

What is Business Ethics?

Worksheet

Business ethics refers to the moral principles, values, and standards that regulate business behavior. Key areas: honesty, fairness, responsibility to stakeholders (employees, customers, environment), compliance with laws, and long-term value creation over short-term profit.

Questions

1. Which stakeholder group is MOST affected by a company's environmental practices?
 - A) Investors only
 - B) Customers and communities
 - C) Only governments
 - D) Shareholders
2. A company discovers an accounting error that inflates profits. Ethical obligation?
 - A) Hide it to protect stock price
 - B) Report it and correct it
 - C) Tell only investors
 - D) Report only to CEO
3. Why is paying fair wages an ethical issue, not just business cost?
 - A) Governments require it
 - B) It's just a cost reduction
 - C) Employees depend on wages for dignity, security; underpaying exploits them
 - D) It doesn't matter
4. Can a business be profitable AND ethical?
 - A) No, they conflict
 - B) Only if profit is the sole focus
 - C) Yes; ethics often build long-term profitability
 - D) Ethics only in non-profit
5. A factory can double profit by dumping waste in a river instead of treating it. Ethical choice?
6. A manager learns a coworker is being harassed and stays silent to avoid conflict. Ethical?
7. A company discovers a product defect. Recall costs \$2M; ignoring it saves money but risks harm. Choice?
8. Define: What is business ethics?
9. Define: Who are a business's stakeholders?
10. Define: Give an example of an ethical business practice.

Answer Key

1. B) Customers and communities - Customers and communities directly experience pollution, resource depletion, and climate impact.
2. B) Report it and correct it - Transparency and honest reporting protect stakeholders and ensure compliance with laws.
3. C) Employees depend on wages for dignity, security; underpaying exploits them - Fair compensation respects human dignity and is a core ethical responsibility.
4. C) Yes; ethics often build long-term profitability - Ethical practices build trust, loyalty, and reputation-often leading to sustainable profit growth.
5. Short-term profit: +\$500K Cost to environment & community: pollution, health risks, legal liability ETHICAL CHOICE: treat waste despite lower profit. Long-term: sustainable reputation, compliance, trust.
6. This is UNETHICAL. Responsibility to employees includes a safe, respectful workplace. Ethical action: report, support, ensure accountability.
7. ETHICAL CHOICE: recall the product. Responsibility to customers overrides short-term profit. Long-term: brand reputation, trust, legal protection.
8. Moral principles and standards that guide business decisions and conduct, balancing profit with stakeholder responsibility.
9. Employees, customers, investors, communities, suppliers, and the environment-anyone affected by the business.
10. Paying fair wages, ensuring safe working conditions, transparent accounting, honest advertising.

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