerned. |
|   | d.  | Sam is incorrect because a legally astute manager will take a proactive approach to regulations. |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-3 Legally Astute Manager |
| *KEYWORDS:* | Blooms: Analysis |

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| 56. Molly, the CEO of a corporation owning a number of pet stores, calls you for advice. She tells you that she received inside information that the stock of the company was going to go down because of reports that a number of dogs sold by the store had become ill and that she, therefore, immediately sold all her stock in the company before the information became public. She tells you that she has been advised that she is going to be charged with a securities violation involving insider trading. Which of the following is true regarding her situation?

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|   | a.  | Corporate executives may be fined but may not be sent to jail. |
|   | b.  | Corporate executives may be sent to jail, but only for offenses endangering others. |
|   | c.  | Corporate executives may be sent to jail, but only for fraud involving banks. |
|   | d.  | Corporate executives may be sent to jail for violation of criminal laws. |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1b Effect of Law on the Competitive Environment and the Firm's Resources |
| *KEYWORDS:* | Blooms: Analysis |

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| 57. In CASE 1.1 *Sorrell v. IMS Health Inc.*, drug manufacturers challenged as unconstitutional a Vermont statute prohibiting pharmacies form selling prescriber-identifying information for marketing prescription drugs without the consent of prescribers. The U.S. Supreme Court ruled that:

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|   | a.  | although speech promoting marketing was not protected by the First Amendment, the law was unconstitutional based on the due process clause. |
|   | b.  | the statute regulated commercial speech which was evaluated under an "intermediate" standard and that the law was, therefore, constitutional. |
|   | c.  | the statute did not involve constitutional issues and was, therefore, a permissible type of regulation. |
|   | d.  | the conduct prohibited by the law was protected by the First Amendment and that the law was unconstitutional. |

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| *ANSWER:* | d |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2e Policy Conflicts |
| *KEYWORDS:* | Blooms: Analysis |

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| 58. Under the resource-based view of a firm, when can a firm's resources be a source of sustained competitive advantage?

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| --- | --- |
| *ANSWER:* | When they are valuable, rare, and imperfectly imitable by competitors and have no strategically equivalent substitutes. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Comprehension |

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| 59. According to Exhibit 1.4, what are the four ways referenced in the text by which U.S. law promotes public welfare?

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| --- | --- |
| *ANSWER:* | By promoting effective administration of justice, by collecting taxes and spending money, by protecting fundamental rights, and by protecting the environment. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-2 Law and Public Policy |
| *KEYWORDS:* | Blooms: Comprehension |

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| 60. Assume that after paying a large fine, a company survives charges of illegal activity. In what ways does illegal conduct put a company at a competitive disadvantage?

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| --- | --- |
| *ANSWER:* | Illegal conduct can put a firm at a competitive disadvantage by diverting funds from strategic investments, tarnishing the firm's image with customers and other stakeholders, raising capital costs, and reducing sales volume. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Challenging |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Evaluation |

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| 61. Discuss ways in which laws and regulations promote economic growth.

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| *ANSWER:* | Laws and regulations promote economic growth by protecting private property rights; enforcing private agreements; allocating risks; facilitating the raising of capital; creating incentives to innovate; promoting liquid and skilled labor markets; providing subsidies, tax incentives, and infrastructure; and promoting free trade in global markets. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms Analysis |

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| 62. How does U.S. business law provide worker protection?

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| *ANSWER:* | By regulating certain terms and conditions of employment, by requiring the employer to provide certain benefits, and by protecting workers' civil rights. |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1 Systems Approach to Business and Society |
| *KEYWORDS:* | Blooms: Application |

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| 63. Law is not just a static external force acting upon managers and their firms; rather law and organizations are "endogenously coevolutionary."

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|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | 1-1d Law is Dynamic |
| *KEYWORDS:* | Blooms: Comprehension |

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| 64. Legally astute management teams typically wait until later in the strategic development to bring counsel in and evaluate legal considerations.​

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| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |
| *POINTS:* | 1 |
| *DIFFICULTY:* | Moderate |
| *NATIONAL STANDARDS:* | United States - BUSPROG: - ANALYTIC |
| *ACCREDITING STANDARDS:* | DISC: - AICPA: BB-Legal |
| *TOPICS:* | The Responsible Manager: Developing a Legally Astute Management Team |
| *KEYWORDS:* | Blooms: Comprehension |

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