

Ethical and Legal Issues in Selling

True / False Questions

1. What is ethical can vary from country to country and from industry to industry.

True False

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True False

3. It is unethical for salespeople to employ persuasion because it reduces or eliminates a buyer's choice.

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4. Most sales situations are not covered by laws.

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5. Bribes typically have no negative consequences for the purchasing agent's firm—only for the purchasing agent as an individual.

True False

6. A salesperson should only give a gift to a purchasing agent if that gift will foster a mutually beneficial, long-term relationship.

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8. Because salespeople's activities in the field cannot be closely monitored, their employers trust them to act in the company's best interests.

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9. It is easy to develop a reimbursement policy that prevents salespeople from cheating and yet allows them the flexibility to cover their territory and entertain customers.

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10. When spending from their company's expense accounts, salespeople should act as though they are spending their own money.

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11. A noncompete clause prevents employees from leaving the company until a specified amount of time has passed.

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12. For salespeople who have switched jobs, disclosing confidential information about the former employer's business is improper.

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13. Harassment is not confined to requests for sexual favors in exchange for job considerations such as a raise or promotion.

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14. Spreading rumors about a colleague's sexual conduct cannot be considered as sexual harassment.

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15. Victims of sexual harassment should clearly indicate to their harasser that they (the victim) are in control and will not be passive.

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16. Society has determined that some activities are clearly unethical and has created a legal system to prevent people from engaging in these activities.

True False

17. Common law grows out of court decisions, and precedents set by these decisions fill in the gaps where no laws exist.

True False

18. The Uniform Commercial Code (UCC) is the only legal guide to commercial practice in the United Nations.

True False

19. When an item is shipped under contract terms that call for FOB (free on board) factory, the buyer assumes responsibility for any loss or damage incurred during transportation.

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20. Statements such as, "The performance of this product is top-notch," can be classified as expressed warranties.

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21. Over time, common and administrative laws have defined the difference between misrepresentation and puffery.

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23. Tying agreements stipulate that a seller is only allowed to sell products to a single buyer.

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24. The Robinson-Patman Act forbids product differentiation.

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25. U.S. privacy laws are more stringent than those of the European Union.

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26. The federal Do-Not-Call Registry limits the conditions under which anyone on the registry may be telephoned at home or on a cell phone.

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27. U.S. salespeople are subject to U.S. laws, regardless of the country they are selling in.

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28. The Foreign Corrupt Practices Act (FCPA) made it legal for U.S. companies to engage in conspiracy.

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29. If the company takes specific steps, such as mentioning the law in company policy, the government's assumption is that the employee acted on his or her own and is individually responsible.

True False

30. The U.S. laws concerning bribery are much more restrictive than laws in Italy and Germany.

True False

Multiple Choice Questions

31. Which of the following statements about ethics is true?

- A. Ethics do not change with time.
- B. There is no need for personal codes of ethics.
- C. Ethical principles establish appropriate behavior.
- D. What is ethical in the Middle East is also ethical in the United States.
- E. If an act is unethical, it is also illegal.

32. Which of the following questions should one ask oneself to determine whether a sales behavior or activity is unethical?
- A. Would my supervisor disapprove of this behavior?
 - B. Am I concerned about the possible consequences of this behavior?
 - C. Would society be worse off if everyone engaged in this behavior or activity?
 - D. Would I be embarrassed if a customer found out about this behavior?
 - E. All of the above.
33. Larry, an inexperienced sales rep, has asked you to suggest ways to deal with potential ethical problems. What should you suggest?
- A. It's only unethical if it is illegal.
 - B. Do what the other sales reps do.
 - C. Do whatever earns profits for your company.
 - D. Perform whatever services your client requests.
 - E. Develop and maintain a personal code of ethics.
34. Ivan sells customized computer software and hardware to small businesses. To make a sale to Anastasia, he has offered to discount \$100 if she buys the product immediately. He initially quotes \$100 more than his company's list price; his bargain price is the list price. Ivan has:
- A. acted within a typical salesperson's ethical boundaries.
 - B. incurred a loss for his company.
 - C. tried to use backdoor selling.
 - D. used deception in trying to make a sale.
 - E. none of the above.

35. The manager of the linen section of a department store purchases towels only from a salesperson from the Bona Fide Textile Company. The salesperson pays him five percent of the total sale once the order is placed. This is an example of a:

- A. bribe.
- B. commission.
- C. payola.
- D. kickback.
- E. discount.

36. Which of the following is an example of a kickback?

- A. Barry slips the receptionist \$20 so he can get an interview with her boss.
- B. Lori buys the purchasing agent of Lincoln Electrical Company an extravagant lunch to cement their friendship.
- C. Payton shares industrial secrets with one of his competitors.
- D. Chantal pays a department store buyer five percent of all the orders placed by the store.
- E. Andrew pays a government official \$200 to speed up the licensing process.

37. In a successful partnering relationship, a purchasing agent:

- A. can legally accept bribes from a sales rep.
- B. should never refuse any gifts or offers from a sales rep.
- C. can ethically enjoy lavish gifts from their sales reps because of the long-term nature of the relationship.
- D. can ethically accept a free lunch from a salesperson.
- E. all of the above.

38. Assuming company policies do not prohibit gift giving, which of the following gifts would be most appropriate for a salesperson selling earthmoving equipment to give to a potential customer?
- A. A free vacation package for the customer's family
 - B. A software program worth over \$300 that protects against computer viruses
 - C. Four Atlanta Braves baseball tickets and a parking pass
 - D. A coffee mug with the company name, logo, and telephone number imprinted on it
 - E. A fully-loaded sedan
39. Salespeople engage in _____ when they ignore a purchasing agent's (PA) policy against contacting other employees without the PA's permission, and directly contact other people involved in the purchasing decision.
- A. backdoor selling
 - B. expanded prospecting
 - C. sales prospecting
 - D. hustling
 - E. bypass selling
40. Calvin sells hospital supplies. When his company did not make it to the approved list of suppliers developed during a vendor analysis by a chain of nursing homes, he went against the purchasing department's policy and contacted nurses and other staff directly to persuade them to get the purchasing department to place his company on its approved list of suppliers. Calvin engaged in:
- A. backdoor selling.
 - B. expanded prospecting.
 - C. sales prospecting.
 - D. a lateral attack.
 - E. bypass selling.

41. Marvin is an inexperienced sales rep for a manufacturer of kitchen appliances. He requests you to advise him on handling an expense account ethically. What should you tell him?

- A. The company expects you to fudge on some costs; just don't get caught.
- B. The company pays you a low salary because it expects you to pad your expenses, and you would be foolish not to.
- C. Don't worry about keeping records; make up some amounts that seem reasonable.
- D. Use your expense account as if you were spending your own money.
- E. Stay at the best hotels and eat at the best restaurants because you do not have to pay for it.

42. Which of the following could be a problem area in the salesperson-company relationship?

- A. Switching jobs
- B. Reporting work time information
- C. Expense accounts
- D. Reporting sales activities
- E. All of the above

43. Claiborne used to work for a law office. He was forced to quit because one of the partners kept rubbing against him, telling him dirty jokes, and making it an environment in which he could not work. This is an example of

- A. a kickback.
- B. backdoor selling.
- C. bribery.
- D. sexual harassment.
- E. deception.

44. Which of the following acts may be considered sexual harassment?

- A. Milton tells pornographic jokes to all the secretaries.
- B. Nora repeatedly comments on her co-worker's sexual reputation.
- C. Sybil shows a set of obscene playing cards to her subordinates.
- D. Manning makes lewd comments to his colleague.
- E. All of the above.

45. Statutory laws:

- A. include regulations developed by the Federal Trade Commission.
- B. grow out of court decisions.
- C. include regulations developed by the Better Business Bureau.
- D. are based on legislation passed either by state legislatures or by Congress.
- E. are established by local, state, and federal regulatory agencies.

46. _____ laws are established by local, state, or federal regulatory agencies.

- A. Common
- B. Administrative
- C. Functional
- D. Executive
- E. Statutory

47. The _____ is the most active regulatory agency in developing administrative laws affecting salespeople.

- A. U.S. Patent Office
- B. Federal Trade Commission
- C. Environmental Protection Agency
- D. Federal Communications Commission
- E. Food and Drug Administration

48. The accounting of sales and costs of many new technology products has resulted in many ethical and legal controversies. Often, the shelf life of a new product is difficult to assess and therefore how to allocate sales and costs is debatable. A court decision provides guidelines to address these issues. The court decision is an example of:

- A. UCC codification.
- B. administrative law.
- C. common law.
- D. statutory law.
- E. all of the above.

49. The Uniform Commercial Code (UCC):

- A. defines a number of terms related to salespeople.
- B. contains administrative laws.
- C. is regulated by the Better Business Bureau.
- D. grew out of court decisions.
- E. is regulated by the Federal Trade Commission.

50. Which of the following is true of an agent?

- A. The authorization to represent the company has to be in writing.
- B. The agent's statements cannot legally bind his or her company.
- C. A person who acts in place of his or her company is an agent.
- D. The actions of an agent do not have any financial impact on the company.
- E. None of the above.

51. How does a sale differ from a contract to sell?

- A. Cash must change hands for a contract to sell to exist, but not for a sale.
- B. The UCC defines a sale and a contract to sell as synonymous.
- C. A sale is made when the salesperson makes an offer and receives unqualified acceptance, while a contract to sell exists only when the title passes from the seller to the buyer.
- D. A contract to sell exists anytime a salesperson makes an offer and receives unqualified acceptance from the customer, while a sale is made only when the title passes from the seller to the buyer.
- E. A sale is made as soon as a buyer agrees to a price, while a contract to sell exists as soon as a seller gives an offer.

52. According to UCC, a sale is made:

- A. when the salesperson makes an offer.
- B. when the client accepts the offer and agrees to buy.
- C. before the title exchanges hands.
- D. when the contract is completed and the title exchanges hands.
- E. when the contract is signed.

53. According to UCC, orders become contracts to sell when:

- A. the salesperson quotes the specific terms involved in the purchase.
- B. goods are transferred from the seller to the buyer for a consideration known as price.
- C. they are signed by an authorized representative of the salesperson's company.
- D. money changes hands.
- E. the title for the product is exchanged.

54. If the terms of the contract specify FOB (free on board) destination, then:
- A. any loss or damage incurred during transportation is the responsibility of the seller.
 - B. the buyer is responsible for any loss during transportation.
 - C. the buyer assumes the responsibility and risk for the merchandise as soon it leaves the factory.
 - D. the buyer gets the title to the goods as soon as the invoice is made by the seller.
 - E. the goods are being sold on consignment.
55. When James sold the protective window bars for the nursing home complex, he specified in the contract that the bars would be shipped FOB factory. According to the UCC, this means that:
- A. the bars will not leave the manufacturer until payment had been received in full.
 - B. the seller has full title to the bars until the nursing home director receives them.
 - C. the buyer assumes responsibility, cost, and risk for shipping of the bars.
 - D. the seller does not expect payment for the bars until they are installed.
 - E. the delivering company assumes title for the bars while they are in transit.
56. If the terms of the contract specify FOB (free on board) factory, then:
- A. the seller has title until the goods are received at the destination.
 - B. the seller is responsible for any loss during transportation.
 - C. the buyer assumes the responsibility and risk for any loss during transportation.
 - D. the seller does not expect payment for the merchandise until it reaches its destination.
 - E. the goods are being sold on consignment.

57. When a purchasing agent bought an order of sheet aluminum (used to make cans) from a new supplier, the salesperson specified the details of the product's quality. However, when the purchasing agent received the order, he noticed that the aluminum sheets were of inferior quality. The salesperson had violated the _____ that the salesperson had made.

- A. tying agreement
- B. impressed guarantee
- C. binding contract
- D. expressed warranty
- E. none of the above

58. A(n) _____ is an oral or written statement by the seller about how a product will perform.

- A. binding agreement
- B. impressed guarantee
- C. implied warranty
- D. expressed warranty
- E. tying agreement

59. A(n) _____ is not actually stated but is still an obligation defined by law.

- A. codified warranty
- B. impressed guarantee
- C. implied warranty
- D. expressed warranty
- E. vocalized guarantee

60. Kevin purchased a lawn mower. The blades were so dull that the mower could not cut the grass in his backyard. Due to the existence of _____ warranties, Kevin can return the mower and expect to receive a replacement that will cut grass.

- A. communicated
- B. applied
- C. functional
- D. implied
- E. codified

61. If the salesperson for a paint manufacturer promised a purchasing agent that a certain brand of paint was mildew-resistant (when it was not), the salesperson:

- A. gave an expressed warranty.
- B. resorted to collusion
- C. should have given further credibility to the statement by adding, "Let the buyer beware."
- D. gave only an implied warranty
- E. none of the above

62. Robin is selling a Local Area Network (LAN) system to a company that oversees the renovation of dingy, old downtown districts into attractive, shopping areas. Which of the following statements by the seller might be construed as an expressed warranty?

- A. Maintain a hardcopy of every memo that you try to send until you are comfortable with the system.
- B. Don't worry if it breaks down; our service people will be able to get it running again quickly.
- C. Be sure to ask your employees to attend the training session.
- D. Please read the instruction manual before you try to use the system.
- E. None of the above.

63. When a department store clerk tells Hilda that the coffee brewed by one particular coffee maker will make her think she has died and has gone to Starbucks heaven, the clerk is using:
- A. puffery.
 - B. a spiff.
 - C. reciprocity.
 - D. sales misrepresentation.
 - E. collusion.
64. In Canada, where puffery is more closely monitored than in the United States, a salesperson told a customer a particular oven would cook meat better than any other oven in the market. The salesperson might be guilty of violating the:
- A. conspiracy and collusion agreement.
 - B. competitive comparison law.
 - C. tying agreement.
 - D. *caveat emptor* law.
 - E. credulous person standard.
65. _____ occurs when salespeople make unfair or untrue statements to customers about a competitor, its products or its salespeople.
- A. Collusion
 - B. Business defamation
 - C. Conspiracy
 - D. Reciprocity
 - E. Tying agreement

66. Which of the following is an example of reciprocity?

- A. Jack reveals a competitor's secret formula for a plastic hardening compound.
- B. Larry's Uniform Company agrees to buy Harry's landscaping services if Harry will rent its uniforms from Larry.
- C. A purchasing agent bribes the receptionist to get him an appointment with the company's CEO.
- D. In order to carry a line of profitable wind chimes, Scott's Hardware Store also has to carry a less profitable line of hose nozzles made by the same company.
- E. A group of kaolin (used in the whitening of paper) manufacturers agree to a price freeze.

67. Which of the following is an example of a tying agreement?

- A. Jon refuses to buy office supplies from anyone but Bridget.
- B. In order to carry a highly successful organic cleaning compound, Nature's Survival Store has to carry a much less successful line of laundry detergent made by the same company.
- C. Traveler's Rest, a travel agency, agrees to buy its insurance needs from the Nathan Dean Insurance Agency if the agency agrees to let Traveler's Rest handle the owners' travel plans.
- D. A paper supply company agrees to give Harridan Industries a free case of paper towels for every dozen cases it purchases.
- E. A salesperson tells a contractor that its paint is mildew-resistant when it is not.

68. Three companies were selected as potential suppliers of computer equipment for an organization's headquarters. After the negotiations began, representatives of two of the firms met and developed a scheme to eliminate the third company from the competition. This is an example of:

- A. business defamation.
- B. a contrivance.
- C. price discrimination.
- D. collusion.
- E. a conspiracy.

69. A group of uniform rental companies agreed that neither would charge less than \$5 per week per uniform even before the newly opened chicken plant contacted them for bids. This is an example of:

- A. business defamation.
- B. a contrivance.
- C. price discrimination.
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70. _____ refers to competitors working together while the customer is making a purchase decision.

- A. Defamation
- B. A tying contract
- C. A conspiracy
- D. Reciprocity
- E. Collusion

71. When a perfume manufacturer establishes a minimum price below which a retailer may not sell its perfume, the manufacturer is engaged in:

- A. a tying contract.
- B. resale price maintenance.
- C. price discrimination.
- D. collusion.
- E. reciprocity.

72. The manufacturer of Kingston freestanding greenhouses gives \$100 as an incentive to a reseller's salespeople for each greenhouse they sell. This special incentive is known as:

- A. pull money.
- B. puffery.
- C. a perquisite.
- D. a spiff.
- E. entertainment allowance.

73. Court decisions related to the Robinson-Patman Act define _____ as a seller giving unjustified special prices, discounts, or services to some customers and not to others.

- A. reciprocity
- B. a spiff
- C. price discrimination
- D. a tying contract
- E. business deception

74. The _____ Act requires written notification to customers regarding privacy policies.

- A. Robinson-Patman
- B. Gramm-Leach-Bliley
- C. Sarbanes-Oxley
- D. FOB notification
- E. Federal Do-Not-Call Registry

75. To speed up the opening of a new factory in a Middle Eastern country, Micah gifted a pen and pencil set that he had purchased for \$10 to an assistant of a local government. Micah hoped this gift would remove some of the red tape that was slowing down the building process. This type of gift is referred to as:

- A. collusion.
- B. subordination.
- C. capitulation.
- D. indemnification.
- E. lubrication.

76. _____ involves paying large sums of money to higher-ranking officials to get them to do something illegal or to ignore an illegal act.

- A. Collusion
- B. Subordination
- C. Capitulation
- D. Indemnification
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77. A small appliance manufacturer, trying to build a factory in one Mexican state, offered the governor a bribe of \$12,000 to waive off certain environmental regulations for the manufacturing concern. This is an example of:

- A. collusion.
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- D. indemnification.
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78. _____ is the view that no culture's ethics are superior to any other culture's ethics.
- A. Ethical imperialism
 - B. Cultural imperialism
 - C. Ethical solidarity
 - D. Cultural relativism
 - E. Cultural solidarity
79. Which of the following statements about U.S. salespeople who sell to international customers is true?
- A. U.S. salespeople are subject only to the laws in the country in which they are selling.
 - B. U.S. salespeople are not allowed to make any lubrication payments.
 - C. U.S. salespeople are prohibited from engaging in activities that would adversely affect the U.S. economy.
 - D. U.S. salespeople are expected to participate in all boycotts.
 - E. None of the above.
80. _____ is the view that ethical standards in one's home country should be applied to one's behavior across the world.
- A. Ethical imperialism
 - B. Ethical ombudsmen
 - C. Ethical solidarity
 - D. Cultural relativism
 - E. Cultural solidarity

Short Answer Questions

81. How do salespeople engage in backdoor selling?

82. What impact does a salesperson's statement have when he or she acts as an agent?

83. What is the difference between free on board (FOB) destination and free on board factory?

84. What is business defamation?

85. What is a tying agreement?

86. What is reciprocity?

87. Why did the Robinson-Patman Act become law?

88. What are spiffs?

89. What is subordination?

90. What is cultural relativism?

Essay Questions

91. Discuss the importance of ethics in long-term relationships.

92. What is deception?

93. Jackson sells refrigeration units to hospitals, laboratories, and clinics. He really wants to make a sale to a group of hospitals all working under the Emory brand. He believes that if he gives the purchasing agent for the hospitals a very unique and costly gift, he will be more than likely to get the order. What advice would you give him?

94. Imagine John has a computer job with Hughes Hospital Supply, and he gets a job offer from IBD Inc. What would be the ethical way for John to move from his job at Hughes to his new position with IBD?

95. What is sexual harassment?

96. As a salesperson, how should Andrew deal with sexual harassment from customers?

97. Discuss a sale as defined by the UCC in relation to salespeople.

98. What is an implied warranty and an expressed warranty? You have just filled up your car with gasoline. Give an example of an expressed and an implied warranty that might have accompanied your purchase.

99. What is the difference between a conspiracy and collusion?

100. Distinguish between cultural relativism and ethical imperialism.

Chapter 02 Ethical and Legal Issues in Selling **Answer Key**

True / False Questions

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(p. 30)

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Level of Difficulty: Easy

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32. Which of the following questions should one ask oneself to determine whether a sales behavior

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- B. Am I concerned about the possible consequences of this behavior?
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36. Which of the following is an example of a kickback?
(p. 38)

- A. Barry slips the receptionist \$20 so he can get an interview with her boss.
- B. Lori buys the purchasing agent of Lincoln Electrical Company an extravagant lunch to cement their friendship.
- C. Payton shares industrial secrets with one of his competitors.
- D.** Chantal pays a department store buyer five percent of all the orders placed by the store.
- E. Andrew pays a government official \$200 to speed up the licensing process.

Level of Difficulty: Medium

37. In a successful partnering relationship, a purchasing agent:

(p. 38)

- A. can legally accept bribes from a sales rep.
- B. should never refuse any gifts or offers from a sales rep.
- C. can ethically enjoy lavish gifts from their sales reps because of the long-term nature of the relationship.
- D. can ethically accept a free lunch from a salesperson.
- E. all of the above.

Level of Difficulty: Medium

38. Assuming company policies do not prohibit gift giving, which of the following gifts would be

(p. 39) most appropriate for a salesperson selling earthmoving equipment to give to a potential customer?

- A. A free vacation package for the customer's family
- B. A software program worth over \$300 that protects against computer viruses
- C. Four Atlanta Braves baseball tickets and a parking pass
- D. A coffee mug with the company name, logo, and telephone number imprinted on it
- E. A fully-loaded sedan

Level of Difficulty: Hard

39. Salespeople engage in _____ when they ignore a purchasing agent's (PA) policy against

(p. 40) contacting other employees without the PA's permission, and directly contact other people involved in the purchasing decision.

- A. backdoor selling
- B. expanded prospecting
- C. sales prospecting
- D. hustling
- E. bypass selling

Level of Difficulty: Medium

40. Calvin sells hospital supplies. When his company did not make it to the approved list of suppliers developed during a vendor analysis by a chain of nursing homes, he went against the purchasing department's policy and contacted nurses and other staff directly to persuade them to get the purchasing department to place his company on its approved list of suppliers. Calvin engaged in:

- A. backdoor selling.
- B. expanded prospecting.
- C. sales prospecting.
- D. a lateral attack.
- E. bypass selling.

Level of Difficulty: Medium

41. Marvin is an inexperienced sales rep for a manufacturer of kitchen appliances. He requests you to advise him on handling an expense account ethically. What should you tell him?

- A. The company expects you to fudge on some costs; just don't get caught.
- B. The company pays you a low salary because it expects you to pad your expenses, and you would be foolish not to.
- C. Don't worry about keeping records; make up some amounts that seem reasonable.
- D. Use your expense account as if you were spending your own money.
- E. Stay at the best hotels and eat at the best restaurants because you do not have to pay for it.

Level of Difficulty: Medium

42. Which of the following could be a problem area in the salesperson-company relationship?

(p. 41-43)

- A. Switching jobs
- B. Reporting work time information
- C. Expense accounts
- D. Reporting sales activities
- E.** All of the above

Level of Difficulty: Medium

43. Claiborne used to work for a law office. He was forced to quit because one of the partners kept rubbing against him, telling him dirty jokes, and making it an environment in which he could not work. This is an example of

(p. 44)

- A. a kickback.
- B. backdoor selling.
- C. bribery.
- D.** sexual harassment.
- E. deception.

Level of Difficulty: Medium

44. Which of the following acts may be considered sexual harassment?

(p. 44)

- A. Milton tells pornographic jokes to all the secretaries.
- B. Nora repeatedly comments on her co-worker's sexual reputation.
- C. Sybil shows a set of obscene playing cards to her subordinates.
- D. Manning makes lewd comments to his colleague.
- E.** All of the above.

Level of Difficulty: Medium

45. Statutory laws:

(p. 45)

- A. include regulations developed by the Federal Trade Commission.
- B. grow out of court decisions.
- C. include regulations developed by the Better Business Bureau.
- D.** are based on legislation passed either by state legislatures or by Congress.
- E. are established by local, state, and federal regulatory agencies.

Level of Difficulty: Easy

46. _____ laws are established by local, state, or federal regulatory agencies.

(p. 45)

- A. Common
- B.** Administrative
- C. Functional
- D. Executive
- E. Statutory

Level of Difficulty: Easy

47. The _____ is the most active regulatory agency in developing administrative laws affecting

(p. 45) salespeople.

- A. U.S. Patent Office
- B.** Federal Trade Commission
- C. Environmental Protection Agency
- D. Federal Communications Commission
- E. Food and Drug Administration

Level of Difficulty: Easy

48. The accounting of sales and costs of many new technology products has resulted in many ethical and legal controversies. Often, the shelf life of a new product is difficult to assess and therefore how to allocate sales and costs is debatable. A court decision provides guidelines to address these issues. The court decision is an example of:

(p. 45)

- A. UCC codification.
- B. administrative law.
- C.** common law.
- D. statutory law.
- E. all of the above.

Level of Difficulty: Medium

49. The Uniform Commercial Code (UCC):

(p. 45)

- A.** defines a number of terms related to salespeople.
- B. contains administrative laws.
- C. is regulated by the Better Business Bureau.
- D. grew out of court decisions.
- E. is regulated by the Federal Trade Commission.

Level of Difficulty: Easy

50. Which of the following is true of an agent?

(p. 45)

- A. The authorization to represent the company has to be in writing.
- B. The agent's statements cannot legally bind his or her company.
- C.** A person who acts in place of his or her company is an agent.
- D. The actions of an agent do not have any financial impact on the company.
- E. None of the above.

Level of Difficulty: Medium

51. How does a sale differ from a contract to sell?

(p. 45)

- A. Cash must change hands for a contract to sell to exist, but not for a sale.
- B. The UCC defines a sale and a contract to sell as synonymous.
- C. A sale is made when the salesperson makes an offer and receives unqualified acceptance, while a contract to sell exists only when the title passes from the seller to the buyer.
- D.** A contract to sell exists anytime a salesperson makes an offer and receives unqualified acceptance from the customer, while a sale is made only when the title passes from the seller to the buyer.
- E. A sale is made as soon as a buyer agrees to a price, while a contract to sell exists as soon as a seller gives an offer.

Level of Difficulty: Medium

52. According to UCC, a sale is made:

(p. 45)

- A. when the salesperson makes an offer.
- B. when the client accepts the offer and agrees to buy.
- C. before the title exchanges hands.
- D.** when the contract is completed and the title exchanges hands.
- E. when the contract is signed.

Level of Difficulty: Easy

53. According to UCC, orders become contracts to sell when:

(p. 46)

- A. the salesperson quotes the specific terms involved in the purchase.
- B. goods are transferred from the seller to the buyer for a consideration known as price.
- C.** they are signed by an authorized representative of the salesperson's company.
- D. money changes hands.
- E. the title for the product is exchanged.

Level of Difficulty: Medium

54. If the terms of the contract specify FOB (free on board) destination, then:

(p. 46)

- A. any loss or damage incurred during transportation is the responsibility of the seller.
- B. the buyer is responsible for any loss during transportation.
- C. the buyer assumes the responsibility and risk for the merchandise as soon it leaves the factory.
- D. the buyer gets the title to the goods as soon as the invoice is made by the seller.
- E. the goods are being sold on consignment.

Level of Difficulty: Medium

55. When James sold the protective window bars for the nursing home complex, he specified in the

(p. 46) contract that the bars would be shipped FOB factory. According to the UCC, this means that:

- A. the bars will not leave the manufacturer until payment had been received in full.
- B. the seller has full title to the bars until the nursing home director receives them.
- C. the buyer assumes responsibility, cost, and risk for shipping of the bars.
- D. the seller does not expect payment for the bars until they are installed.
- E. the delivering company assumes title for the bars while they are in transit.

Level of Difficulty: Medium

56. If the terms of the contract specify FOB (free on board) factory, then:

(p. 46)

- A. the seller has title until the goods are received at the destination.
- B. the seller is responsible for any loss during transportation.
- C. the buyer assumes the responsibility and risk for any loss during transportation.
- D. the seller does not expect payment for the merchandise until it reaches its destination.
- E. the goods are being sold on consignment.

Level of Difficulty: Medium

57. When a purchasing agent bought an order of sheet aluminum (used to make cans) from a new
(p. 47) supplier, the salesperson specified the details of the product's quality. However, when the
purchasing agent received the order, he noticed that the aluminum sheets were of inferior
quality. The salesperson had violated the _____ that the salesperson had made.

- A. tying agreement
- B. impressed guarantee
- C. binding contract
- D.** expressed warranty
- E. none of the above

Level of Difficulty: Hard

58. A(n) _____ is an oral or written statement by the seller about how a product will perform.
(p. 47)

- A. binding agreement
- B. impressed guarantee
- C. implied warranty
- D.** expressed warranty
- E. tying agreement

Level of Difficulty: Easy

59. A(n) _____ is not actually stated but is still an obligation defined by law.
(p. 47)

- A. codified warranty
- B. impressed guarantee
- C.** implied warranty
- D. expressed warranty
- E. vocalized guarantee

Level of Difficulty: Easy

60. Kevin purchased a lawn mower. The blades were so dull that the mower could not cut the grass in his backyard. Due to the existence of _____ warranties, Kevin can return the mower and expect to receive a replacement that will cut grass.

(p. 47)

- A. communicated
- B. applied
- C. functional
- D.** implied
- E. codified

Level of Difficulty: Medium

61. If the salesperson for a paint manufacturer promised a purchasing agent that a certain brand of paint was mildew-resistant (when it was not), the salesperson:

(p. 47)

- A.** gave an expressed warranty.
- B. resorted to collusion
- C. should have given further credibility to the statement by adding, "Let the buyer beware."
- D. gave only an implied warranty
- E. none of the above

Level of Difficulty: Medium

62. Robin is selling a Local Area Network (LAN) system to a company that oversees the renovation of dingy, old downtown districts into attractive, shopping areas. Which of the following statements by the seller might be construed as an expressed warranty?

(p. 47)

- A. Maintain a hardcopy of every memo that you try to send until you are comfortable with the system.
- B.** Don't worry if it breaks down; our service people will be able to get it running again quickly.
- C. Be sure to ask your employees to attend the training session.
- D. Please read the instruction manual before you try to use the system.
- E. None of the above.

Level of Difficulty: Hard

63. When a department store clerk tells Hilda that the coffee brewed by one particular coffee maker will make her think she has died and has gone to Starbucks heaven, the clerk is using:

(p. 47)

- A. puffery.
- B. a spiff.
- C. reciprocity.
- D. sales misrepresentation.
- E. collusion.

Level of Difficulty: Medium

64. In Canada, where puffery is more closely monitored than in the United States, a salesperson told a customer a particular oven would cook meat better than any other oven in the market.

(p. 48)

The salesperson might be guilty of violating the:

- A. conspiracy and collusion agreement.
- B. competitive comparison law.
- C. tying agreement.
- D. *caveat emptor* law.
- E. credulous person standard.

Level of Difficulty: Medium

65. _____ occurs when salespeople make unfair or untrue statements to customers about a

(p. 48)

competitor, its products or its salespeople.

- A. Collusion
- B. Business defamation
- C. Conspiracy
- D. Reciprocity
- E. Tying agreement

Level of Difficulty: Easy

66. Which of the following is an example of reciprocity?

(p. 49)

- A. Jack reveals a competitor's secret formula for a plastic hardening compound.
- B.** Larry's Uniform Company agrees to buy Harry's landscaping services if Harry will rent its uniforms from Larry.
- C. A purchasing agent bribes the receptionist to get him an appointment with the company's CEO.
- D. In order to carry a line of profitable wind chimes, Scott's Hardware Store also has to carry a less profitable line of hose nozzles made by the same company.
- E. A group of kaolin (used in the whitening of paper) manufacturers agree to a price freeze.

Level of Difficulty: Medium

67. Which of the following is an example of a tying agreement?

(p. 49)

- A. Jon refuses to buy office supplies from anyone but Bridget.
- B.** In order to carry a highly successful organic cleaning compound, Nature's Survival Store has to carry a much less successful line of laundry detergent made by the same company.
- C. Traveler's Rest, a travel agency, agrees to buy its insurance needs from the Nathan Dean Insurance Agency if the agency agrees to let Traveler's Rest handle the owners' travel plans.
- D. A paper supply company agrees to give Harridan Industries a free case of paper towels for every dozen cases it purchases.
- E. A salesperson tells a contractor that its paint is mildew-resistant when it is not.

Level of Difficulty: Medium

68. Three companies were selected as potential suppliers of computer equipment for an organization's headquarters. After the negotiations began, representatives of two of the firms met and developed a scheme to eliminate the third company from the competition. This is an example of:

- A. business defamation.
- B. a contrivance.
- C. price discrimination.
- D.** collusion.
- E. a conspiracy.

Level of Difficulty: Medium

69. A group of uniform rental companies agreed that neither would charge less than \$5 per week per uniform even before the newly opened chicken plant contacted them for bids. This is an example of:

- A. business defamation.
- B. a contrivance.
- C. price discrimination.
- D. collusion.
- E.** a conspiracy.

Level of Difficulty: Medium

70. _____ refers to competitors working together while the customer is making a purchase decision.

- A. Defamation
- B. A tying contract
- C. A conspiracy
- D. Reciprocity
- E.** Collusion

Level of Difficulty: Easy

71. When a perfume manufacturer establishes a minimum price below which a retailer may not sell
(p. 49) its perfume, the manufacturer is engaged in:

- A. a tying contract.
- B.** resale price maintenance.
- C. price discrimination.
- D. collusion.
- E. reciprocity.

Level of Difficulty: Medium

72. The manufacturer of Kingston freestanding greenhouses gives \$100 as an incentive to a
(p. 50) reseller's salespeople for each greenhouse they sell. This special incentive is known as:

- A. pull money.
- B. puffery.
- C. a perquisite.
- D.** a spiff.
- E. entertainment allowance.

Level of Difficulty: Medium

73. Court decisions related to the Robinson-Patman Act define _____ as a seller giving unjustified
(p. 50) special prices, discounts, or services to some customers and not to others.

- A. reciprocity
- B. a spiff
- C.** price discrimination
- D. a tying contract
- E. business deception

Level of Difficulty: Easy

74. The ____ Act requires written notification to customers regarding privacy policies.
(p. 50)

- A. Robinson-Patman
- B.** Gramm-Leach-Bliley
- C. Sarbanes-Oxley
- D. FOB notification
- E. Federal Do-Not-Call Registry

Level of Difficulty: Easy

75. To speed up the opening of a new factory in a Middle Eastern country, Micah gifted a pen and pencil set that he had purchased for \$10 to an assistant of a local government. Micah hoped this gift would remove some of the red tape that was slowing down the building process. This type of gift is referred to as:
(p. 51)

- A. collusion.
- B. subordination.
- C. capitulation.
- D. indemnification.
- E.** lubrication.

Level of Difficulty: Medium

76. ____ involves paying large sums of money to higher-ranking officials to get them to do something illegal or to ignore an illegal act.
(p. 51)

- A. Collusion
- B.** Subordination
- C. Capitulation
- D. Indemnification
- E. Lubrication

Level of Difficulty: Easy

77. A small appliance manufacturer, trying to build a factory in one Mexican state, offered the governor a bribe of \$12,000 to waive off certain environmental regulations for the manufacturing concern. This is an example of:

(p. 51)

- A. collusion.
- B.** subordination.
- C. capitulation.
- D. indemnification.
- E. lubrication.

Level of Difficulty: Medium

78. _____ is the view that no culture's ethics are superior to any other culture's ethics.

(p. 51)

- A. Ethical imperialism
- B. Cultural imperialism
- C. Ethical solidarity
- D.** Cultural relativism
- E. Cultural solidarity

Level of Difficulty: Easy

79. Which of the following statements about U.S. salespeople who sell to international customers is true?

(p. 52)

- A. U.S. salespeople are subject only to the laws in the country in which they are selling.
- B. U.S. salespeople are not allowed to make any lubrication payments.
- C.** U.S. salespeople are prohibited from engaging in activities that would adversely affect the U.S. economy.
- D. U.S. salespeople are expected to participate in all boycotts.
- E. None of the above.

Level of Difficulty: Medium

80. _____ is the view that ethical standards in one's home country should be applied to one's
(p. 52) behavior across the world.

- A.** Ethical imperialism
- B. Ethical ombudsmen
- C. Ethical solidarity
- D. Cultural relativism
- E. Cultural solidarity

Level of Difficulty: Easy

Short Answer Questions

81. How do salespeople engage in backdoor selling?
(p. 40)

Salespeople engage in backdoor selling when they ignore the purchasing agent's policy, go around his or her back, and contact other people directly involved in the purchasing decision.

Level of Difficulty: Easy

82. What impact does a salesperson's statement have when he or she acts as an agent?
(p. 45)

A salesperson's statements and actions can legally bind his or her company and have significant financial impact.

Level of Difficulty: Medium

83. What is the difference between free on board (FOB) destination and free on board factory?
(p. 46)

If the contract terms specify free on board (FOB) destination, the seller has title until the goods are received at the destination. In this case any loss or damage incurred during transportation is the responsibility of the seller. The buyer assumes this responsibility and risk if contract terms call for FOB factory.

Level of Difficulty: Medium

84. What is business defamation?
(p. 48)

Business defamation occurs when a salesperson makes unfair or untrue statements to customers about a competitor, its products, or its salespeople. These statements are illegal when they damage the competitor's reputation or the reputation of its salespeople.

Level of Difficulty: Medium

85. What is a tying agreement?
(p. 49)

In a tying agreement, a buyer is required to purchase one product in order to get another product.

Level of Difficulty: Medium

86. What is reciprocity?

(p. 49)

Reciprocity is a special relationship in which two companies agree to buy products from each other.

Level of Difficulty: Easy

87. Why did the Robinson-Patman Act become law?

(p. 50)

The Robinson-Patman Act became law because independent wholesalers and retailers wanted additional protection from the aggressive marketing tactics of large chain stores. Principally, the act forbids price discrimination in interstate commerce.

Level of Difficulty: Easy

88. What are spiffs?

(p. 50)

Spiff stands for "special promotion incentive fund." Spiffs (or push money), are special incentives to get a reseller's salespeople to push products. They are legal only if the reseller knows and approves of the incentive and it is offered to all the reseller's salespeople.

Level of Difficulty: Easy

89. What is subordination?

(p. 51)

Subordination involves paying larger sums of money to higher-ranking officials to get them to do something that is illegal or to ignore an illegal act. Even in countries where bribery is common, subordination is considered unethical.

Level of Difficulty: Easy

90. What is cultural relativism?

(p. 51)

Cultural relativism is the view that no culture's ethics are superior.

Level of Difficulty: Medium

Essay Questions

91. Discuss the importance of ethics in long-term relationships.

(p. 32)

Ethical principles become increasingly important as firms move toward longer-term relationships. Many issues cannot be reduced to contractual terms. For example, a salesperson might make a concession for a buyer with a special problem, anticipating that the buyer will reciprocate on future orders. Yet there is no legal obligation for the buyer to do so; this type of give-and-take is exactly why trust is such an important part of relationships. Because of the high levels of investment and uncertainty, the parties in these relationships cannot accurately assess the potential benefits—the size of the pie—accruing from strategic investments in the relationships or the contributions of each party in producing those benefits. Thus, the parties in a longer-term relationship have to trust one another to divide the pie fairly.

Level of Difficulty: Medium

92. What is deception?

(p. 37)

Deliberately presenting inaccurate information, or lying, to a customer is illegal. Further, misleading customers by telling half-truths or withholding important information can also lead to legal consequences but is more often a matter of ethics. Some salespeople believe it is the customer's responsibility to uncover potential product problems. These salespeople answer questions, perhaps incompletely, and don't offer information that might make a sale more difficult. For example, a salesperson selling life insurance may fail to mention that the policy won't pay off under certain circumstances.

Level of Difficulty: Medium

93. Jackson sells refrigeration units to hospitals, laboratories, and clinics. He really wants to make a sale to a group of hospitals all working under the Emory brand. He believes that if he gives the purchasing agent for the hospitals a very unique and costly gift, he will be more than likely to get the order. What advice would you give him?

Jackson should realize that any gift he gives should be given to foster a mutually beneficial, long-term relationship, not to obligate the agent to place an order. He should also make sure the agent views the gift as a symbol of respect with no strings attached. Gifts should never be given to influence a buy. He needs to make sure that the gift does not violate the agent's or his company's policies. The safest gifts are inexpensive items imprinted with the salesperson's company name or logo.

Level of Difficulty: Hard

94. Imagine John has a computer job with Hughes Hospital Supply, and he gets a job offer from IBD Inc. What would be the ethical way for John to move from his job at Hughes to his new position with IBD?

First, John should give ample notice. He should offer assistance during the transition phase and help his replacement learn his/her job. He should not disclose confidential information to IBD. He should not take anything that belongs to the company. Finally, he should not burn bridges.

Level of Difficulty: Medium

95. What is sexual harassment?

(p. 44)

Sexual harassment includes unwelcome sexual advances; requests for sexual favors, jokes or graffiti; posting sexually explicit material on bulletin boards or cubicle walls; and physical conduct. Harassment is not confined to requests for sexual favors in exchange for job considerations such as a raise or promotion; creating a hostile work environment can be considered sexual harassment.

Some actions that are considered sexual harassment are engaging in suggestive behavior, treating people differently because they are male or female, making lewd sexual comments and gestures, sharing by e-mail jokes that have sexual content, showing obscene photographs, alleging that an employee got rewards by engaging in sexual acts, and spreading rumors about a person's sexual conduct.

Level of Difficulty: Easy

96. As a salesperson, how should Andrew deal with sexual harassment from customers?

(p. 44)

Students' answers may vary.

Following are some suggestions for dealing with sexual harassment from customers:

- Andrew should not become so dependent on one customer that he would consider compromising his principles to retain the customer's business. He should develop a large base of customers and prospects to minimize the importance of one customer—a good idea for a lot of reasons.
- He should tell the harasser in person or write a letter stating that the behavior is offensive, is unacceptable, and must be stopped. He should clearly indicate that he is in control and will not be passive.
- He should use the sexual harassment policies of his firm and his customer's firm to resolve problems. These policies typically state the procedure for filing a complaint, the person responsible for investigating the complaint, the time frame for completing the investigation, and the means by which the parties will be informed about the resolution.

Level of Difficulty: Medium

97. Discuss a sale as defined by the UCC in relation to salespeople.
(p. 45)

The UCC defines a sale as "the transfer of title to goods by the seller to the buyer for a consideration known as price." A sale differs from a contract to sell. Any time a salesperson makes an offer and receives an unqualified acceptance, a contract exists. A sale is made when the contract is completed and title passes from the seller to the buyer.

Level of Difficulty: Medium

98. What is an implied warranty and an expressed warranty? You have just filled up your car with gasoline. Give an example of an expressed and an implied warranty that might have accompanied your purchase.
(p. 47)

Students' answers may vary.

An implied warranty is not actually stated but is still an obligation defined by law. An expressed warranty is an oral or a written statement by the seller. Implied warranty: The car should work. Expressed warranty: the octane level and additives stated on the pump should accurately reflect the gasoline being sold.

Level of Difficulty: Medium

99. What is the difference between a conspiracy and collusion?

(p. 49)

A conspiracy is an agreement between competitors before customers are contacted. Collusion refers to competitors working together while the customer is making a purchase decision. For example, competitors are conspiring when they get together and divide up a territory so that only one competitor will call on each prospect. Collusion occurs when competitors agree to charge the same price for equipment that a prospect is considering. These examples of collusion and conspiracy are illegal because they reduce competition.

Level of Difficulty: Easy

100. Distinguish between cultural relativism and ethical imperialism.

(p. 51-52)

Cultural relativism is the view that no culture's ethics are superior. If the people in Indonesia tolerate bribery, their attitude toward bribery is no better or worse than that of people in Singapore who refuse to give or accept bribes. When in Rome, do as the Romans do. But is it right for a European pharmaceutical company to pay a Nigerian company to dispose of the pharmaceutical company's highly toxic waste near Nigerian residential neighborhoods, even though Nigeria has no rules against toxic waste disposal? On the other hand, ethical imperialism is the view that ethical standards in one's home country should be applied to one's behavior across the world. This view suggests, for example, that Saudi Arabian salespeople working for a U.S. firm should go through the same sexual harassment training U.S. salespeople do, even though the strict conventions governing relationships between men and women in Saudi Arabia make the training meaningless and potentially embarrassing.

Level of Difficulty: Medium