

## **TEST BANK**

### **UNIT ONE – ETHICAL THEORY, PHILOSOPHICAL FOUNDATIONS, OUR REASONING FLAWS, AND TYPES OF ETHICAL DILEMMAS**

#### **True/False Questions**

- F 1. A credo consists of how you define yourself by job title and income.
- T 2. Part of a credo includes a list of lines you would never cross to be successful.
- T 3. An ethical breach is not necessarily a violation of the law.
- T 4. Unwritten rules of conduct are part of our normative standards.
- F 5. Self-interest is the same as selfishness.
- F 6. Ethical egoism is selfishness.
- F 7. Kant would label paying lower wages in developing countries than the wages paid in developed economies as unethical.
- F 8. Kant is part of the utilitarian school of thought on ethics.
- T 9. Kant and Rand do not agree on the importance of self-interest in ethical theory.
- T 10. Locke and Rawls develop their ethical theory on the basis of a *tabula rasa*.
- T 11. Locke and Rawls are contractarians.
- F 12. The Rights Theory is generally associated with Plato and Aristotle.
- F 13. Robert Nozick is the leading thinker for utilitarianism.
- T 14. Third-trimester abortions would be supported under a Rights Theory.
- T 15. Robert Solomon is a proponent of virtue ethics.
- F 16. “It’s a gray area,” is an example of ethical analysis.
- T 17. “We all don’t share the same ethics” fails to consider common values that do exist in business.

- T 18. Hank Greenberg's ability to find a way around rules was evident from his conduct as a soldier in London.
- T 19. Hank Greenberg was ousted from his position as CEO of AIG.
- T 20. Laura Nash provides tools for examining how a company got into an ethical dilemma.
- T 21. It is not plagiarism to use facts obtained from several sources that are footnoted or listed as sources.
- T 22. It is plagiarism to rewrite the phrasing of another source and not use quotes or a footnote.
- F 23. A conflict of interest is unethical only if those involved actually change their decision based on the benefits to be derived.
- T 24. An illegal act is an unethical act.
- T 25. Using positive law as an ethical standard means simply compliance with the law.
- T 26. The element of balance in the Blanchard/Peale ethical model requires an examination of the issue from the perspective of the affected party.
- T 27. A valid ethical barometer is the reaction of family and friends outside the business setting to your proposed decision.
- F 28. An agreement by an agent to accept a 10% commission from a seller who will sell goods to the agent's employer is ethical so long as the agent would have chosen that seller anyway.
- T 29. A real estate agent who recommends a management firm to an apartment complex buyer without disclosing that the agent owns 50% of the firm has committed an ethical violation.
- F 30. A commercial broker who accepts fees from both the seller and the buyer of the business without disclosure to either has not committed an ethical violation if both parties are happy with the transaction.
- T 31. A member of the city council who is employed by a waste management firm would have a conflict of interest in voting on the city's award of a contract for the handling of the city's waste.
- F 32. A physician conducting a study on a new prescription drug manufactured by a firm in which he is a 10% shareholder does not have a conflict of interest so long as his stock ownership is disclosed in his report on the drug.
- T 33. A physical fitness expert retained by a fitness magazine to evaluate walking shoes has a conflict of interest if she has an endorsement contract with one of the shoe companies that manufactures the shoes she will be evaluating.
- F 34. Giving preferential treatment in contract bidding to the daughter of a member of the company board is not a conflict of interest.
- F 35. A major donation by one of your long-term suppliers to a non-profit organization run by your spouse should not create perception problems so long as your purchasing decisions are based on the merits.
- F 36. Having loan applicants pay for the expenses of bank officer travel for purposes of evaluating collateral is not a conflict of interest.
- T 37. Purchasing agents accepting a pleasure trip from a supplier when no bids are pending is still an ethical violation.

- T 38. Payments of royalties from drug sales by a pharmaceutical firm to the university where a researcher conducting studies has validated the firm's claims is a conflict of interest.
- T 39. The failure to disclose that your college degree was withheld because of outstanding parking fines and violations is unethical.
- F 40. Taking information from a confidential file accidentally left on your desk is not unethical.
- T 41. The failure to speak out when an ethical or legal lapse occurs within your firm is in itself an ethical violation.
- T 42. "Everyone else does it," is a signal of an ethical pitfall.
- F 43. "The lawyers have okayed this," is a signal that the decision/action is legal and ethical.
- T 44. Labeling infertility surgery as "diagnostic surgery" in order to allow the patient to recover the costs from an insurer is unethical.
- T 45. A company executive exerting pressure on a scientist and her university to delay disclosure of study results harmful to the company and its products would be unethical.
- T 46. Ethical choices often prove costly to firms in the short term.
- F 47. Taking advantage of a party in a contract situation due to the party's inexperience, and not due to any lack of disclosure on your part, is ethical.
- T 48. The failure to disclose relevant information about a product or service is unethical.
- T 49. Long-term relationships create ethical and legal obligations between the parties through conduct and accommodations.
- T 50. If I worked in purchasing in my company, it would be unethical for me to accept season tickets for my city's NBA team from the company that has supplied catering for the company's training sessions.
- F 51. If I discover that a fellow employee is reporting falsely his overtime hours, it is best for me to say nothing and ignore the situation.
- F 52. If I discovered that I unintentionally violated a federal environmental regulation, I should just wait and see if anything happens before taking any action.
- F 53. If my supervisor asked me to cover for him by lying about his whereabouts, I should agree to do it but remind him that I can't make it a habit.
- T 54. Your company's policy on company vehicles is that no family members may use them or ride in them. It would be unethical to use a company car to drive you and your spouse to a movie.
- T 55. You are taking a graduate level course in management that will help you in performing your duties at work. Each week you must submit case analyses to your professor. Using work time to complete the analyses would be unethical.
- T 56. With respect to #55, using your work computer and paper to complete the case analyses would be unethical.
- T 57. Attending a class on company time would be unethical.

- F 58. A supplier has just been awarded a large contract by your company. As an employee in purchasing, you were largely responsible for awarding that supplier the contract. The supplier's sales representative has just called and would like to take you to lunch to thank you for the support. Going to lunch with the sales representative does not present any ethical problems.
- F 59. Accepting gifts from suppliers and vendors is not a problem so long as no bid decisions are pending.
- F 60. You are a building inspector for the county. A friend of yours is a plumbing contractor. Under county regulations, all steps in plumbing construction from the initial dig to the final installation of sink and bathroom fixtures requires an inspection sign-off. Your plumbing contractor friend has just called and wants to take you to dinner for your birthday at a five-star restaurant. Because you are friends anyway, the dinner presents no ethical problems.
- T 61. Your company has several outdated computers sitting in a storage closet that no one is using. You have taken one home and set it up for personal use. This is unethical conduct.
- T 62. You work for a school district as a facilities coordinator. You drive to the various schools in the district and supervise construction and remodeling and assess various building needs. When you are traveling around to the various schools, you use a district vehicle that is clearly marked as such. One day you stop at the country club and have lunch before heading to the next school since the country club is on the way. You also stop at the bank drive-thru teller to do some personal banking business. Both the lunch and the bank stop are ethical breaches.
- F 63. Your supervisor has told you that he wants to "get rid of Jane." Jane is a Hispanic female co-worker who is very bright and capable and hardworking. Your supervisor has asked you to document everything Jane does and says that will help build a case for termination. You should do as your supervisor tells you.
- T 64. Alice is a co-worker who is going through a divorce and has two small children. Alice's husband is not paying the child support the temporary court order requires. As a result, Alice is broke until she can get her court hearing. Alice has been able, through diverting checks returned to the company, to take about \$2200 from the company to "temporarily help her cover her bills," as she has explained to you. You must report Alice's embezzlement.
- T 65. The mayor owns property next to one of the proposed sites for the city's new baseball stadium. The mayor has a conflict of interest and should not vote on the location of the stadium when the city council takes action on the site.
- F 66. Although you are not part of your company's engineering group, you have discovered a major flaw in the company's new paper-thin solar calculator. The calculator adds when the subtract button is pressed if there are more than 3 figures to the right of the decimal point. Since it is not your area, you should do and say nothing.
- F 67. With respect to #66, it is not necessary for the company to take any action to correct the problem or refund money for those who already own the new calculator.
- T 68. Alice is a secretary in your department. Alice is also a member of the American Guild of Organists. Alice has been placed in charge of the Guild's national convention. Each time you pass by Alice's desk or go to her to have some work done, you notice she is on the phone discussing or working on the convention. Alice's work on the convention during work hours is an ethical violation.
- F 69. Your supervisor has had a calendar with pictures of naked women on the inside panel of his desk for several months. A secretary spotted the calendar and commented to your supervisor that it was not appropriate for an office. Your supervisor took down the calendar and has asked you to back him up if any complaints are filed. He has asked you to say that you never saw the calendar. It would not be unethical for you to do as your supervisor requests because he has removed the calendar.

- T 70. A newspaper reporter is interviewing you about your experiences in working for a member of Congress. You have indicated you have information about his private life but will not share it. The reporter responds, "Tell me, just between you and me." You share the information and a quote from you on the private life of the member of Congress appears in the newspaper the next day. The reporter was unethical in violating a trust.
- F 71. It would not be unethical for you to accept two employment offers in case one fell through.
- F 72. It would not be unethical to continue interviewing for positions after you have already accepted employment with a particular firm.
- T 73. You work for a construction firm that is submitting a bid for the construction of a new company headquarters building for Smithco. A friend you have known since high school works in Smithco's capital budgeting area and has full knowledge of all the bids from all firms. It would be unethical for your friend to share that information with you before you submitted your bid.
- T 74. With respect to #73, it would be unethical for you to hire your friend to get him to bring the information to your company.
- F 75. Your college of business is sponsoring a case competition. All teams must watch the other teams compete. The order of presentation is by luck of a draw. The team that is the last to present left during one of the presentations, went to the computer room and redid its PowerPoint slides and restructured its presentation based on what other teams had presented. This team has done nothing wrong.
- T 76. Conduct may comply with the law but still be unethical.
- T 77. Following positive law is not the full extent of ethics.
- F 78. It is not your responsibility to report a co-worker who leaves the office early each day without taking time off.
- F 79. Using things of minimal value that belong to your employer for personal reasons (such as paper, paper clips, pens) is not an ethical violation.
- T 80. You should disclose to your employer if a relative of yours has submitted a bid for work with your company.
- T 81. It is an ethical violation to disclose personnel information about your co-workers even to your family.
- F 82. If you are fired from your job, you can use any information you gained while employed to help your next employer.
- F 83. You need not disclose in your employment application those positions you held which will not result in good feedback about you if your supervisors there are contacted.
- F 84. Violation of company rules is not considered an ethical violation.
- T 85. Employee hotlines exist to help employees who feel they cannot communicate concerns through the lines of authority.
- F 86. A false impression, unlike lying, is not an ethical violation.
- T 87. A journalist who fails to disclose his or her financial interest in the subject of a story he or she is covering has a conflict of interest.
- F 88. A purchasing agent for a company could accept a Rolex from a supplier so long as there is no bid pending.
- T 89. The safest and simplest conflict of interest policy for purchasing agents is to accept nothing from suppliers.

- T 90. A purchasing agent whose daughter works for a supplier has a conflict of interest.
- F 91. A purchasing agent who is an owner of 25% of the shares in a supplier does not have a conflict of interest.
- F 92. Putting down a degree on a resume that is not yet earned is acceptable if the degree is pending.
- F 93. Claiming a computer is stolen in order to obtain insurance when the computer is simply outmoded is acceptable when the insurer doesn't question claims that amount to less than \$2,000.
- F 94. Peter Drucker believes that the ethical obligation of business is to bluff within reason.
- F 95. One of the questions in the Laura Nash model is whether the proposed conduct is legal.
- T 96. One of the questions in the Laura Nash model is to examine your intentions in choosing a particular course of conduct.
- T 97. Warren Buffett is credited with the development of the "Front Page of the Newspaper" tests as a means for resolving ethical dilemmas.
- F 98. Laura Nash does not see any purpose in examining how an ethical dilemma occurs.
- T 99. Submitting a new pair of shoes as a travel expense is an example of a dishonest act.
- F 100. Using co-workers to give your supervisor the impression that you are in the office is not an ethical issue.
- T 101. In the story of the "Parable of the Sadhu," the author never learns whether the Sadhu lived or died.
- F 102. In the story of the "Parable of the Sadhu," the author never helped the Sadhu.
- T 103. In the "Parable of the Sadhu," Bowen McCoy makes the point that many may act, but none assume accountability.
- T 104. In the "Parable of the Sadhu," the hikers don't know why the Sadhu is on the mountain.
- T 105. In the "Parable of the Sadhu," Bowen McCoy realizes that the times when he didn't reach the summit were more memorable than when he did.
- F 106. Most ethical lapses are sudden and not foreseen.
- T 107. Ethical lapses involve gradual decision processes.
- F 108. Taking your current employer's supply chain management system to a prospective employer is not a breach of trust.
- T 109. Taking your current employer's customer list to a prospective employer is a breach of trust.
- T 110. The failure to disclose a current employee's conduct that resulted in dismissal and harm to a prospective employer is a breach of ethics.
- F 111. It is more ethical to remain silent about misdeeds.
- T 112. Plato believed one cannot make ethical decisions without first developing virtue.

- F 113. Normative standards are the same as legal standards.
- T 114. The Divine Command Theory includes the principles of natural law.
- T 115. The United States Declaration of Independence is grounded in natural law.
- F 116. Ayn Rand was the philosophical thinker who developed the Divine Command Theory.
- T 117. Acting in one's own self-interest is a description of ethical egoism.
- F 118. Ayn Rand wrote *The Moral Sentiments of Markets*.
- F 119. Adam Smith is part of the Divine Command School.
- T 120. Temporary chaos can result as markets make adjustments under Adam Smith's theories.
- T 121. Jeremy Bentham is a proponent of utilitarianism.
- T 122. Utilitarianism is described as the "greatest happiness principle".
- T 123. Immanuel Kant is the creator of the Categorical Imperative.
- F 124. John Stuart Mill wrote *The Moral Sentiments of Markets*.
- T 125. The Golden Rule is a form of the Categorical Imperative.
- F 126. Kant believes so long as you do the right thing, it does not matter what your reasons were.
- F 127. The Theory of Justice is the same as the Categorical Imperative.
- T 128. The Theory of Justice is subscribed to by contractarians.
- F 129. John Locke is the creator of the Self-Interest Theory.
- T 130. John Rawls is a contractarian.
- T 131. Making your rules assuming you don't know which side you will be on in any given dilemma is the Theory of Justice.
- F 132. The Rights Theory is the same as the Theory of Justice.
- T 133. Under the Rights Theory, government exists to protect rights.
- F 134. Robert Nozick is a moral relativist.
- T 135. Moral relativism is circumstantial ethics.
- T 136. Plato and Aristotle were moral relativists.

- T 137 Thomas Hobbes felt that we needed strong government control in order to achieve ethical behavior.
- T 138. Ayn Rand and Thomas Hobbes were proponents of ethical egoism.
- F 139. Those who hit a car in a parking lot without being seen and don't leave a note are Kantian in their ethical standards.
- F 140. "We didn't think of them as bribes. We thought of them as useful expenditures," is an example of virtue ethics.
- T 141. Professor Dan Ariely's work focuses on the impact of stepping outside ethical norms.
- F 142. The "Parable of the Sadhu" is an essay in support of the theory of survival of the fittest.

### **Multiple Choice Questions**

1. A recent survey found that 24% of Americans feel that it is always wrong to speed. In which of the following schools of ethical thought would this 24% fit best?
- a. Moral relativists
  - b. Utilitarians
  - c. Ethical egoists
  - d. Virtue
2. Two male students fired guns off the balcony of Linda's apartment. The police were able to see which apartment it was by counting floors and windows. While the police run to Linda's apartment, her two friends run out her door and disappear into the crowd of students out and about on a Friday night. When the police question Linda she refuses to tell them who her two friends with the guns were. "I would never rat on a friend," is Linda's statement. One of the police officers tells Linda she could be charged with obstruction of justice. Linda still refuses. Which school of ethical thought would best suit Linda?
- a. Moral relativists
  - b. Utilitarians
  - c. Ethical egoist
  - d. Virtue
3. Which of the following people is associated with the "Front-Page-of-the-Newspaper" test for ethical dilemmas?
- a. Warren Buffett
  - b. Ken Blanchard
  - c. Laura Nash
  - d. John Rawls
4. Which philosopher would start with a *tabula rasa* and then develop ethical standards?
- a. Aristotle
  - b. Plato
  - c. John Rawls
  - d. Robert Nozick



5. Which philosopher feels that we all hold a set of rights and that it is the role of government to protect those rights?
- a. John Stuart Mill
  - b. Robert Nozick
  - c. John Locke
  - d. Adam Smith
6. Which philosopher developed the "greatest happiness principle"?
- a. Immanuel Kant
  - b. Adam Smith
  - c. John Stuart Mill
  - d. Jeremy Bentham
7. Which of the following would be considered a utilitarian?
- a. Immanuel Kant
  - b. Robert Nozick
  - c. Jeremy Bentham
  - d. Adam Smith
8. Which school of ethical thought is found in *The Fountainhead* and *Atlas Shrugged*?
- a. Utilitarianism
  - b. Divine Command
  - c. Ethical Egoism
  - d. Categorical Imperative
9. Adam Smith fits into which category?
- a. Utilitarian
  - b. Divine Command
  - c. Ethical Egoism
  - d. Categorical Imperative
10. The Declaration of Independence relied on which ethical school of thought?
- a. Utilitarianism
  - b. Divine Command
  - c. Ethical Egoism
  - d. Categorical Imperative
11. What reason did Jimmy Dunne III of Sandler O'Neill give for dedicating his time and resources to helping the families of his employees who were killed in the World Trade Center attacks?
- a. There was a clause in their employment contract that required it.

- b. He wanted the attention his generosity would bring.  
c. His son will also be judged by how Jimmy Dunne responded to his employees' families' needs.  
d. None of the above
12. Which of the following would be consistent with the Divine Command Theory?
- a. The Ten Commandments  
b. The U.S. Declaration of Independence  
c. Natural law  
d. All of the above
13. Who of the following philosophers subscribe to ethical egoism?
- a. Ayn Rand  
b. Thomas Hobbes  
c. Adam Smith  
d. All of the above
14. *The Theory of Moral Sentiments:*
- a. Was written by Ayn Rand.  
b. Was written by Thomas Hobbes.  
c. Was written by Adam Smith.  
d. None of the above
15. Which of the following is an example of utilitarianism?
- a. Throwing an elderly person from a life raft with too much weight to continue floating in order to save the lives of 15 others.  
b. Denying hip replacement surgery to an 83-year-old patient because the facilities and physicians are needed for preserving the life of a 35-year-old scientist whose research focuses on a cure for Alzheimer's.  
c. Neither a nor b  
d. Both a and b
16. The goals of Locke and Rawls in developing their theory of ethics:
- a. Is universality of rules.  
b. Is rules that will survive over time.  
c. Is based on decisions made by those who do not know what role they might fill in an ethical dilemma.  
d. All of the above
17. Which philosopher is associated with the Rights Theory?
- a. John Rawls  
b. Robert Nozick  
c. Adam Smith  
d. Ayn Rand

18. Under the Rights Theory, who holds the responsibility for protection of rights?
- a. Individuals, under normative standards
  - b. Government
  - c. Individuals rights are not protected, just defined
  - d. None of the above
19. Plato and Aristotle have which ethical school of thought in common?
- a. Moral relativism
  - b. Justice
  - c. Contractarianism
  - d. Virtue
20. "I did fudge on some of the numbers in our financial reports, but that kept 6,000 employees from losing their jobs," a statement by a CFO, is an example of:
- a. Moral relativism.
  - b. Rights theory.
  - c. Divine command theory.
  - d. Contractarianism.
21. The local fire chief of Penbrooke conducted an inspection of a small bakery in Penbrooke and found a violation of the Penbrooke fire code: the bakery did not have a commercial ventilator hood over its stove. The owner of the bakery asked where she could find a ventilator hood and someone to install it. The fire chief referred her to Chimney Specialists, another business in Penbrooke. The chief did not disclose that his son owns Chimney Specialists and that the chief had loaned his son money for starting the business in exchange for a percentage of the profits.
- a. The fire chief has a conflict of interest.
  - b. The bakery owner has a conflict of interest.
  - c. There is no conflict unless the chief has fabricated the violation.
  - d. There is no conflict if the son has the only hood ventilator business in Penbrooke.
22. A professor asked a student, "Did you have a chance to look at the reading?" The student responded, "Yes." The professor commended the student for keeping up with assignments in the course and awarded participation points to the student. The student had, in fact, looked at the reading, but he had not actually done the reading. "Hey, he just asked me if I had a chance to look at the reading, and I told the truth." The student:
- a. Has not committed an ethical violation.
  - b. Has given or allowed a false impression.
  - c. Is to be commended for finding a loophole.
  - d. Both a and b
23. A *quid pro quo* relates to which category of ethical dilemma?
- a. Hiding or divulging information
  - b. Personal decadence
  - c. Conflict of interest
  - d. False impressions

24. Winking tolerance is associated with what category of ethical dilemma?
- a. Hiding or divulging information
  - b. Condoning unethical actions
  - b. False impression
  - c. Balancing ethical dilemmas
25. "Smoothing out earnings" can be a comfort name for:
- a. Cooking the books.
  - b. Manipulating earnings.
  - c. The perfectly legal practice of timing expenses and income to avoid blips that affect share value.
  - d. All of the above
26. "If you think what we're doing now is bad, you should have seen our actions 10 years ago," is an example of:
- a. A type of rationalization.
  - b. Comfort language for current activities and decisions.
  - c. A defense for criminal activity.
  - d. All of the above
  - e. Both a and b
27. The Barbara Walters/Andrew Lloyd Webber/*Sunset Boulevard* examples involves:
- a. Bribery.
  - b. Organizational abuse.
  - c. Interpersonal abuse.
  - d. Conflicts of interest.
28. Which of the following models includes the question of legality of conduct as part of the ethical analysis?
- a. Blanchard and Peale
  - b. Laura Nash
  - c. Peter Drucker
  - d. None of the above
29. Who of the following follows the Front-Page-of-the-Newspaper test?
- a. Warren Buffett
  - b. John Locke
  - c. Robert Nozick
  - d. Peter Drucker
30. Which of the following is not part of the *Wall Street Journal* model?
- a. Compliance

- b. Consequences
  - c. Justice
  - d. All of the above are part of the model
31. Which of the following is similar to Kant's categorical imperative?
- a. The Golden Rule
  - b. The Divine Command
  - c. Front-Page-of-the-Newspaper test
  - d. All of the above are similar
32. Who is the lead character and author of the article, "The Parable of the Sadhu"?
- a. Stephen
  - b. The Sadhu
  - c. Bowen McCoy
  - d. The author is never named
33. With reference to #32 above, where does the story take place?
- a. Mt. Washington
  - b. Himalayas
  - c. Nepal
  - d. Both b and c
34. With reference to #32 above, which country is not represented among the climbing parties?
- a. New Zealand
  - b. Japanese
  - c. Swiss
  - d. US
  - e. All of these countries are represented among the climbing parties
35. With reference to #32 above, what happened to the Sadhu?
- a. He died
  - b. The parties carried him back down to the village for medical care
  - c. He hiked with Stephen
  - d. He finished his pilgrimage on his own
  - e. None of the above
36. With reference to #32 above, how many times had the author successfully climbed Mt. Everest?
- a. Once
  - b. Twice
  - c. Never
  - d. Five

37. What were the effects of the Piper High School cheating issues on Piper?
- a. No effects. That's why the parents wanted the teacher's decision reversed.
  - b. There was an increase in property values.
  - c. Colleges raised questions about Piper students.
  - d. Both b and c
38. What happened to the Piper High School teacher, Ms. Pelton?
- a. She was fired
  - b. Her decision was reversed
  - c. She quit her job
  - d. Both a and b
  - e. Both b and c
39. Which of the following is not a step in analyzing ethical dilemmas and case studies?
- a. Make sure you have all the facts available
  - b. List the concerns of each person involved in the dilemma
  - c. Develop a list of potential resolutions
  - d. All of the above are steps
40. How long had former MIT admissions dean Marilee Jones concealed her lack of a college degree?
- a. Three years
  - b. Twenty years
  - c. Twenty-eight years
  - d. Ten years
41. What is the variable in uncovering resume fraud?
- a. Sometimes the fraud is uncovered and sometimes it is not
  - b. The amount of time it takes to uncover the fraud
  - c. Whether the fraud relates to degrees
  - d. None of the above
42. What category of ethical dilemma applies to the use of cell phone alibis?
- a. Balancing ethical dilemmas
  - b. Giving or allowing false impressions
  - c. Conflicts of interest
  - d. Organizational abuse
43. Which of the following phrases does not signal a potential ethical pitfall?
- a. "That's the way it's always been done."

- b. "If we don't do it, someone else will."
  - c. "Your job is to be a team player, not ask questions."
  - d. All of the above signal an ethical pitfall.
44. Which of the following is not an element of the Laura Nash's model for evaluating ethical dilemmas?
- a. Is it legal?
  - b. How would I feel if I were on the other side of the fence?
  - c. How will my actions be perceived?
  - d. Could I discuss my decision with my boss, CEO, family, friends?
45. Under the Blanchard/Peale model, which of the following statements is correct?
- a. If it's legal, it's ethical.
  - b. If it's illegal, it's unethical.
  - c. If it's balanced, even if it is illegal, it is ethical.
  - d. None of the above
46. Ben Small, a sole practitioner, has just decided to form a law partnership with his lifetime friend, Harvey Steptoe. They agree to name the firm Steptoe and Small and to split all profits. Ben is also a director for a publicly-traded telecommunications firm, NewVector, Inc. Ben has just learned that Harvey is lead counsel in a lawsuit against NewVector. Ben continues to serve as a board member and participates in sensitive discussions about the lawsuit. Ben does not disclose that Steptoe is his partner. Ben's feeling is that he and Harvey are as honest as the day is long and neither would compromise their duties to NewVector and client, respectively.
- a. Ben has a conflict of interest and must either resign as a director or leave the partnership.
  - b. The pledge of both Ben and Harvey is sufficient to cover the ethical issues on conflict.
  - c. It is Harvey's obligation to take action, not Ben's.
  - d. None of the above
47. Randy White is the executive director of a non-profit preschool for special needs children. Part of Randy's responsibilities include fundraising for the preschool. Because of his experience and success in operating specialty pre-schools, Randy is sought after as a consultant at locations around the country to assist in the start-up and operation of such facilities. Randy does so quite frequently. Randy does not take vacation time for this work, and his consultant fees (which range from \$750 - \$1500 per day) are kept by him as personal income. Randy uses his secretary at the preschool to book his travel arrangements and prepare his consultant reports and bills for these outside engagements.
- a. Randy's activities are ethical so long as disclosed.
  - b. Randy is using the time and resources of his employer in an unethical manner.
  - c. Randy's activities are ethical whether disclosed or undisclosed.
  - d. There is no conflict of interest in Randy's activities.
48. Beth Williams is an exercise physiologist who serves as an expert consultant for Women's Walkers, Inc., a shoe company specializing in manufacturing walking shoes for women. Dr. Williams is paid an annual consulting fee along with additional fees for drafting reports and making media and public appearances for the company. *Executive Woman*, a national magazine, has asked Dr. Williams to serve as one of three experts on a panel that will evaluate the full market range of women's walking shoes. Dr. Williams will be paid a consulting fee by *Executive Woman* as well.
- a. Dr. Williams has a conflict of interest and should decline the *Executive Woman* offer.
  - b. Dr. Williams can participate in the *Executive Woman* panel so long as her affiliation with Women's Walkers is disclosed.

- c. Dr. Williams can participate in the *Executive Woman* panel if she waives her fee.
  - d. Dr. Williams is an academic with no conflict of interest and can participate in the *Executive Woman* panel.
49. Which of the following is not a conflict of interest?
- a. A doctor's referral of a patient to an x-ray lab that he owns for a full work-up without disclosing his ownership interest
  - b. A purchasing agent's failure to disclose a 22% ownership interest in a supplier that would be chosen anyway
  - c. A bank officer's solicitation of a charitable contribution for a non-profit organization of which he is a member from a customer with a large line of credit up for renewal in 30 days
  - d. All of the above are conflicts of interest
50. Jeff Sanders, head of finance for Components, Inc. has just interviewed Laura Dern, an employee from the finance department of InChip, Components' chief competitor. Laura has explained that she has been passed over one too many times for a promotion at InChip and is thus in the job market. As Laura is leaving she whispers to Jeff, "Look, I have no contract at InChip that obligates me in anyway. I can begin immediately. Further, I have been able to obtain copies of our newest computer chip designs. You'll have them before InChip even begins production."
- a. Jeff should hire Laura on the spot without any worries about ethical breaches since Laura is not under contract.
  - b. Jeff's hiring of Laura may constitute an ethical breach, but would not constitute illegal conduct.
  - c. Jeff should not hire Laura, and must analyze the issue of whether to disclose Laura's conduct to InChip.
  - d. Jeff should not hire Laura and need not worry about Laura's conduct and its impact on InChip.
51. An application for graduate school admission at Arizona State University includes the following request for information:
- Please list all institutions attended since graduation from high school.
- Marie Davis, a returning student, is applying for admissions to the Masters in Architecture program. Marie attended the University of Arizona for one semester in 1976. Marie had a substance abuse problem and did not attend many of her classes. She left the University of Arizona before classes ended that semester. She did not take her final exams and earned 15 credit hours of "E" for that semester. After 8 years, the policy of the University of Arizona is to expunge the records of non-matriculating students. Marie's record was expunged in December 1994.
- a. Marie need not disclose her attendance at the University of Arizona.
  - b. Marie should disclose her attendance at the University of Arizona.
  - c. Since Marie did not matriculate according to the University, she did not attend the University of Arizona.
  - d. None of the above
52. A radar detector:
- a. If purchased legally, is not an unethical device.
  - b. If used only in those states in which they are permitted is an ethical device.
  - c. Is a legal and ethical tool for circumventing speed limits.
  - d. None of the above
53. A professor for one of your courses has assigned reading materials from various publications. He tells you that the materials are on reserve and that each student should go and copy the materials individually. He notes that for him to copy the materials for students and then sell them or distribute them would be a violation of copyright law. The professor's conduct:
- a. Is unethical and violates copyright law as well.



- b. Is something everyone does and is accepted behavior.
  - c. Does not really harm anyone.
  - d. Is acceptable in an academic setting.
54. You had quite a night last night of partying. Because of excessive drinking, you are unable to get to work today. When you call your supervisor you:
- a. Should just say you have the flu.
  - b. Should just say you are sick.
  - c. Should disclose the prior night's activity.
  - d. None of the above
55. Professor Reba McGinty is the head of the Student Conduct Board. Charges have been brought against three students who are also members of the university basketball team. The charges are based on the criminal charges brought by the local district attorney against the three men for sexual assault. Professor McGinty's husband was one of the staff attorneys in the DA's office who made the decision to go forward with the prosecution. Professor McGinty:
- a. Can proceed with the hearing because the two matters are unrelated.
  - b. Can proceed with the hearing because of marital privilege.
  - c. Must excuse herself from the students' hearing because of a conflict of interest.
  - d. Has no conflict, but her husband does.
  - e. None of the above
56. Medical Purchasing Agents (MPC) is a company that represents groups of hospitals as their agents for purchasing medical supplies. MPC is able to obtain discounts for the hospital group because of their sheer volume needs when they are grouped together. MPC's CEO, CFO and general counsel own 51% of the stock of a company called Medi-Pump. Medi-Pump is the sole supplier to the hospitals for feeding pumps, IV pumps and other forms of hi-tech medical pumps and supplies. MPC has negotiated a low-cost supply contract from Medi-Pump to the hospitals. MPC:
- a. Has served its customers well with the Medi-Pump contract.
  - b. Has a conflict because of its ownership of Medi-Pump.
  - c. Cannot have a conflict so long as the Medi-Pump price is lowest.
  - d. Cannot have a conflict because it represents groups of hospitals.
  - e. None of the above
57. Mary Pickford is an analyst for Munford Stanley, an investment banker. She has touted the stock, an initial primary offering (IPO), of an obscure biotech firm as a "must buy." Munford Stanley is the underwriter for the IPO. Pickford:
- a. Does not have a conflict of interest.
  - b. Has a conflict of interest, but it is acceptable in IPOs.
  - c. Has a conflict of interest that must be disclosed to all purchasers.
  - d. Does not have a conflict of interest, but Munford Stanley does.
  - e. None of the above
58. Suppose, with reference to #57 above, that Pickford already owns an interest in the biotech firm, but Munford Stanley is not the underwriter. Pickford:
- a. Does not have a conflict of interest.
  - b. Has a conflict of interest, but it is acceptable in IPOs.
  - c. Has a conflict of interest that must be disclosed to all purchasers.

- d. Does not have a conflict of interest, but Munford Stanley does.
  - e. None of the above
59. James Dodgsen is a student in a graduate course in business. The professor in the course has given Dodgsen and his classmates a surprise quiz in class. Dodgsen did not do the reading for class that day because he had been grading papers as part of his TA position. He has been prepared for every other class that semester. As he glances at the quiz questions, he realizes that he does not know any of the answers. However, he sees that Jane Frampton, the student who sits next to him, is well prepared and answering the questions with great ease. He can see her answers because of her large, block-style printing. Dodgsen copies her answers.
- a. Dodgsen is justified in using the answers because the pop quiz was unfair.
  - b. Dodgsen is justified in using the answers because he was fulfilling his TA responsibilities instead of preparing for class.
  - c. Dodgsen is justified in using the answers if he intends to read the material eventually.
  - d. Dodgsen has been dishonest.
  - e. None of the above
60. Which of the following is not a question in the Laura Nash model for resolution of ethical dilemmas?
- a. Could I discuss this issue with the parties affected?
  - b. What are my intentions in taking this action?
  - c. Could I discuss this action with my family and friends?
  - d. Is it legal?
  - e. All of the above are part of the Nash model.
61. Into which of the following categories do patent and copyright infringement fall?
- a. Conflict of interest
  - b. Balancing ethical dilemmas
  - c. Organizational abuse
  - d. Interpersonal abuse
  - e. Taking things that don't belong to you
62. Which of the following best describes the "Parable of the Sadhu" events?
- a. The hikers returned the Sadhu to safety and health.
  - b. The hikers ignored the Sadhu so that they could reach the summit.
  - c. The hikers each did a little to help the Sadhu.
  - d. The hikers carried the Sadhu with them.
  - e. None of the above
63. Which of the following does the mountain climb represent in the "Parable of the Sadhu"?
- a. The struggle to achieve in business
  - b. The nature of interest rates
  - c. The Sadhu's home
  - d. The international nature of business
  - e. None of the above

64. Which of the following does the Sadhu represent in the “Parable of the Sadhu”?
- a. Business competitor
  - b. Business challenges
  - c. Customers
  - d. Ethical challenges in business
  - e. None of the above
65. Which of the following would be a breach of trust and ethics?
- a. Sharing a new product idea with a prospective employer
  - b. Leaving your current employment for a higher paying job
  - c. Leaving your current employment for a job with more flexibility
  - d. Taking the skills you have learned at a current job to a new job
  - e. All of the above are breaches of trust and ethics
66. An ad contains the following: “Restaurant Critic, Jose Winfrey, on Mama Leone’s Italian Eatery, ‘Mama Leone’s is simply the best. It is a surprising new entrant into the competitive Italian bistro market and it is a mighty one.’” Jose Winfrey is the cousin of the owner of Mama Leone’s and knows restaurants, but is not a critic for any publication or other media outlet. The ad:
- a. Creates a false impression.
  - b. Raises no ethical questions.
  - c. Is legal and ethical because it doesn’t state where he is a critic.
  - d. Both b and c
  - e. None of the above
67. Stephen Ambrose, a popular historian with many books to his credit, admitted that some segments of one of his recent books had language taken from the books of other historians that was not in quotes. Mr. Ambrose did footnote the work of authors he relied upon in doing his book.
- a. The work of an author is protected by copyright laws.
  - b. The use of quotes without attribution is not a violation of the law.
  - c. The use of the material is fair use and need not be footnoted.
  - d. Both b and c
  - e. None of the above
68. Which of the following ethical theorists subscribes to self-interest?
- a. Ayn Rand
  - b. Adam Smith
  - c. Thomas Hobbes
  - d. a and c only
  - e. All of the above
69. The contractarians are best represented by:
- a. Immanuel Kant.
  - b. Robert Nozick.

- c. Thomas Hobbes.
- d. John Rawls.
- e. None of the above

70. Which best describes the Categorical Imperative?

- a. Act in one's self-interest
- b. All rights exist by Divine Command
- c. Circumstantial ethics
- d. Behave in a manner that you are willing to have imposed on the whole
- e. None of the above

71. Which is Warren Buffett's test for ethics?

- a. The Categorical Imperative
- b. The Front-Page-of-the-Newspaper test
- c. The *Wall Street Journal* model
- d. Ethical Egoism
- e. None of the above

72. There are no laws that cover cutting in line. However, those who do take cuts in line are viewed with disdain by others because:

- a. Case precedent prohibits it.
- b. Normative standards govern this behavior.
- c. There are still criminal penalties for cutting in line.
- d. The theory of rights covers the issue.

73. Customer A has \$250 in his account. Six checks, totaling \$325, have come in for payment. One check is for \$257.00, with the remaining five checks making up the difference to the \$325 total. First Bank pays the five smallest checks first, honors the \$257.00 with overdraft protection, and charges the customer one overdraft fee. Second Third Bank pays the largest (\$257) check first, pays the five remaining smaller checks with overdraft protection, and then charges the customer five overdraft fees. Which of the following is correct?

- a. If this type of charge is legal; it is ethical.
- b. This type of charge is an example of taking unfair advantage.
- c. This type of charge is a conflict of interest.
- d. This type of charge is not an ethical issue.

74. The Graduate Management Admissions Council announced that it was canceling the GMAT scores of 84 applicants and students. The Council found that the students were active users of a now shut-down website, Scoretop.com, a site with origins in China that posted live questions from the GMAT. The site had 5,000 to 6,000 subscribers who paid \$30 per month for access, but the Council is only canceling the scores of those against whom it feels it has an airtight case. Two of the students whose scores were canceled are currently enrolled at the University of Chicago's MBA program and another has already graduated from Stanford's MBA program. Twelve of the students whose scores were canceled had posted questions on Scoretop.com and the remaining 72 allowed the site to post their testimonials that they had seen the Scoretop.com questions on their GMAT. Ten of the 72 students had applied to Stanford but were denied admission. Which ethical category does the conduct of the students who posted live questions fit into?

- a. Taking something that does not belong to you
- b. Balancing ethical dilemmas

- c. Interpersonal abuse
  - d. Organizational abuse
75. The Graduate Management Admissions Council announced that it would begin using a “palm vein” scan to eliminate proxy test taking after the FBI broke up a ring of six test takers who had taken the GMAT for 590 applicants, for a price of \$3,000 each. Which ethical category does the conduct of the proxy test takers fit into?
- a. Taking something that does not belong to you
  - b. Giving or allowing false impression
  - c. Balancing ethical dilemmas
  - d. Organizational abuse
76. Which statement best describes the moral of the story in “The Parable of the Sadhu”?
- a. That the rules and normative standards for mountain climbing are different from our day-to-day rules and that not stopping to help another climber is sometimes the right thing to do.
  - b. That those who are not prepared for the challenges of hiking have to bear the consequences.
  - c. That in our quest for success we sometimes walk right through moral dilemmas without really analyzing them.
  - d. That sometimes, despite working together, we are unable to solve problems and that we should not feel guilty if we have done our best.
77. The former CEO of Countrywide Mortgage (now a part of Bank of America), offered favorable loans to members of Congress, Countrywide government regulators, and members of the board and officers of Fannie Mae, the quasi-government agency that bought Countrywide’s mortgages in the secondary market. The loans were jumbo loans at below-market rates. Countrywide sold 90% of its mortgages to Fannie Mae. Congress was responsible for the creation, funding, and policies of Fannie Mae. The members of Congress who received the Fannie Mae favorable loans sat on House and Senate Banking Committees. Which of the following categories of ethical breaches, if any, applies to this practice?
- a. Taking things that don’t belong to you
  - b. Taking unfair advantage
  - c. Conflict of interest
  - d. All of the above apply
78. Former NBA referee Tim Donaghy entered a guilty plea to two federal felony charges in connection with his bets and tips to others on NBA games. Mr. Donaghy picked teams to win in games he was scheduled to referee. Experts have said that Donaghy committed the equivalent of insider trading on Wall Street by providing outsiders with information about games, players, and referees. He got \$5,000 from his tippees for correct picks. Apart from the criminal charges, what category of ethical breach does Mr. Donaghy’s conduct fall into?
- a. Taking what does not belong to you
  - b. Conflict of interest
  - c. Committing interpersonal abuse
  - d. None of the above
79. Priscilla Ceballos’s 6-year-old daughter is a fan of Hannah Montana and wanted to go to a Hannah Montana concert. A radio station was offering two tickets to the Hannah Montana concert for the child who wrote the winning essay. Ms. Ceballos and her daughter wrote an essay that detailed an account of their husband/father dying in the war on Iraq. The problem was that their husband/father was not in Iraq and certainly not dead. When the fake essay was uncovered, Ms. Ceballos said, “We did the essay, and that’s what we did to win. . . We did whatever we could to win.” The company revoked the prize and the award of the tickets.

Suppose the contest rules did not spell out that the essay had to be based on true and verifiable facts. What could the radio station rely on in revoking the prize and still have public support for its decision?

- a. The Blanchard/Peale test for ethical dilemmas
- b. Normative standards
- c. Stakeholder analysis
- d. None of the above

80. LeAnn Rimes, a country western singer, signed a contract at age 12 with Curb Records. Curb Records is owned by Mike Curb, a long-standing presence in the music industry who began his career with a group known as The Mike Curb Congregation. Under the terms of that contract as it originally existed, and as it was signed by Ms. Rimes' guardians, Ms. Rimes would have been 35 before she had delivered the 21 albums required under the agreement. "At 12, I didn't understand everything in my contract. All I know is that I really wanted to sing," was the explanation Ms. Rimes offered when she later testified before the California Senate Select Committee on the Entertainment Industry looking into the labor issues surrounding long-term album requirements contracts. Which of the following would apply to Curb Records' conduct with regard to Ms. Rimes?

- a. Taking unfair advantage
- b. Conflict of interest
- c. There is no ethical dilemma because Ms. Rimes' guardians were involved
- d. Taking something that does not belong to you.

81. Minnesota has a statewide smoking ban for public places. However, the state statute includes an exemption that permits smoking by actors in theatrical performances. In order to take advantage of the exemption, the Old Clover Inn, located in Vadnais Heights, Minnesota, has begun holding theater night, every night. The Old Clover Inn has placed its pool tables in an area that is framed with theater curtains and refers to the pool players as its actors. The Inn also has a stage for its cribbage players who sit and play cribbage and smoke.

The Inn calls the nightly production, "As the Clover Turned," and it distributes a playbill that describes the nightly plays as involving "numerous uncredited actors in the role of bar patrons." The Inn distributes buttons for \$1 to patrons. The buttons read, "Act Now!"

The Minnesota Health Department has warned the Inn that what it is doing is an attempt to circumvent the law. Which statement best describes the Old Clover Inn's approach to ethics?

- a. Old Clover Inn acts in a socially responsible manner, going above the requirements of the law in running a business.
- b. Old Clover Inn has found a perfectly legal way of doing business and compliance with the law is one standard for ethics.
- c. Old Clover Inn believes that ethics requires doing more than the law requires and less than the law allows.
- d. None of the above

82. A group of Wachovia (now part of Wells Fargo) customers filed a class action lawsuit against Wachovia Bank because fraudulent telemarketers had taken money from their accounts and that the telemarketers did so with the knowledge of bank executives who were aware of the fraud but did nothing to stop it. Banks executives insisted that they knew nothing about the thefts. However, internal e-mails released during discovery in the case showed that executives were discussing the frauds and providing warnings.

*"YIKES!!!!"*

*"DOUBLE YIKES!!!!"*

*"There is more, but nothing more that I want to put into a note."*

Warning from a Wachovia bank executive to colleagues that the bank had received 4,500 complaints of fraud in two months from customers who had been fleeced of \$400 million by marketing firms who paid the bank large fees for access and on returned checks.

*"We are making a ton of money from them."*

What test for resolving ethical dilemmas would have helped the executives at Wachovia reach a better decision as they debated the issue on their e-mails?

- a. "I was just following orders."
- b. "This doesn't really hurt anyone."
- c. The Front-Page-of-the-Newspaper Test
- d. "It's a gray area."

83. The UCLA Medical Center is facing sanctions from California's Department of Health because several of its employees viewed records of famous patients, patients with whom the employees had no contact or care responsibilities. The employees viewed the records of, among others, Maria Shriver (wife of Governor Arnold Schwarzenegger), the late Farrah Fawcett, and Britney Spears.

The unauthorized access to the records was uncovered when the story of the late Ms. Fawcett's recurrence of cancer was published in *The National Enquirer* before Ms. Fawcett had disclosed her health condition to family or friends. Ms. Fawcett's lawyers then notified the hospital of the only possible source of the information.

Which category of an ethical breach applies to the conduct of the hospital employees?

- a. Committing acts of personal decadence
- b. Conflict of interest
- c. Divulging information
- d. Balancing ethical dilemmas

84. Which model for ethical decision analysis requires managers to seek additional perspectives on ethical issues?

- a. Laura Nash model
- b. The *Wall Street Journal* model
- c. The Blanchard and Peale Model
- d. Both a and c
- e. a, b, and c

85. Matt Walsh, a golf pro from Hawaii, was a video operator for the New England Patriots from 1999-2002. Walsh says that he taped the Patriots' opponents' signals, information that he says was then used by the Patriots when they next met that team. If you know the signals, then you know what defense has planned. Offense is then a tad easier.

Some quotes emerged from the situation:

From Patriots' coach, Bill Belichick, "I misinterpreted the rules."

From Jacksonville Coach Jack Del Rio on the videotaping, "I think all teams do that. That's been going on forever."

From Matt Walsh, "I had always been a big Patriots fan. I wasn't going to question what they wanted me to do."

From Pennsylvania Senator Arlen Specter, "If you can cheat in the NFL, you can cheat in college, you can cheat in high school, you can cheat on your grade-school math test. There's no limit as to what you can do. I think they owe the public a lot more candor and a lot more credibility."

What rationalization is the Jacksonville coach applying?

- a. "Everybody does it."
- b. "That's the way it has always been done."
- c. "If we don't do it. . ."
- d. All of the above

86. With respect to #85, what rationalization did Matt Walsh follow?

- a. "I was just following orders."
- b. "Everybody does it."
- c. "That's the way it has always been done."
- d. All of the above

87. With respect to #85, what is Senator Specter concerned about?

- a. The slippery slope
- b. That the NFL is unregulated
- c. That there is no need for concern
- d. That no crime was committed

### **Short Answer/Essay Questions**

1. Explain what ethics is. Give a definition here.

SUGGESTED ANSWER:

Ethics consists of the unwritten rules we have developed for our interaction with each other.

2. List and briefly describe the schools of ethical thought.

SUGGESTED ANSWER:

- a. Divine Command Theory: ethical standards are based upon religious beliefs.
- b. Ethical Egoism Theory: We all act in our own self-interest and limit our judgments to our own conduct, not the conduct of others.
- c. Utilitarian Theory: "Greatest happiness principle," or doing the most good for the most people.
- d. Categorical Imperative and Immanuel Kant: One ought only to act such that the principle of one's act could become a universal law of human action in a world in which one would hope to live.
- e. Contractarians and Justice: Putting ethical standards in place by a social contract. Rational thinking people develop a set of rules for everyone.
- f. Rights Theory: Everyone has a set of rights and it is the role of government to enforce those rights.
- g. Moral Relativists: Time-and-place ethics. Making ethical choices based on the circumstances.
- h. Plato and Aristotle: Develop virtues and determine conduct by those virtues.

3. List the categories of ethical dilemmas.

SUGGESTED ANSWER:



- a. Taking things that don't belong to you
- b. Saying things you know are not true
- c. Giving or allowing false impressions
- d. Buying influence or engaging in conflicts of interest
- e. Hiding or divulging information
- f. Taking unfair advantage
- g. Committing acts of personal decadence
- h. Perpetrating interpersonal abuse
- i. Permitting organizational abuse
- j. Violating rules
- k. Condoning unethical conduct
- l. Balancing ethical dilemmas

4. Give the ways we avoid facing ethical dilemmas.

SUGGESTED ANSWER:

Give it a different label:

Copyright infringement vs. peer-to-peer file sharing  
 Smoothing earnings vs. cooking the books  
 Lying vs. earnings management

Rationalizations:

- (1) Everybody else does it
- (2) If we don't do it, someone else will
- (3) That's the way it has always been done
- (4) We'll wait until the lawyers tell us it's wrong
- (5) It doesn't really hurt anyone
- (6) The system is unfair
- (7) It's a gray area
- (8) I was just following orders
- (9) We all don't share the same ethics

5. Give a description of the simple tests that can be used to resolve ethical dilemmas.

SUGGESTED ANSWER:

- a. Peter Drucker: primum non nocere; above all do no harm
- b. Laura Nash

- (1) Have you defined the problem accurately?
- (2) How would you define the problem if you stood on the other side of the fence?
- (3) How did this occur in the first place?
- (4) To whom and what do you give your loyalties as a person and as a member of the corporation?

- (5) What is your intention in making this decision?
- (6) How does this intention compare with the likely results?
- (7) Whom could your decision or action injure?
- (8) Can you engage the affected parties in a discussion of the problem before you make your decision?
- (9) Are you confident that your position will be as valid over a long period of time as it seems now?
- (10) Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole?
- (11) What is the symbolic potential of your action if understood? If misunderstood?
- (12) Under what conditions would you allow exceptions to your stand?

c. Blanchard and Peale

- (1) Is it legal?
- (2) Is it balanced?
- (3) How does it make me feel?

d. Warren Buffett – Front-Page-of-the-Newspaper Test

“Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children, and friends. At Salomon we simply want no part of any activities that pass legal tests but that we, as citizens, would find offensive.”

e. *Wall Street Journal*

- (1) Am I in compliance with the law?
- (2) What contribution does this choice of action make to the company, the shareholders, the community, and others?
- (3) What are the short- and long-term consequences of this decision?

f. Categorical Imperative (Kant)

“Do unto others as you would have them do unto you.”

6. List the six steps you should follow for analyzing an ethical dilemma.

SUGGESTED ANSWER:

1. Make sure you have a grasp of all of the facts available.
2. List any information you would like to have but don't and what assumptions you would have to make, if any, in resolving the dilemma.
3. Take each person involved in the dilemma and list the concerns they face or might have.
4. Develop a list of resolutions for the problem.
5. Evaluate the resolutions for costs, legalities, and impact.
6. Make a recommendation on the actions that should be taken.

7. List those affected when employees cheat on their travel expenses.

SUGGESTED ANSWER:

- The employee who cheats on the expenses
- Potentially, employee's family and creditors if employee is terminated
- Company
- Shareholders
- Other employees
- Customers because company expenses go up and company may charge more

8. Define wi-fi piggybacking and explain why it is an ethical issue.

SUGGESTED ANSWER:

Wi-fi piggybacking is the use of someone else's wireless network access. You "piggyback" on to their network and have internet access without having to pay.

9. List those who are affected by wi-fi piggybacking.

SUGGESTED ANSWER:

- The person who is paying for the access because the speed and accessibility of their network is affected
- The wireless service providers who are not compensated for the multiple users
- Other customers of wireless server who may have to pay higher rates for upgrades as a result of the use of piggybackers
- Potential competitors for wireless service providers who cannot enter the market to compete because costs are so high and paying customers few

10. Dr. Phil Hayes has received an offer of full funding for his research on a new drug manufactured by Eli Mentin. The drug would be a competitor for Prozac without the questioned side-effects of possible violent behavior. Eli Mentin has, however, attached a condition to the funding. That condition is that Dr. Hayes may not publish his findings until Eli Mentin executives and its attorneys have had the opportunity to review them.

List the ethical issues Dr. Hayes faces with this offer.

SUGGESTED ANSWER:

Dr. Hayes is creating a conflict of interest for himself and possibly sacrificing the perceived independence of his work.

Eli Mentin is compromising the integrity of Hayes' research and potentially withholding information about the product and its safety.

Eli Mentin's approach is not one of candor and compromises the ethical values of honesty, fairness and safety.

11. Susan Wade is the president of the Illinois Hospice Organization (IHO). IHO is a state organization affiliated with a national non-profit organization, the National Hospice Organization. Both the state and national organizations have members from both for-profit and non-profits hospices. Susan Wade is the director of a non-profit hospice in Illinois.

A Chicago newspaper has printed a story about hospices and what they do. Susan was interviewed extensively for the piece. In one quote in the article, Susan expressed her concerns about for-profit hospices. "It has become the sort of franchise of the decade. They're not all bad, but I think the original spirit of hospice is becoming very adulterated. There's one time in a person's life when he shouldn't be looked at as a number, as a piece of an actuarial problem. If your first and last priority is making money, it flies in the face of what hospice is all about. It's the end of the health-care chain. It's the place of last hope for patients. Dollars should not be the issue here."

A chief operating officer of a for-profit hospice has written to Susan complaining that her remarks are libelous and misinform the public about for-profit hospices.

- a. Does Ms. Wade have a conflict of interest?
- b. Is Ms. Wade properly executing her role as the president of the state organization?

**SUGGESTED ANSWERS:**

- a. Ms. Wade has a conflict of interest in the sense that as president of the state organization she represents all members and should not speak favorably of one type of member and unfavorably about another type. It is not, however, the traditional type of conflict of interest in which she benefits. Ms. Wade works for a non-profit institution and discussing the problem of for-profit will not change whether she has a job. The remarks could have an impact on how many patients her hospice has, but because of the non-profit nature, there is no financial gain to her.
- b. As an elected representative, Susan should represent all members and not divide the organization or question the motives of some members. Perhaps her issues that she raised for the newspaper stories could be topics of seminars and debates for the members. But she should not be in a position, because of her role as president, to use opportunities with the media to lessen the standing of some members of the organization.

12. Henry Rauzi, the controller for Sunbeam, issued an offer to Linda Croce for an entry-level accounting position at Sunbeam at a salary of \$34,000 per year. Ms. Croce accepted the offer and gave notice to her employer. When then-CEO of Sunbeam, Paul Kazarian, was informed of the offer, he demanded that Mr. Rauzi rescind it because Kazarian had not approved it prior to it being made. Mr. Rauzi called Ms. Croce at 10:00 P.M. three days before she was scheduled to begin work and told her of Mr. Kazarian's action. Ms. Croce had no job and remained unemployed for several months while she searched for a new job.

Evaluate the legality and ethics of Sunbeam's officer's actions with respect to Ms. Croce.

**SUGGESTED ANSWER:**

Apart from the obvious legal difficulty that Ms. Croce had a contract because she had already accepted the offer, there is the ethical dilemma, even without such formality, of reneging on one's word. There was a meeting of the minds and Ms. Croce relied on the promise in quitting her other job. The fact that an internal error in reporting lines was made should not affect the extension of the offer to Ms. Croce. Ms. Croce had no way of knowing that there were limitations on Mr. Rauzi's authority. Certainly she had no way of knowing that he could not issue an offer. Sunbeam's actions with respect to Ms. Croce were unfair, unbalanced and unethical.

13. In 1991, James McElveen fell 30 feet from a waterfall and broke his back. He was employed by a small business and had no medical insurance. His lifetime friend, Benny Milligan, was with him when the fall occurred. Benny took James to the emergency room. Moved by his friend's severe injuries and pain and suffering and realizing that James did not have insurance, Benny switched IDs with James in the hospital emergency room. James required surgery to fuse his back to avoid what doctors said would have been certain paralysis. The cost of the surgery and hospitalization was \$41,107.45. Neither James, employed as a mechanic, nor Benny, employed as a painter, could have paid for the surgery and follow-up care. Benny's employer's insurance paid for the surgery because the hospital took the information from Benny's ID found in James' pockets.

While Benny was contemplating telling his employer, someone notified the insurance company of the switch. Benny, James, and Benny's wife, Tammy Milligan, were charged and convicted of mail fraud, wire fraud and conspiracy. Tammy, because of the Milligans' three young daughters, is serving her sentence through home confinement, Benny is serving 9 months and James is serving 7 months. All three will serve three years on probation and pay restitution.

Benny states, "I know what I did was wrong. But I look back on it, and I feel that I had to do it at the time. I don't feel like I'm a criminal in the sense of rapers, muggers and murderers." Benny said he did not understand that a hospital has an obligation to treat someone who is dying. Friends testified that as they were racing James to the hospital they told Benny that hospitals in the area had routinely refused to provide medical treatment.

Benny said he wanted to tell his employer, but he was afraid he would be fired and then be stuck with the bill. Tammy adds that the government is right to demand restitution but wrong to imprison them. James asked the judge if he could go to prison for all three of them, "I would be lost without my friendship with Benny. I probably would be dead."

- a. Benny and James committed an illegal act. Was it unethical?
- b. What punishment is appropriate in the case?
- c. If you were Benny's employer, what would you have done?

#### SUGGESTED ANSWERS:

- a. It was wrong and illegal to defraud the insurance company. It was taking the costs of the medical care, something that did not belong to James. Although the case evokes a great deal of sympathy, we all pay the cost when someone who is not insured enjoys payment by an insurer. The harm comes in the form of higher payments for all of us. Benny, James, and Tammy all had to lie and sign sworn statements that were untrue in order for James' surgery to be covered under Benny's insurance. They committed their acts in the name of something very important, but it was wrong.

Benny defined the problem incorrectly: it was either switch IDs or have his friend suffer. In fact, there were alternatives, but Benny did not think them through. James would have received his emergency treatment at the first hospital. If the surgery was not something necessary to preserve his life, he would have been transferred to another hospital, such as a county hospital, where care is provided without regard to whether the individual has insurance. No one was asking questions about the care. They made assumptions and committed fraud to be certain there was medical care.

- b. While the fact that there was lying and fraud involved cannot be changed, the circumstances, as well as Benny's misunderstanding about the availability of medical care, should have some impact on the punishment for the three individuals. It is proper and fair to require reimbursement. However, Benny's lack of criminal intent should be considered as a factor in determining whether jail time is appropriate. Some other form of punishment such as restitution along with community service or the funding of a program of medical insurance coverage for those without would seem to suit the situation better than imprisonment.
- c. Benny's employer probably had little choice but to report the problem because the impact on its insurance costs was perhaps tremendous because of the extensive nature of the injury and care. The employer could not be expected to lie to the insurer about Benny's presence at work after such major surgery. In short, the employer could not be asked to participate in the fraud. However, the employer could have served as a character witness if Benny was a good and stable employee. Further, the employer might have been more understanding about Benny's motivations. On the other hand, from the employer's perspective, it is difficult to send a strong message to employees about insurance fraud if Benny is retained.

14. Althea Caldwell is the director of Arizona's Department of Health Services (DHS). DHS is charged the administration of the state's behavioral health system and is responsible for contracting with private providers for millions of dollars of mental health care each year for eligible patients.

Ms. Caldwell accepted a \$20,000 per year director position for a hospital group corporation. One of the hospitals in the group was one to which state contracts for mental health treatment had been awarded.

One month after accepting the position, Ms. Caldwell asked the state's attorney general for an opinion as to whether she had a conflict of interest.

Does Ms. Caldwell have a conflict of interest?

SUGGESTED ANSWER:

Ms. Caldwell has a classic textbook conflict of interest. You cannot be the state official responsible for awarding contracts AND the director of a company that owns one of the facilities bidding for those contracts. The \$20,000 is a quid pro quo – a position awarded with compensation with the hope of gaining an edge in the state agency's award of contracts.

15. Stanford University medical researchers conducted a study on the correlation between the use of fertility drugs and ovarian cancer. Their study, published in the *American Journal of Epidemiology*, concludes that the use of the fertility drugs, Pergonal and Serophene, may increase the risk of ovarian cancer by three times. The lead author of the studies, Professor Alice Whittemore, stated, "Our finding in regard to fertility drugs is by no means certain. It is based on very small numbers and is really very tenuous."

FDA Commissioner David Kessler would like the infertility drug manufacturers to disclose the study findings and offer a warning on the drug packages. He notes, "Even though the epidemiology study is still preliminary, women have a right to know what is known. We're not looking to make more of this than there is."

If you were a manufacturer of one of the drugs, would you voluntarily disclose the study information?

SUGGESTED ANSWER:

Given the history of asbestos, the breast implants, and other products covered in the text, it is not difficult to spot a similar pattern here. Although the law may not require disclosure, the ethical tests of balance and "how would you want to be treated?" point manufacturers in the direction of disclosure. Full market information requires that buyers make choices based on full disclosure. Without the study information, making those decisions becomes one-sided. The drug firm has more information that is not available to their purchasers. Further, the history of the cases mentioned demonstrates that firms are always better off financially if they make the disclosure and allow the market to function than if they withhold the information and must later defend product liability suits. The disclosure should be made not only from an ethical perspective but also from a financial and litigation perspective.

16. Former-President George W. Bush has proposed reforming Social Security by asking those from ages 18-40 to forego their social security and invest their own funds in a retirement/pension plan. What ethical theory most applies to this proposal?

SUGGESTED ANSWER:

Utilitarianism – some must sacrifice but it is the most good for the most people.

17. Applying ethical theories, discuss why you would not take food out in your pockets from an all-you-can-eat buffet.

SUGGESTED ANSWER:

Utilitarianism – to give everyone a chance, you wouldn't take all the food.

Categorical Imperative – if you didn't want people to do it at your restaurant, you wouldn't do it at another's.

Contractarian – if you didn't know which side you were on, you would choose a principle of fairness and not taking food.

18. In November 2009, world-class golfer Tiger Woods crashed his escalade into a tree near his Florida home. One of the windows in his Escalade had been smashed with a golf club. Mr. Woods' wife pulled him from the car and he was taken to the hospital, treated for injuries, and released. A sordid tale

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emerged over the next few days of a pattern of extra-marital affairs by Mr. Woods with a resulting separation from his wife and their eventual divorce. Following these public disclosures, sports writers, golf pros, country club staff members, and even CEOs of companies said that they were all aware of Mr. Woods' infidelity and that it was the best kept widely known secret among and between those who were golf players and/or fans. One said, "We just had a pact of silence." When the news of Mr. Woods' serial infidelity made international news, some of his sponsors dropped him and others continued with him as a spokesperson. Are there any ethical issues here? Who faces them? Discuss whether you would have gone along with the pact.

### SUGGESTED ANSWER:

The students should discuss the ethical category of "condoning unethical actions." They should also list who is affected by the pact – from Mr. Woods' wife and children to the reputation of the companies for whom he served as a spokesperson. There could also be rationalizations – everybody does this. Sometimes "it's none of my business" comes up as a way around facing the dilemma. However, whom could your actions hurt is a good question to ask in analyzing this situation. Mr. Woods' family and career were affected by the conduct and the longer it went on, the worse the fall-out was going to be.

19. Discuss norm shifting and speeding.

### SUGGESTED ANSWER:

The students should discuss that "everybody does it" and so we speed. Norms shift through patterns and practices of behavior. However, norm shifting is not the end of ethical analysis. However, the students should also discuss who is affected by norm shifting and whether we are still held to the norm for purposes of liability and the dangers of having the fluid determination of a standard.