

Western Governors University (WGU) BUS3000 C717 Business Ethics Pre-assessment Practice Exam (Sample)

Study Guide



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Questions

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1. What is the code that corresponds to Section 406 of the Sarbanes-Oxley Act?
 - A. Code of Conduct
 - B. Code of Ethics for Senior Financial Officers
 - C. Code of Ethics for Accountants
 - D. Corporate Governance Code
2. Which term best describes the actions and attitudes that ethical businesses adopt towards stakeholders?
 - A. Corporate Responsibility
 - B. Profit Maximization
 - C. Operational Efficiency
 - D. Strategic Planning
3. What is a primary focus of a code of ethics?
 - A. To ensure financial success for the company
 - B. To outline acceptable behaviors in the workplace
 - C. To provide legal protection for executives
 - D. To establish competition strategies
4. What step is crucial even after a decision has been made in responsible decision making?
 - A. Documenting every process
 - B. Celebrating the outcome
 - C. Monitoring results and learning from them
 - D. Focusing on future decisions
5. How does transparency contribute to business ethics?
 - A. By minimizing costs in operations
 - B. By ensuring actions are hidden from stakeholders
 - C. By building trust and accountability through openness
 - D. By focusing only on financial results

6. What is an ethical dilemma?
- A. A situation with conflicting moral choices affecting decision-making
 - B. A clear choice between right and wrong actions
 - C. An agreement between parties to avoid conflicts
 - D. A process for resolving disputes through mediation
7. How does social media impact business ethics?
- A. It decreases transparency in business practices
 - B. It amplifies ethical issues and increases accountability
 - C. It allows businesses to avoid ethical scrutiny
 - D. It discourages stakeholder engagement
8. What is the relationship between ethics and business performance?
- A. Ethics has no effect on performance
 - B. Ethics can enhance reputation and performance
 - C. Only profit margins matter for performance
 - D. Ethics reduces competition
9. What is one major challenge of living an ethical life?
- A. Understanding legal obligations
 - B. Deciding how to act, who to be, and how to live
 - C. Building relationships with stakeholders
 - D. Maximizing personal gains
10. What does philosophical ethics primarily distinguish between?
- A. What people do value and what they don't value
 - B. What people believe and what they should believe
 - C. What people do value and what people should value
 - D. What people think and what they feel

Answers

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1. B
2. A
3. B
4. C
5. C
6. A
7. B
8. B
9. B
10. C

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Explanations

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1. What is the code that corresponds to Section 406 of the Sarbanes-Oxley Act?

A. Code of Conduct

B. Code of Ethics for Senior Financial Officers

C. Code of Ethics for Accountants

D. Corporate Governance Code

Section 406 of the Sarbanes-Oxley Act specifically mandates the establishment of a Code of Ethics for Senior Financial Officers within publicly traded companies. This section emphasizes the importance of ethics in financial reporting, aiming to promote honest and ethical conduct among senior financial personnel, including the chief financial officer and the controller. The requirement for a code of ethics helps ensure that these key figures adhere to responsible practices that uphold the integrity of financial statements, which is crucial for maintaining investor confidence and overall market fairness. The other options do not align with the specific focus of Section 406. While they may relate to ethical conduct in business, they do not specifically target senior financial officers as mandated by this section.

2. Which term best describes the actions and attitudes that ethical businesses adopt towards stakeholders?

A. Corporate Responsibility

B. Profit Maximization

C. Operational Efficiency

D. Strategic Planning

The term that best describes the actions and attitudes that ethical businesses adopt towards stakeholders is corporate responsibility. Corporate responsibility encompasses the idea that businesses should not only operate for profit but also consider their impact on society, the environment, and their stakeholders, which include employees, customers, suppliers, and the community. This approach highlights the ethical obligations of a business to act in ways that benefit not only their bottom line but also the broader social good. Ethical businesses engage in practices that promote sustainability, fairness, and transparency. They strive to build trust and maintain positive relationships with their stakeholders by prioritizing ethical decision-making and social accountability. This commitment to corporate responsibility often leads to long-term benefits, such as enhanced reputation, customer loyalty, and employee satisfaction. In contrast, profit maximization focuses solely on increasing financial returns, often disregarding the ethical implications of business practices on stakeholders. Operational efficiency relates more to internal processes and cost-effectiveness rather than ethical considerations. Strategic planning involves setting overall goals and directions for the business but does not inherently address the ethical stance towards stakeholders. Therefore, corporate responsibility appropriately captures the essence of ethical conduct in business.

3. What is a primary focus of a code of ethics?

- A. To ensure financial success for the company
- B. To outline acceptable behaviors in the workplace
- C. To provide legal protection for executives
- D. To establish competition strategies

A primary focus of a code of ethics is to outline acceptable behaviors in the workplace. This code serves as a guiding framework that defines what is considered ethical conduct for employees, management, and sometimes even business partners. By establishing a clear set of expectations, a code of ethics helps to create a culture of integrity, trust, and accountability within the organization. It outlines principles and standards that promote fair treatment, respect among employees, and responsible decision-making. A well-implemented code of ethics can lead to a positive work environment and help prevent unethical behavior, which ultimately contributes to the overall well-being of the organization. This focus is crucial for maintaining not only the company's reputation but also the morale and productivity of its workforce.

4. What step is crucial even after a decision has been made in responsible decision making?

- A. Documenting every process
- B. Celebrating the outcome
- C. Monitoring results and learning from them
- D. Focusing on future decisions

Monitoring results and learning from them is a crucial step even after a decision has been made in responsible decision making because it allows individuals and organizations to evaluate the effectiveness of their decisions. By closely observing the outcomes and impacts of the decision, one can identify what worked, what didn't, and why. This reflective process fosters continuous improvement and facilitates adjustments if needed. It enables decision-makers to gain insights that inform future choices, thus enhancing their ability to navigate similar situations effectively. Additionally, monitoring results can help verify alignment with the initial objectives of the decision, ensuring accountability and ethical standards are maintained. It ultimately creates a feedback loop where lessons learned contribute to better decision-making in the future. This approach underscores the importance of adaptability and responsiveness in a dynamic business environment, making it an essential component of responsible decision-making practices.

5. How does transparency contribute to business ethics?

- A. By minimizing costs in operations
- B. By ensuring actions are hidden from stakeholders
- C. By building trust and accountability through openness
- D. By focusing only on financial results

Transparency is a fundamental component of business ethics, particularly regarding the relationship between a company and its stakeholders, which include employees, customers, investors, and the broader community. When a business practices transparency, it openly shares information about its operations, decisions, and policies. This openness fosters an environment of trust, where stakeholders feel informed and valued. Building trust is pivotal; when stakeholders believe they are receiving honest and straightforward communication, they are more likely to engage positively with the organization. Accountability comes into play as well; transparency requires businesses to be responsible for their actions, leading to ethical behavior that prioritizes the interests of stakeholders. As a result, transparency enhances a company's reputation and credibility, thereby contributing positively to its ethical standing in the marketplace. This understanding is essential as it aligns an organization's operations with ethical principles, creating a culture where ethical considerations are at the forefront of decision-making.

6. What is an ethical dilemma?

- A. A situation with conflicting moral choices affecting decision-making
- B. A clear choice between right and wrong actions
- C. An agreement between parties to avoid conflicts
- D. A process for resolving disputes through mediation

An ethical dilemma arises when a person faces a situation where conflicting moral choices create a challenging decision-making process. This situation typically involves two or more options, each with moral implications and potential consequences, making it difficult to determine the most appropriate course of action. A classic example could be a situation where a whistleblower must choose between loyalty to an employer and the obligation to report wrongdoing, highlighting the tension between competing ethical principles. The other options suggest scenarios that do not capture the complexity of an ethical dilemma. A clear choice between right and wrong actions implies that one solution is straightforward, which is not the case in ethical dilemmas. An agreement to avoid conflicts relates more to mutual understanding than to individual moral challenges. Lastly, a process for resolving disputes through mediation focuses on conflict resolution rather than the moral uncertainties inherent in ethical dilemmas. Thus, the essence of an ethical dilemma lies in the struggle to make a decision when faced with conflicting ethical obligations or values.

7. How does social media impact business ethics?

- A. It decreases transparency in business practices
- B. It amplifies ethical issues and increases accountability
- C. It allows businesses to avoid ethical scrutiny
- D. It discourages stakeholder engagement

The impact of social media on business ethics is significant, primarily because it amplifies ethical issues and increases accountability. In today's digital age, social media provides a platform for consumers, employees, and organizations to share their experiences and opinions regarding a company's practices, values, and ethical standards. This increased visibility means that businesses face greater scrutiny than ever before; any unethical actions can spread rapidly, reaching a wider audience in a matter of minutes. When ethical breaches occur, social media allows stakeholders, including customers and advocacy groups, to voice concerns and mobilize public opinion. This can lead to serious reputational damage, financial consequences, and shifts in consumer trust. As a result, companies are more likely to uphold ethical standards and practices because they are aware that their actions are visible and can be challenged in real-time. The pressure for transparency and accountability can lead organizations to adopt more ethical policies and practices, as they recognize the potential backlash of failing to do so. The other options suggest a diminishing of ethical considerations in various ways, which does not reflect the broader trend seen with social media's influence. Rather than decreasing transparency or allowing businesses to evade scrutiny, social media has played a pivotal role in pushing businesses to act more ethically.

8. What is the relationship between ethics and business performance?

- A. Ethics has no effect on performance
- B. Ethics can enhance reputation and performance
- C. Only profit margins matter for performance
- D. Ethics reduces competition

The chosen answer highlights the significant role ethics plays in enhancing both reputation and overall business performance. Ethical conduct can lead to various positive outcomes for an organization, including increased customer loyalty, improved employee morale, and stronger stakeholder relationships. When a business is perceived as ethical, it often strengthens its brand image and attracts customers who prefer to engage with socially responsible companies. This, in turn, can lead to a sustained competitive advantage and better financial results. Moreover, ethical companies often experience fewer legal issues, lower risks of scandals, and enhanced trust from their investors and the public. These factors collectively contribute to improved business performance over time. Thus, establishing a strong ethical foundation can translate into tangible benefits, positively impacting an organization's success and longevity in the market.

9. What is one major challenge of living an ethical life?

- A. Understanding legal obligations
- B. Deciding how to act, who to be, and how to live
- C. Building relationships with stakeholders
- D. Maximizing personal gains

Living an ethical life involves navigating complex decisions about how to act, who to be, and how to live according to one's values and principles. This challenge is multifaceted because it requires individuals to consider the moral implications of their choices beyond just societal norms or legal requirements. Ethical dilemmas often present situations where the right course of action is not clearly defined, and individuals must weigh competing values or interests. For instance, a person may face a situation where honesty conflicts with loyalty to a friend, or where personal ambition clashes with the well-being of colleagues. These internal and external pressures complicate decision-making and can lead to significant emotional and cognitive strain, as individuals strive to align their actions with their ethical beliefs. Understanding legal obligations, building relationships with stakeholders, and maximizing personal gains, while important aspects of professional and personal life, do not encapsulate the core of what it means to face ethical challenges. Legal obligations guide behavior within frameworks defined by laws but do not necessarily compel ethical living. Similarly, stakeholder relationships and personal gains can sometimes conflict with ethical principles, but they do not address the deeper existential questions of who we are and how we choose to live our lives. Thus, the essence of ethical living fundamentally revolves around the personal decisions we make and the

10. What does philosophical ethics primarily distinguish between?

- A. What people do value and what they don't value
- B. What people believe and what they should believe
- C. What people do value and what people should value
- D. What people think and what they feel

Philosophical ethics is fundamentally concerned with understanding moral principles and the values that guide human behavior. It primarily distinguishes between what people do value—meaning the beliefs, norms, and practices that individuals hold or prioritize—and what they should value, which involves a critical evaluation of these beliefs in light of ethical theories and moral reasoning. This distinction is significant as it encourages individuals to reflect on their current values and consider whether they align with ethical principles that promote the greater good, justice, or fairness. Philosophical ethics pushes individuals to think beyond personal biases and societal norms to determine a more universal or objective moral standard. Perhaps, the most important aspect of this distinction is its relevance in ethical decision-making, where individuals are often faced with situations that require them to re-evaluate their values and make choices based on deeper ethical considerations rather than mere personal or cultural preference.