

Chapter 1 Business Environment

Section 3

Business Ethics and Social Responsibilities



1. Which of the following is the most appropriate definition of stakeholders of a company?
 - A. people working in the company
 - B. people or organisations that would be affected by the actions of the company
 - C. all citizens in the city where the company is located
 - D. people or organisations that have an economic relationship with the company

2. Which of the following are stakeholders of a company?
 - (1) companies in the same industry
 - (2) employees
 - (3) the government
 - A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

3. Social responsibility is a set of _____.
 - A. written rules that governs the behaviours of companies
 - B. moral principles that companies should comply with
 - C. obligations for companies to act for the benefits of the whole society
 - D. traditional norms for companies to follow

4. Which of the following is/are the correct description(s) about business ethics?
 - (1) It brings direct monetary rewards to companies.
 - (2) It comprises a set of moral principles and standards guiding a firm to make decisions so as to conform to social norms.
 - (3) Its nature is similar to the law.
 - A. (1) only
 - B. (2) only
 - C. (1) and (2) only
 - D. (2) and (3) only

5. Which of the following is/are the reason(s) for supporting social responsibility?
- (1) It improves the company's image.
 - (2) It directly generates revenue to the company.
 - (3) It lowers the production and operation costs.
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
6. Which of the following descriptions about business ethics is/are correct?
- (1) A firm complies with business ethics by distributing dividends to its shareholders every financial year.
 - (2) Complying with business ethics is beneficial to the development of a firm in economic aspect.
 - (3) A firm needs to gain more profits for its owners by reducing its employees' benefits.
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only

Based on the following information, answer Questions 7 to 8.

Andrew is the owner of Star Tuck Shop. He employs two staff members, Yoyo and Vivian, whose job natures are the same.

7. Which of the following should Andrew do in order to be socially responsible to his employees?
- (1) pay a higher hourly wage to Yoyo, who is Andrew's cousin
 - (2) provide them with a comfortable workplace
 - (3) recognise the contribution made by Yoyo and Vivian to the firm
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

8. On the other hand, which of the following should **NOT** be done if Andrew wants to be socially responsible to his customers?
- A. sell the food at a reasonable price
 - B. use smuggled chicken from Shenzhen to make preserved chicken rice
 - C. post a food pyramid poster outside the tuck shop and highlight “oil” and “sweet” in the “Eat less” section
 - D. receive comments from students and improve services according to the comments
9. Which of the following should **NOT** be done by socially responsible companies or managers?
- A. pay tax honestly
 - B. inform customers details of what they buy
 - C. avoid using nude photos of girls in their advertisements
 - D. allow employees to lower the product prices whenever they want
10. Which of the following is **NOT** a reason for people to object to a firm bearing social responsibility?
- A. Profits cannot be maximised if a firm tries to bear social responsibilities.
 - B. There will then be a loss in credibility.
 - C. Extra costs are incurred by being socially responsible to society.
 - D. It is the government’s but not a firm’s duty to help the needy.
11. Which of the following is/are **NOT** the advantage(s) for a business to be socially responsible?
- (1) obtain a longer credit period when borrowing loans
 - (2) attract customers who support the idea of social responsibility
 - (3) maintain reliable sources of raw materials
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
12. Which of the following are the consequences if a firm is not socially responsible to its employees?
- (1) high staff turnover and low morale
 - (2) diminishment in staff productivity
 - (3) weaker commitment and loyalty to the firm in the part of staff members
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 13 to 14.

Janna is the Chief Executive Officer (CEO) of a local newspaper group, West Daily. It engages in a keen competition with its competitors through different means, ranging from lowering prices, using promotional gimmicks, to reporting shocking news about celebrities, in order to widen customer sources. Her newspaper is currently sued by an artist, Jillian, of taking pictures near her home illegally, which is unethical.

13. The illegal action is mainly caused by the keen competition with its competitors. Which of the following can West Daily do to promote a healthy competition atmosphere?
- A. collaborate with its competitors to raise the prices of their newspapers together
 - B. engage in an even keener competition
 - C. emphasise the major advantages of the products that are unique to each other
 - D. merge with its competitors to avoid direct competition
14. Suppose Janna plans to enhance the ethical standard of her subordinates. Which of the following measures can she implement?
- (1) shorten the lunchtime of those who act unethically
 - (2) provide them with a code of ethics to follow
 - (3) provide training on business ethics to staff
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 15 to 16.

Hammer Ltd is a company manufacturing high-tech electronic gadgets in China and selling them all over the world. Hammer, the general manager, recently discovered that Simon, the production manager, bribed the Chinese government officials in order to carry out the production without complying with the environmental regulations.

15. After this incident, Hammer believes that the awareness of business ethics of his subordinates is low. Which of the following ways is **NOT** an appropriate way to enhance it?
- A. give rewards to ethical behaviour and punishments to unethical behaviour in terms of year-end bonus
 - B. provide additional educational courses on business ethics
 - C. provide a hostile working environment to subordinates whose behaviour is unethical but a tidy one to the ethical ones
 - D. encourage subordinates to report unethical behaviour

16. The unethical practices of Simon have caused much pollution near the production base. In light of this, Hammer wants to bear the firm's social responsibility to the environment. Which of the following is/are appropriate way(s) for him to achieve this aim?
- (1) terminate the productions in factories immediately
 - (2) implement environmentally friendly measures such as recycling
 - (3) relocate the production base to other less polluted countries
- A. (1) only
 - B. (2) only
 - C. (1) and (3) only
 - D. (2) and (3) only
17. Which of the following are the socially responsible behaviours of a law firm towards its clients?
- (1) provide discounts to loyal clients
 - (2) provide services of high quality at reasonable prices
 - (3) provide good follow-up services
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
18. Which of the following are possible adverse consequences that the stakeholders of a firm may face if the firm goes bankrupt and winds down?
- (1) Customers cannot receive services or products purchased.
 - (2) Creditors may not get back all the money lent to the firm.
 - (3) Suppliers cannot collect all the debts owed by the firm.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
19. A supplier has offered the general manager of a toy chain store an expensive diamond as a present in order to obtain a long-term contract with the store. Which of the following is the most ethical action that the general manager should take?
- A. go back and discuss with the owners of the store whether to accept the offer
 - B. sign the long-term contract but reject the present
 - C. accept the offer and get the present if no one knows about that
 - D. report to the Independent Commission Against Corruption (ICAC)

20. Which of the following are the benefits if a firm bears its social responsibility towards the environment?
- (1) It promotes sustainable development.
 - (2) It boosts reputation and image.
 - (3) It helps the firm earn more profit in the long run.
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)

Based on the following information, answer Questions 21 to 23.

Care Coach Company has been providing coach services to schools for many years and is devoted to creating an image of a caring company. It believes that all companies should be socially responsible. More than half of the primary schools in Lam Tin and Kwun Tong have chosen Care Coach because of its safe and efficient services.

21. Which of the following measures can Care Coach Company take to fulfil its social responsibility concerning its coach services?
- (1) charge children from low-income families a lower fee
 - (2) participate in charity work with the use of coach services
 - (3) provide drivers with additional safety training
- A. (1) and (2) only
 - B. (1) and (3) only
 - C. (2) and (3) only
 - D. (1), (2) and (3)
22. Which of the following actions can Care Coach Company take in order to bear its social responsibility towards the environment?
- A. terminate the business in order to reduce pollution
 - B. use environmentally friendly fuels and engines
 - C. do not turn on the air-conditioners in hot weather
 - D. carry fewer passengers per coach in hot weather

23. As Care Coach Company recognises the importance of fulfilling social responsibility, it is willing to accept lower return for the benefits of school children. However, some companies oppose the practice of social responsibility and do not incorporate it into one of their business goals. Which of the following are the reasons behind?
- (1) They have already benefited society by providing jobs, products and services.
 - (2) They have paid profits tax to the government which can be used on providing social services.
 - (3) Investors oppose those companies to bear social responsibility because it lowers their return on investment.
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
24. Which of the following are the social responsibilities of a company towards its investors?
- (1) provide detailed and accurate financial information
 - (2) enhance the transparency of company strategies
 - (3) distribute all the profits earned to investors as dividends
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
25. How can a company fulfil its social responsibilities towards its employees?
- (1) provide employees with opportunities to participate in major decisions
 - (2) give them equitable and fair remuneration
 - (3) provide them with a safe and healthy work environment
- A. (1) and (2) only
B. (1) and (3) only
C. (2) and (3) only
D. (1), (2) and (3)
26. Which of the following companies is/are NOT practicing social responsibility?
- (1) Jenny Company, which transacts frequently with charitable organisations
 - (2) a local power company which promises to cut pollutant emission locally while increasing the emission outside the city
 - (3) Timmy Clothes, which is lowering the price of clothes
- A. (2) only
B. (3) only
C. (2) and (3) only
D. (1), (2) and (3)

27. Which of the following is an INCORRECT description of how a company addresses stakeholders' needs?

	<u>Stakeholder</u>	<u>Way to address the stakeholder's need</u>
A.	concern groups	taking their opinions into consideration
B.	government	following laws and rules
C.	distributors	repaying debts on time
D.	shareholders	making profit

28. Which of the following people demonstrates social responsibility?

- A. Mr. Lei, who offers a band to all customers as a gift for promotion
- B. Brother Kit, who provides free lunchboxes to the impoverished elderly
- C. Joey, the chief executive officer of a company who decides to use harmful raw materials to manufacture free gifts for customers
- D. Stephen, who hires workers at an extremely low salary to produce free gifts to customers

29. John started a small business as a sole proprietor without any employees on 1 January 20X4. He went bankrupt one year later and decided to close the business. Which of the following is an adverse effect to stakeholders in John's business after the closure?

- A. Shareholders of the company could not get back their capital.
- B. Workers could not get back their salaries.
- C. Customers of the company could not buy products from the company, causing inconvenience.
- D. Competitors of the company would benefit due to a less fierce competition.