POLYTECHNIC OF NAMIBIA
SCHOOL OF MANAGEMENT SCIENCES
DEPARTMENT OF MANAGEMENT

2ND OPPORTUNITY EXAMINATION QUESTION PAPER

SUBJECT: BUSINESS ETHICS AND LEADERSHIP
SUBJECT CODE: BEL112S
Date: June 2015
Duration: 3 HOURS
TOTAL MARKS: 100

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(This Question Paper consists of 8 pages including this cover page)

Instructions:
1. All questions are compulsory.
2. This Question Paper consists of Three Sections (A B and C).
3. Answer all questions on the answer book provided, except question 1 section A.
4. Question 1 Section A should be answered on the answer sheet provided on page 8 of this question paper. Detach the answer sheet and submit it with your answer book before you leave the exam hall.
   NOTE: Do not forget to fill in your details on question 1 section A answer sheet.
5. Write as neatly and clearly as possible.
6. Number your answers correctly and clearly. Failure to do so will attract penalty.
7. Write as neatly and clearly as possible. Start each question on a new page.
8. Calculators are NOT allowed.

GOOD LUCK!
1.1 What is job discrimination?
   a. To make positive decisions against employees who belong to a certain class because of morally unjustified prejudice toward members of that particular class.
   b. To make a good decision against employees who belong to a certain class because of morally unjustified prejudice toward members of that particular class.
   c. To make an adverse decision against employees who belong to a certain class because of morally justified prejudice toward members of that particular class.
   d. To make an adverse decision against employees who belong to a certain class because of morally unjustified prejudice toward members of that particular class.

1.2 Which one is not an argument against discrimination?
   a. Utilitarian argument
   b. Rights argument
   c. Justice argument
   d. Affirmative argument

1.3 The following are characteristics of monopoly market except:
   a. One seller
   b. Quantity below equilibrium
   c. Prices above equilibrium and supply curve
   d. No barriers to entry

1.4 According to the central doctrine of John Keynes and his followers,
   a. People are naturally unselfish and idealistic.
   b. Government regulation of markets is necessary to ensure distributive justice.
   c. Free markets regulate production & exchange of economic goods "as if by an invisible hand."
   d. Governmental intervention in markets helps moderate the ups and downs of the business cycle.

1.5 Fish Delish is chain of food stores whose major product is fish. Fish Delish would sell a franchise license to a person only if the person also agreed to purchase a certain number of cookers, fryers, and other supplies. This is an example of:
   a. Tying arrangement
   b. Exclusive dealing arrangement
   c. Retail price maintenance agreement
   d. Manipulation of supply

1.6 If Toyota raises the prices of its new models of pickup trucks by 4 percent and General Motors and Ford follow by raising prices by a similar amount, then this is evidence of:
   a. a monopoly.
   b. an oligopoly
   c. pure competition
   d. monopolistic competition.
1.7 Which of the following is NOT a valid criticism on the ethics of advertising?
   a. Advertising uses images that many find vulgar and offensive
   b. Advertising debases the tastes of consumers
   c. Advertising is wasteful
   d. Advertising promotes perfect competition

1.8 Which of the following makes freedom of choice impossible?
   a. Information
   b. Probability
   c. Misrepresentation
   d. Ignorance

1.9 Under strict liability, which of the following is true?
   a. Absence of negligence or having exercised "due care" excuses the producer from liability for damages caused by their products.
   b. Absence of knowledge of the product's potential for the harmful effects excuses the producer from liability for these harmful effects.
   c. Both of the above.
   d. None of the above

1.10 Major difficulties with utilitarianism:
   a. Unable to deal with moral issues relating to rights and justice.
   b. Its reliance on accurate measurements.
   c. All of the above.
   d. None of the above.

1.11 The following is not a form of discrimination:
   a. isolated and intentional discrimination
   b. isolated and unintentional discrimination
   c. institutional and unintentional discrimination
   d. isolated and institutional discrimination

1.12 Ethical violations destroy:
   a. nothing.
   b. jobs.
   c. trust.
   d. Profits

1.13 According to Adam Smith, what should a government that hopes to advance the public welfare do?
   a. Institute welfare and healthcare systems.
   b. Regulate markets thoroughly.
   c. Regulate markets only when necessary.
   d. Nothing.
1.14 The concept that there are no relevant differences among people that can justify unequal treatment is known as?
   a. Egalitarianism
   b. Utilitarianism
   c. Socialism
   d. None of the above

1.15 Which of the following is a “socialist” criticism challenging Adam Smith’s fundamental assumptions.
   a. People aren't naturally selfish; it's the capitalist system that makes them so.
   b. Free markets clearly violate capitalism’s own contribution-based principles of distributive justice.
   c. Free markets always give rise to governmental interference by their very nature.
   d. All of the above.

1.16 In Karl Marks' view, how many sources of income do Capitalist systems offer?
   a. 2
   b. 0
   c. 4
   d. 1

1.17 An approach to moral judgment that emphasis that we should cultivate loving and caring relationships in our conduct instead of relying on abstract concepts and principles.
   a. Retributive Justice
   b. Ethics of Care
   c. Utilitarianism
   d. Virtue Ethics

1.18 ________________ stated that by directing (his )industry in such a manner as its produce may be of the greatest value (the individual) intends only his gain, and he in his, as in many other cases led bay an invisible hand to promote an end that was no part of his intention.
   a. Immanuel Kant
   b. David Ricardo
   c. John Locke
   d. Adam Smith

1.19 According to Locke, the power of government should be
   a. Expanded to meet the needs of all citizens
   b. Limited, extending only far enough to protect the basic rights of all citizens.
   c. Expanded to meet the needs of corporations
   d. Limited, extending only far enough to protect the basic rights of corporations

1.20 To increase job satisfaction, jobs must be expanded along all of the following dimensions, except:
   a. Task identity
   b. Task complexity
   c. Task significance
   d. Feedback
**Question 2**

Indicate whether the following statements are True or False. Answer all the questions in the answer booklet provided. Indicate true or false next to the corresponding number(s)

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<td><strong>2.1</strong></td>
<td>The prisoner's dilemma demonstrates that cooperation is not more advantageous than continuously trying to cooperate with others, at least when we will meet these others again.</td>
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<td><strong>2.2</strong></td>
<td>Getting others to understand and support one's idea before a meeting is called an act of political tactic.</td>
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<td>Categorical imperative is the requirement that I must act such that the maxim of my action could be made universal law (or the requirement that in acting I always treat others as ends in themselves and never as a means to an end).</td>
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<td><strong>2.4</strong></td>
<td>In the market approach to consumer protection, if consumers do not place a high value on safety (or are unwilling to pay for it), then it is wrong to force them to accept higher levels of safety through regulation.</td>
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<td>Perfectly competitive markets are regarded to be just because under perfect competition, no one can significantly affect prices of goods exchanged.</td>
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<td><strong>2.6</strong></td>
<td>Intrinsic goods are things that are desired for their own sake, such as health and life.</td>
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<td>Distributive justice and compensatory justice deal with how best to deal with wrongdoers.</td>
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<td>Contractual rights and duties are for the society as a whole.</td>
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<td><strong>2.9</strong></td>
<td>Affirmative action is when preferential treatment in hiring, promotion, and dismissal favoring historically disadvantaged groups in an attempt to offset lingering effects of past discrimination and to counteract continuing unintentional and institutional discrimination: called “reverse discrimination” by detractors.</td>
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<td><strong>2.10</strong></td>
<td>The “Anti-trust” view on how governments should deal with oligopoly corporations is that it should not be broken up.</td>
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| Total Marks | 10 |
Question 3 [38 Marks]

3.1 Distributive justice requires that benefits and burdens be fairly distributed fairly in the society. Explain three different types of distributive justice. (6)

3.2 "The state of nature has the law of nature to govern it." Elaborate on this statement. (8)

3.3 Just as people's physical, emotional, and cognitive abilities develop as they age, so also does their ability to deal with moral issues develops as they move through their lives. List Lawrence Kohlberg’s six stages of moral development (in their sequence) (6)

3.4 As Jason’s father was leaving for work in the morning, he asked Jason to clean out the garage sometime during the day. Jason responded, saying he already had plans to play tennis that day. Around noon, Jason and two friends made plans that required Jason to borrow his father’s car that evening. Jason decided to skip playing tennis and clean the garage.

(a) At what stage of moral development do you think Jason's decision was? Why? (4)

3.5 Some people are very allergic to peanuts or things derived from peanuts. A food company uses peanut oil in its products. On the ingredients list, the company only lists “vegetable oil” without specifying “peanut oil.”

(a) According to the contractual view, explain the four main moral duties of a business to its customers. (8)

(b) In your opinion, did the company adhere to all the moral duties it has toward its customers? Motivate your answer. (3)

3.6 The beneficial aspects of a free market are reaped by society only as long as managers of oligopoly firms refrain from agreeing to practices that recreate a monopoly market. However, managers of oligopoly companies can agree to act together in conspiracies that injure society and can unfairly destroy smaller competitors. Identify three unethical practices that oligopolies can engage in? (3)
Question 4

Read the case below and answer the questions that follow.

**Drug Company Monopolies and Profits?**

Drug companies in the United States are granted a patent on any new pharmaceutical drug they develop, which gives them a monopoly on that drug for 20 years. Not surprisingly, high monopoly profits (i.e., profits well beyond the average rate of profits in other industries) are characteristics of the pharmaceutical industry. In a 2003 study entitled *The Other Drug War II*, Public Citizen’s Congress Watch noted that during the 1970s and 1980s, drug companies in the Fortune 500 had average profits rates (i.e., as a percent of revenues) that were double the average for all other industries in the Fortune 500. During the 1990s drug company profits rates averaged 4 times the average profits rates of all other industries, and during the first 5 years of the twenty-first century, drug company profit rates were about 3 times the rates of other industries.

According to the U.S. Census Bureau’s *Quarterly Financial Reports*, in the first quarter of 2007 and 2008, average drug company profit rates were about 3 times the average of other manufacturing companies. In the first quarter of 2009, average drug company profit rates were close to 7 times the average for all other manufacturing companies, and in the first quarter of 2010, they averaged close to 3 times the average for other manufacturing companies. Drug companies say they need these profits to cover the costs of research for new drugs. But while drug companies put only 14 percent of their revenues into research, they siphon off 17 percent of their revenues into dividends they hand out to shareholders and plough 31 percent into advertising and administration. A study of drug manufacturing costs (see [www.rense.com/general54/preco.htm](http://www.rense.com/general54/preco.htm)) found that prescription drugs have markups of 5,000%, 30,000% and 500,000% over the cost of their ingredients. The ingredients in 100 tablets of Norvasc, which sold for $220, cost 14 cents; of Prozac, which sells for $247,11 cents; of Tenormin, which sells for $140,13 cents; of Xanax, which sells for $136,3 cents, and so on.


4.1 Identify the type of market structure observed in the case study above. (1)

4.2 What makes it possible to have the market structure identified above in the pharmaceutical drug industry? (2)

4.3 With reference to the case, what are the ethical weaknesses of the market structure identified in 4.1? Motivate your answer. (9)
**SECTION A**

**Question 1** (ANSWER SHEET – Cross in the appropriate box)  
(2 x 20 = 40)

NB: THIS ANSWER SHEET SHOULD BE SUBMITTED WITH YOUR ANSWER BOOK.

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**TOTAL** 40 MARKS

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