



MBA Foundation



ETHICS (BUSx923) EXAM PREPARATION GUIDE

www.excelsior.edu



Introduction

The MBA Foundation Examinations measure knowledge and understanding of material covered in Excelsior College's MBA program's five foundational courses, namely—**Quantitative Analysis** (BUS 503), **Finance** (BUS 505), **Marketing** (BUS 506), **Organizational Behavior** (BUS 553), and **Ethics** (BUS 523). Students in the MBA program can choose to test out of one or more of these courses by receiving a passing grade (70%) for each exam. If a student passes the exam, the corresponding course requirement is waived; however, no credits will be awarded.

Ethics (BUS 523) is an ethics course required in the Excelsior MBA program. The business ethics assessment is designed to assess mastery of business concepts, principles, and knowledge related to business ethics. In addition to factual knowledge, the test will evaluate students' abilities to analyze and solve ethical problems, understand relationships, and interpret material achieved by working adults in the area of Ethics. Students who have successfully completed an undergraduate course in Ethics with a grade of B or better in the last ten years will not need to take the exam.

The intent of this guide is to provide students who are planning to take the foundation exam with information on the topics and the reference (textbook) for the exam. In addition, the guide includes some sample questions for students to review.

Important information to help you prepare for this MBA Foundation® Examination

General Description of the Examination

The MBA Business Ethics Exam is designed to measure the basic knowledge and understanding in graduate level business ethics achieved by an MBA student.

Learning Outcomes:

The exam objectives support the achievement of the following program learning outcomes:

1. Explain what is meant by business ethics and discuss its relevance for business and well as other types of organizations.
2. Describe the development of individual ethical perspectives and moral development as related to personal and professional aspects of life.
3. Analyze the major issues related to corporate social responsibility and corporate citizenship.
4. Conduct analyses that apply and integrate relevant business ethics concepts to various cases using a variety of resources.
5. Describe how advances in technology impact ethics.
6. Assess how national culture influences our ethical perspectives and how organizations can effectively deal with the differences that stem from cross-cultural issues.

Uses for the Examination

The School of Business and Technology at Excelsior College recommends that students who receive a passing grade on this examination receive a waiver for the appropriate graduate-level course on Ethics for Managers (BUS 532).

Exam Length and Scoring

- The exam consists of 100 four-option multiple choice questions.
- The time limit of the exam is two hours.
- This is a non-credit bearing exam.
- Passing grade cut point is 70%.
- Students will be awarded the grade of “Pass” or “Fail.”
- Students will only be able to take this specific exam once.

Exam Construction and Validity

Excelsior College assessment experts subject each question to rigorous tests of sensitivity and reliability. In addition, every effort is made to include questions that assess the most common and important topics and skills within the College's current course. A committee of teaching faculty and practicing professionals determine the learning outcomes to be tested. Working with the School of Business and Technology, the Excelsior College Assessment Unit staff oversees the technical aspects of test construction in accordance with current professional standards. To promote fairness in testing, we take special care to ensure that the language used in the exams and related materials is consistent, professional, and user friendly. Editorial staff perform systematic quantitative and qualitative reviews that address accuracy, clarity, and compliance with conventions of bias-free language usage.

(continued on next page)

Exam Administration

The exam is administered at Pearson VUE testing centers worldwide. All questions regarding the administration of this exam should be directed to the Test Administration Office at Excelsior College. Students must receive prior approval from their advisors before they can register to take the exam (www.excelsior.edu/messagecenter).

Computer–Delivered Testing

The exam will be delivered by computer at the Pearson VUE Testing Center. You will enter your answers on the computer using either the keyboard or the mouse. The system used for our computer-delivered testing is designed to be as user-friendly as possible, even for those with little or no computer experience.

We strongly encourage you to use the online tutorial prior to taking your exam at Pearson Professional Centers. If you wish to access the tutorial, go to www.excelsior.edu/exams and click on the ECE Virtual Tour. A tutorial will not be available at the test center.

Suggestions for Test Preparation

At the core of each exam preparation guide is a detailed content outline that begins with a content/percent chart showing the relative importance of each major content area to be assessed. These weightings may be useful to you as you are preparing the review of this MBA foundation exam. You may want to review the content areas in the outline and the corresponding sections in the required textbook from the course. It is not required that you purchase a copy of the textbook. However, exam questions are based on the materials taught in the course and included in the textbook.

For each exam, five sample questions are provided to illustrate those typically found on the particular exam. The sample questions are not intended to be a practice test, but they may serve as models if you wish to create your own test questions for review purposes.

In the last pages of this guide, you will find rationales for the multiple-choice sample questions. The key (correct answer) is indicated in **bold**.

The rationales explain why the key is the correct answer and what is wrong with the other answer choices. In addition, each question is referenced to the content outline. Please note that if you chose one of the wrong answers, you should return to its section of the content outline for additional review.

On the day of your exam, do yourself some favors:

- Arrive at the test site rested and prepared to concentrate for an extended period.
- Be sure to allow sufficient time to travel, park, and locate the test center.
- Practice healthy eating and stress control in the days before your exam.
- Dress comfortably—the computer will not mind that you are wearing your favorite relaxation outfit.
- Be prepared for possible variations in temperature at the test center due to changes in the weather or energy conservation measures.
- Bring your IDs and ATT letter, but otherwise, do not weigh yourself down with belongings that will have to be kept in a locker during the test.

Academic Honesty Nondisclosure Statement

All test takers must agree to abide by the terms of the Excelsior College Academic Honesty Policy before taking an examination. The agreement will be presented on screen before the start of your exam. Once you accept the terms of the agreement, you will be able to proceed with your exam. If you choose not to accept the terms of this agreement, your exam will be terminated. You will not be eligible for a refund. For more information, review the *Student Policy Handbook* at www.excelsior.edu/studentpolicyhandbook.

Student behavior will continue to be monitored post administration and electronic measures are used to monitor the security of test items and scan for illegal use of intellectual property. This monitoring includes surveillance of Internet chat rooms, Web sites, and other public forums.

Content Outline

The major content areas on the MBA Ethics examination and the percent of the examination devoted to each content area are listed below.

Content Area	Percent of the Examination
I. Business Ethics—Overview and Macro Issues	10%
II. Business Ethics—A Managerial Perspective	10%
III. Internal Stakeholders' Ethical Considerations	25%
IV. External Stakeholders' Ethical Considerations	25%
V. Government as a Special External Stakeholder—Ethical Considerations	20%
VI. International Considerations—Business Ethics	5%
VII. Technological Considerations—Business Ethics	5%
Total:	100%

(Content outline continued on next page)

I. Business Ethics — Overview and Macro Issues (10%)

- A. Definition and Application
 - 1) What is Ethics and How Does it Apply to Business?
 - 2) Does Ethical Behavior Pay?
 - 3) How Personality Traits and Attitudes, Moral Development, and the Situation Affect Ethical Behavior
 - 4) How People Justify Unethical Behavior
 - 5) Guides to Ethical Decisions and Behavior
 - 6) Managing Ethics
- B. The Interaction of Business, Government and Society
 - 1) How Government and Society Affect Business
 - 2) Business, Society and Government Defined and Your Interactions with Them
 - 3) Capitalism, Pluralism, and Special Interest Groups Benefits to Your Personal and Professional Lives
- C. The Business, Society and Government Environment
 - 1) The Market Environment
 - 2) The Nonmarket Society Environment
 - 3) The Nonmarket Government Environment
 - 4) The Macro-Environment

II. Business Ethics — A Managerial Perspective (10%)

- A. The Role of Business and its Managers
 - 1) The Role of Business and the Responsibility to be Ethical with Stakeholders
 - 2) The Role of Managers
- B. The Stakeholder Approach to Management and Ethics
 - 1) From the Stockholder to the Stakeholder Approach
 - 2) Stakeholder Management and Ethics
 - 3) Balancing Owner and Other Stakeholder Interests

- C. Public Affairs and Issues Management
 - 1) Public Affairs Activities and Functions
 - 2) Public Affairs Management
 - 3) Issues Management
 - 4) Issues Management Precludes Crisis Management
- D. Crisis Management
 - 1) Developing the Crisis Team
 - 2) Planning— Risk Assessment, Monitoring, and Crisis Prevention
 - 3) Managing the Crisis— Communication
 - 4) Analyzing Post-Crisis

III. Internal Stakeholders’ Ethical Considerations (25%)

- A. Employer– Employee Relations
 - 1) The Employment Relationship
 - 2) How the Employer– Employee Relationship Affects Other Stakeholders
 - 3) The New Employment Relationship
- B. Management and Union Relations
 - 1) The State of the Union
 - 2) Labor Legislation
 - 3) The Union-Organizing Process
 - 4) Collective Bargaining and Government Help
 - 5) Management Resistant to Strikes
 - 6) The Need for Management— Union Collaboration
- C. Employee Rights
 - 1) Job Security and Due Process
 - 2) Safety and Health
 - 3) Privacy
 - 4) Freedom of Speech and Whistle-Blowing
- D. Diversity
 - 1) What is Diversity and is it Really Important?
 - 2) Equal Employment Opportunity for All
 - 3) How Minorities and Women are Progressing in Management and Professional Jobs

- E. Stockholders
 - 1) Stockholders and the Separation of Power
 - 2) Stockholder Rights and Protection
 - 3) Shareholder Activism
- F. Corporate Governance
 - 1) The Board of Directors
 - 2) Director and Executive Compensation

IV. External Stakeholders' Ethical Considerations (25%)

- A. Corporate Social Responsibility and Citizenship
 - 1) Concepts of Social Responsibility and Citizenship
 - 2) Arguments for Corporate Social Responsibility
 - 3) Arguments Against Corporate Social Responsibility
 - 4) Levels of Corporate Social Responsibility
 - 5) Corporate Social Performance
- B. Community
 - 1) Business – Community Interrelationship
 - 2) Community Relations and Department
 - 3) Civic Engagement: Community Involvement Programs
 - 4) Managing Community Involvement
- C. The Media
 - 1) The Nature of the Media
 - 2) Media Roles
 - 3) Media Ethical and Social Responsibility
 - 4) The News Media
- D. Consumerism
 - 1) The Consumer Movement and Advocacy
 - 2) Consumer Rights
 - 3) Consumer Laws and Regulations
 - 4) Product Liability

- E. Advertising
 - 1) Arguments For and Against Advertising
 - 2) Advertising Trends
 - 3) Product Information and Advertising Ethics
 - 4) Advertising Abuses
 - 5) Controversial Advertising
 - 6) Advertising Regulation
- F. Societal Interest Group Activists
 - 1) Activists
 - 2) The Objective and Roles of Activists
 - 3) Societal Interest Group Examples
- G. Societal Business Interest Groups
 - 1) Business Associations and Trade Groups
 - 2) The Objectives and Roles of Business Interest Groups
 - 3) Business Interest Group Examples
- H. Activist Strategies Against Business
 - 1) Activists' Assessment of Likely Business Strategies
 - 2) Grassroots Efforts
 - 3) Demonstrations: Picketing and Rallies
 - 4) Boycotts
 - 5) News Media Relations and Advocacy Advertising
 - 6) Building Coalitions
 - 7) Appeal to Government
 - 8) Litigation
- I. Business Strategies Against Activists
 - 1) Gaining Community Public Sentiment for Being Socially Responsible
 - 2) Grand Non-Market Strategies
 - 3) Grassroots Efforts
 - 4) New Media Relations and Advocacy Advertising
 - 5) Building Coalitions
 - 6) Appeal to Government
 - 7) Litigation

V. Government as a Special External Stakeholder—Ethical Considerations (20%)

- A. The US Government
 - 1) The Role and Branches of the Federal Government
 - 2) State and Local Government
 - 3) Reasons for Government Relation of Business
 - 4) Business Rules
- B. Business–Government Relations and Public Policy
 - 1) Business– Government Relations
 - 2) Public Policy
 - 3) Types of Public Policy
 - 4) Government Non-regulatory Influence on Business
- C. Lawmaking
 - 1) Political Parties
 - 2) Congress
 - 3) The Legislative Process
 - 4) Influencing the Legislative Process
 - 5) Current Laws Affecting Business
- D. Business Non-Market and Market Strategies and Ethics
 - 1) Levels of Political Involvement
 - 2) Information Strategies
 - 3) Societal Strategies
 - 4) Political and Legal Strategies
- E. The Executive Branch of Government
 - 1) Executive Office of the President
 - 2) The Cabinet, Executive Departments, and their Regulatory Agencies
 - 3) Independent Agencies and Government Corporations
 - 4) Boards, Commissions, and Committees
 - 5) Quasi-Official Agencies
 - 6) Powers of the President
- F. Regulatory Information
 - 1) Federal Regulatory Agencies
 - 2) Benefits and Cost of Regulation
 - 3) Regulatory Impact Analysis
 - 4) Federal Register
 - 5) Regulations.gov
- G. Rule Making, Overseeing, and Enforcing
 - 1) Rule Making
 - 2) Congressional Oversight of Regulators
 - 3) Rule Enforcing
- H. Reforming Regulations, Privatization, and Deregulation
 - 1) Reforming Regulation
 - 2) Privatization
 - 3) Deregulation
- I. The Judicial Branch
 - 1) Judicial Concepts
 - 2) Federal Courts
 - 3) State and Local Courts
 - 4) Judiciary Strategies
 - 5) Filing and Avoiding Lawsuits
- J. Antitrust Laws
 - 1) Objectives of Antitrust Laws
 - 2) The Sherman Act
 - 3) The Clayton Act
 - 4) Federal Trade Commission Act
 - 5) Antitrust Improvement Act
 - 6) Mergers and Antitrust
 - 7) Antitrust Enforcement

VI. International Considerations —Business Ethics (5%)

- A. Globalization and Multinational Companies
 - 1) Globalization Concepts
 - 2) Arguments For and Against Globalization
 - 3) The Importance of Globalization
 - 4) Multinational Companies
- B. Comparative Political and Economic Systems
 - 1) Political Systems
 - 2) Economic Systems
 - 3) Business Ownership and Government– Business Relations
- C. International Trade
 - 1) The Economics of International Trade
 - 2) The Politics of International Trade
 - 3) Trade Barriers
 - 4) US Trade Policy and Law
 - 5) Global Business Regulation
 - 6) International Organizations and Trade Agreements
- D. Ethical Issues in International Business
 - 1) Corruption
 - 2) Improving Global Business Ethics
 - 3) Global Societal Interest Groups
 - 4) Global Codes of Ethics

VII. Technological Considerations —Business Ethics (5%)

- A. Technology and Business
 - 1) Technology Effects
 - 2) Information Technology and Business
 - 3) Winner-Take-Most Markets
- B. Ethical Issues in Managing Technology
 - 1) Privacy and Information Security
 - 2) Privacy vs. Monitoring Employees
 - 3) File Sharing vs. Copyright Infringement
 - 4) Biotechnology
- C. Business Impact on the Natural Environment
 - 1) Pollution and Sustainable Development
 - 2) Natural Environmental Issues
 - 3) Environmental Responsibility
- D. Environmental Protection Regulations and Laws
 - 1) Government Regulation
 - 2) Environmental Laws
 - 3) Costs and Benefits of Environmental Regulation

Sample Questions

The questions that follow illustrate those typically found on this exam. Answer rationales can be found on page 10 of this guide.

- 1. An employee is accused of altering a company's financial ledgers. Upon questioning, the employee exclaims that he was only following the supervisor's orders. The employee is using which justification for his unethical behavior?**
 - A. moral justification
 - B. conventional justification
 - C. diffusion of responsibility
 - D. displacement of responsibility
- 2. The chief executive officer (CEO) of a food processing corporation notifies the public about the recall of a widely distributed meat product that has been contaminated with the *E. coli* bacteria. The CEO makes multiple appearances on TV and holds news conferences alerting consumers of the recall. The CEO's actions represent which stage of the corporation's crisis management program?**
 - A. assembling the crisis team
 - B. planning and risk assessment
 - C. managing the crisis
 - D. evaluating the program
- 3. Which statement is considered an argument in favor of corporate social responsibility (CSR)?**
 - A. The cost of CSR is passed on to stakeholders.
 - B. CSR results in businesses regulating themselves.
 - C. It is the job of government to deal with social problems, not business.
 - D. Businesses that are not socially responsible may be more profitable.
- 4. Which congressional power is designed to ensure that laws are properly administered and enforced?**

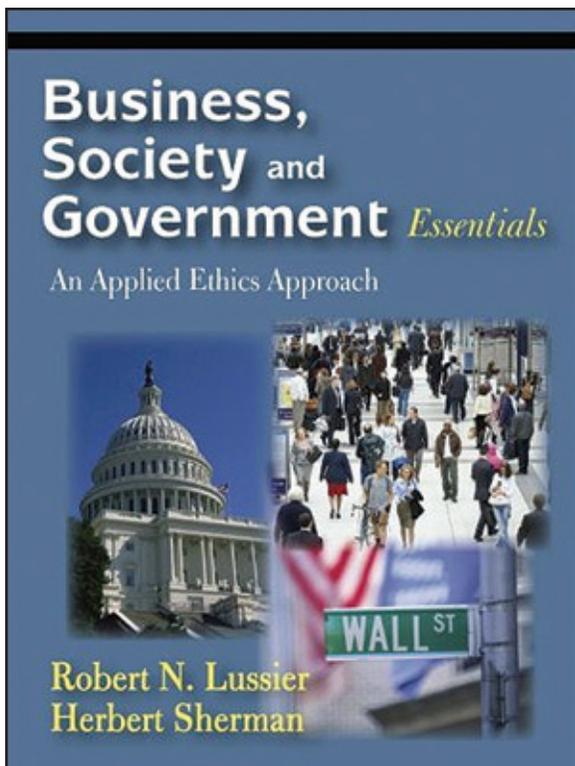
The power to

 - A. create laws
 - B. oversee offices
 - C. provide regulatory oversight
 - D. investigate issues of national importance
- 5. Government funds provided to businesses to lower costs is an example of which trade barrier?**
 - A. a ban
 - B. a quota
 - C. a subsidy
 - D. a tariff

Learning Resources for this Exam

The textbook listed below is recommended by Excelsior College and is the textbook used for the graduate course in Business Ethics for Managers (BUS 523). For information on ordering from the Excelsior College Bookstore, please see **page 12** in this guide. You may also find resource materials in other college libraries or bookstores. Public libraries may also have the textbook or may be able to obtain it through an interlibrary loan program.

Recommended Textbook



Business, Society and Government Essentials	
Author	Lussier, Robert N./ Sherman, Herbert.
Edition	2009
ISBN-10	1-57766-575-9
ISBN-13	978-1-57766-575-5
Publisher	Waveland Press, Inc.

Order the resources you need today!

The Excelsior College Bookstore is available by phone, fax, email, Web site, and mail.

See page 12 for ordering information.

Rationales for Sample Questions

1. [IA4] Business Ethics—Overview and Macro Issues—Definition and Application—How People Justify Unethical Behavior

- A. Moral justification is the process of interpreting unethical or immoral behavior in terms of a higher purpose. When using this form of justification, people frequently explain their behavior was for the “good” of the company, organization, or group.
- B. Conventional justification is the process of believing that one’s unethical behavior is acceptable because everyone else is doing it.
- C. Diffusion of responsibility is the process of blaming the group for unethical behavior, while holding no one individual responsible.
- D. **Displacement of responsibility is the process of blaming one’s unethical behavior on others. In this scenario, the employee is shifting the blame to the supervisor.***

2. [IID2] A Managerial Perspective—Crisis Management—Planning-Risk Assessment, Monitoring, and Crisis Prevention

- A. There are four stages in crisis management. The first stage is developing the crisis team. This team is usually headed by a senior-level executive and is composed of other organizational representatives, as well as external stakeholders. Their task is to work cooperatively in addressing and rectifying the crisis situation.
- B. The second stage is planning. This step consists of assessing and monitoring risk, identifying risk reduction strategies, and developing a crisis plan.

- C. **The third stage is managing the crisis. This step involves implementing a communication plan and acknowledging the crisis exists as quickly as possible. Generally, within an hour of becoming aware of a situation, company officials should issue an initial statement to the media and other stakeholders providing facts as they are known and when additional details will be made available.***
- D. Evaluating the crisis management program is the fourth stage. This involves assessing how effectively the organization handled the situation and identifying those interventions that worked and those that did not. This is important in preventing future crises.

3. [IVA3] External Stakeholders’ Ethical Considerations—Corporate Social Responsibility and Citizenship—Arguments against Corporate Social Responsibility

- A. The cost of CSR is passed on to stakeholders is an argument against CSR. As a result of CSR, the argument can be made that business owners gain lower profits, thereby generate less tax money for government and less pay for employees.
- B. **“CSR results in businesses regulating themselves” is an argument favoring CSR. CSR discourages government regulation while promoting self-regulation of businesses. Self-regulation means less government regulation, thereby not burdening business with the costs of complying with government regulations.***

*correct answer

- C. It is the job of government, not business, to deal with social problems is an argument against CSR. Businesses typically lack the skill required to solve social problems. Additionally, when government does not regulate business, society has little recourse in resolving businesses' lack of CSR.
- D. Businesses that are not socially responsible may be more profitable is an argument against CSR. Businesses that are socially responsible may make lower profits than competitors who are not.
4. **[VC2] Government as a Special External Stakeholder—Ethical Considerations—Lawmaking—Congress**
- A. The most important power given to Congress is to make laws.
- B. Congress is given the power to oversee the following offices: General Accounting, Government Printing, Congressional Budget, and the Library of Congress.
- C. **Congress has the power to provide regulatory oversight of the laws it passes. This includes ensuring that laws are properly administered and enforced, holding committee hearings, conducting investigations, and the power to subpoena documents.***
- D. Congress has the power to investigate issues of national importance. Examples include business acquisitions and mergers, monopolies, price gouging, illegal racketeering, and others.
5. **[VIC3] International Considerations—Business Ethics—International Trade—Trade Barriers**
- A. A ban prohibits the import and export of certain products. Bans are the most powerful barrier and provide the greatest protection to domestic markets.
- B. A quota sets limits on imports and exports of certain products, thereby limiting supply and increasing prices. This, in turn, increases demand for domestic products.
- C. **A subsidy provides government funds to businesses in an effort to lower their costs. The U.S. government has subsidized certain products or businesses to keep supply down and prices up.***
- D. A tariff is a tax on imports and exports to make them more costly. Tariffs are imposed to protect domestic businesses by giving them a price advantage.

*correct answer

Other Important Information and Resources

Registration Information

Register online—Go to www.excelsior.edu/examregistration. Follow the simple instructions to register using your Visa, MasterCard, American Express, or Discover Card.

Register by phone—Call toll free **888-72EXAMS (888-723-9267)**

Register by mail—Mail registration is not available for the MBA exams.

Excelsior College Bookstore

The Excelsior College Bookstore is staffed Monday through Thursday from 7 AM to 9 PM, Friday from 7 AM to 6 PM, Saturday from 8 AM to 5 PM, and Sunday from noon to 4 PM Eastern time.

To order by phone, call 800-325-3252

To order by fax, call 800-325-4147

To order materials online, anytime, visit the bookstore at www.excelsior.edu/bookstore.

Pearson VUE

Web site: www.pearsonvue.com/excelsior

Call center: 888-926-9488

For More Information

For more information regarding **Excelsior College Examinations**, access the downloadable **Excelsior College® Examinations Registration and Information: A User's Guide** at www.excelsior.edu/exams.

Frequently Asked Questions (FAQ)

I took some of these courses as an undergraduate student. Do I need to take these exams?

Answer: *No. In general, you do not have to take the graduate foundation courses if you have taken and passed upper-level, undergraduate-equivalent courses with a grade of "B" or better within the last ten years. Please contact your advisor (www.excelsior.edu/messagecenter) and see if the corresponding foundation course can be waived.*

How do I sign up for the exams?

Answer: *You can register for the exams either online or by phone. However, you must obtain an approval by your advisor prior to the registration.*

What is the cost of the exam? Does the exam qualify for financial aid?

Answer: *The cost of the exam is \$300. The exam does not qualify for financial aid.*

Do I get any course credits if I pass the exam?

Answer: *No. You will not receive any credits. If you pass the exam, however, you will not be required to take the corresponding graduate foundation course.*

I did not pass the exam. Can I take it over again?

Answer: *No. You only have one chance to pass the exam. However, you are allowed to take another foundation exam. In general, you are allowed only one attempt for each foundation exam.*

Am I required to purchase the textbook for the exam?

Answer: *No. You are not required to purchase the textbook. However, it is a good idea to obtain a copy through a purchase or a library loan. This will allow you to go through the content and materials as a review for the exam.*

What do I do if I am not able to take the exam at the scheduled time?

Answer: *You must reschedule your exam by 7:00 PM Central time on the business day before the scheduled appointment time, or at least 24 hours before the scheduled time, whichever comes first.*

Can I share the test questions with others?

Answer: *Absolutely not! This would violate the academic honesty policy of the College. Excelsior College actively monitors the Web and other public forums to make sure the integrity of the exam is not compromised. Any violation to this policy will result in the disqualification of your exam results and/or further disciplinary and legal actions.*

Are the exams available internationally?

Answer: *Yes. You can take the exam at Pearson VUE authorized test centers worldwide. There is an additional \$10 charge.*

Notes

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