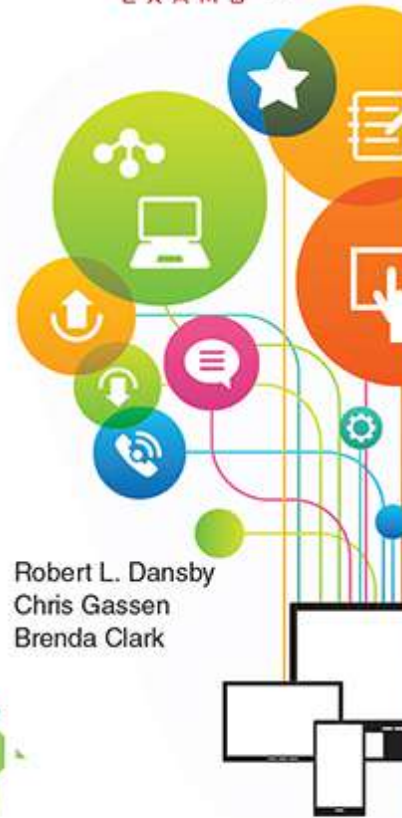


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Principles of Business, Marketing, and Finance

PRECISION
EXAMS



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Presentations for PowerPoint

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Business Law and Ethics

Section 3.1

Legal Environment

Objectives

- **Describe** the purpose of contracts.
- **Discuss** the role of the legal system in business.
- **Explain** workplace laws and regulations.
- **Identify** laws and regulations that protect consumers.

Key Terms

- contract
- offer
- acceptance
- consideration
- capacity
- contract law
- breach of contract
- sales and service contract
- lease
- employment contract
- employer identification number (EIN)
- Consumer Bill of Rights
- recall



Essential Question

How is the US government involved in business activities?

Contracts

- **Contract** is a legally binding agreement between two or more people or businesses
- Contracts ensure:
 - Customers understand their role and rights
 - Businesses have materials and resources to operate
 - All parties understand terms of agreement and consequences

Contracts

- Required elements of legal contracts:
 - **Offer** is a proposal to provide a good or service
 - **Acceptance** means that all parties involved must agree to the terms of the contract
 - **Consideration** means that something of value must be promised in return
 - *Intention of legal consequences* requires that parties entering into the contract must understand that it can be enforced by law

Contracts

- **Capacity** means that a person is legally able to enter into a binding agreement
- **Contract law** regulates how contracts are written, executed, and enforced
- **Breach of contract** is when one or more parties do not follow the agreed terms of a contract without having a legitimate reason

Contracts

- Business contracts
 - **Sales and service contracts** list the goods or services provided by a business and the price the customer pays in exchange
 - **Lease** is a contract to rent something
 - *Software license* may be considered a type of lease because the software publisher keeps ownership of the software
 - *Partnership agreement* is a contract used when two or more individuals create a business
 - **Employment contract** describes the terms of employment between a business and an employee

Role of the Legal System

- The government regulates certain business activities to reinforce honest business practices and financial responsibility.

Areas of Business Regulation

Administrative Law	Laws that regulate the activities and procedures of governmental agencies
Antitrust Law	Laws that support fair business practices in a free market economy
Common Law	Laws and authority based on previous court rulings and judicial decisions
Intellectual Property Law	Regulations on establishing and enforcing ownership rights for inventions, artistic creations, ideas, and many other types of original work
Maritime Law	Laws that apply to interstate and international commerce activity on bodies of water
Uniform Commercial Code	Laws established to make commercial transactions, such as sales, contracts, and loans, more consistent in all fifty states

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Role of the Legal System

- Regulate business activities and practices to ensure fair competition
- Federal Trade Commission (FTC) enforces US antitrust laws
- Fair pricing regulation prevent price discrimination

Role of the Legal System

- Businesses that operate online have additional e-commerce guidelines and laws

E-Commerce Laws

Electronic Fund Transfer Act (1978)	Protects consumers who use electronic fund transfer (EFT) services, including ATMs, point-of-sale terminals, automated bill-payment arrangements, and remote banking programs
Children's Online Privacy Protection Act–COPPA (1998)	Protects the personal information of children under 13 years of age who are using online services or websites
Electronic Signatures in Global and National Commerce Act–ESIGN (2000)	Allows electronic signatures to be used for interstate and international commerce transactions that require written signatures
CAN-SPAM Act (2003)	Sets rules for commercial e-mail messages and gives recipients the right to stop receiving unwanted e-mails
US Safe Web Act (2006)	Increases the scope of cooperation to enforce regulations related to spam, spyware, false advertising, breaches in security, and consumer privacy

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Role of the Legal System

- Many US laws regulate the financial activities of businesses
 - *Antitrust laws* relate to businesses buying or investing in other businesses.
 - *Bankruptcy laws* apply to the handling of business debts when a business is no longer profitable
 - *Securities laws* regulate businesses that have publicly traded stocks and bonds.
- **Employer identification number (EIN)** is assigned by the IRS for use when preparing federal tax forms

Role of the Legal System

- Environmental laws and regulations apply to every type of business in every industry
- *Environmental Protection Agency (EPA)* enforces federal human health and environmental laws

Environmental Protection Laws

Clean Air Act (1970)	Establishes the allowable air pollutant levels emitted by US businesses
Clean Water Act (1972)	Establishes the allowable water pollutant levels emitted by US businesses
Noise Control Act (1972)	Protects the public from excessive noise created by business operations
Energy Policy Act (2005)	Provides tax incentives for companies that use energy-efficient methods in the operation of their business
Energy Independence and Security Act (2007)	Requires companies to increase the energy efficiency of the products they create, as well as the buildings used for operations

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Workplace Laws

- US Department of Labor (DOL) enforces workplace laws and regulations
 - Enforce fair-wage laws and work-hours laws
 - Prevent discrimination and harassment in the workplace
 - Ensure employee safety

Workplace Laws

Employee Protection Laws

Fair Labor Standards Act (1938)	Establishes the minimum wage, overtime pay, recordkeeping, and youth employment standards
Comprehensive Omnibus Budget Reconciliation Act (1985)	Gives workers who lose their health benefits the option to continue the group health benefits provided by their group health plan
Worker Adjustment and Retraining Notification Act–WARN (1988)	Protects workers and communities by requiring employers to provide notice 60 days in advance of plant closings and mass layoffs
Family and Medical Leave Act (1993)	Requires that eligible employees be allowed to take unpaid, job-protected leave for specified family and medical reasons

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Workplace Laws

- Laws regulate relationships between employees and employers
 - Work hours and overtime pay
 - Retirement income
 - Medical leave
 - Workplace safety
- *Collective bargaining* is negotiating terms with employers and union employees

Workplace Laws

- Businesses are required to give all workers equal employment and advancement opportunities
- *US Equal Employment Opportunity Commission (EEOC)* enforces federal laws that regulate unfair employment practices
- Cannot discriminate due to a person's race, ethnicity, religion, gender, national origin, age, disability, or genetic information

Workplace Laws

Equal Employment Opportunity Laws

Title VII of the Civil Rights Act–Title 7 (1964)	Employers cannot discriminate based on the race, color, religion, national origin, or gender of an individual.
Pregnancy Discrimination Act (1978)	An addition to Title VII that makes it illegal to discriminate against a woman because of pregnancy, childbirth, or a medical condition related to pregnancy or childbirth.
Equal Pay Act (1963)	Employers cannot pay different wages to men and women if they perform equal work in the same workplace.
Age Discrimination in Employment Act–ADEA (1967)	It is illegal for employers to discriminate against people who are age 40 and older based on age.
Title I of the Americans with Disabilities Act–ADA (1990)	It is illegal for employers to discriminate against a qualified person with a disability in both the private sector and in government departments. Employers must make reasonable accommodations for known physical or mental limitations of an otherwise qualified individual.
Section 501 of the Rehabilitation Act (1973)	The federal government cannot discriminate against a qualified employment candidate with a disability.
The Genetic Information Nondiscrimination Act of 2008 (GINA)	Employers cannot discriminate against employees or applicants because of genetic information, such as information about any disease, disorder, or condition of an individual's family members.

Workplace Laws

- Businesses must protect the health and safety of employees in the workplace
- *Occupational Safety and Health Association (OSHA)* was established by the US Department of Labor to assure safe working conditions for employees
 - Provides training, outreach, education, and assistance to businesses

Consumer Protection Laws

- **Consumer Bill of Rights** are basic expectations of fair treatment of consumers
 - The right to safety
 - The right to be informed
 - The right to choose freely
 - The right to be heard
 - The right to satisfy basic needs
 - The right to redress
 - The right to consumer education
 - The right to a healthy environment

Consumer Protection Laws

- *US Consumer Product Safety Commission (CPSC)* is in charge of protecting consumers from products that pose unreasonable risks
- **Recall** is an order to remove or repair unsafe products in the market
 - Manufacturer must fix unsafe component

Consumer Protection Laws

Consumer Protection Laws

Federal Food, Drug, and Cosmetic Act (1938)	Gives the US Food and Drug Administration the power to oversee the safety of all food, drugs, and cosmetics
Fair Packaging and Labeling Act (1966)	Requires that product labels identify the product and list the manufacturer's name and location and net amount of contents
Truth-in-Lending Act (1968)	Requires the disclosure of all finance charges on consumer credit agreements and in the advertising for credit plans
Child Protection and Toy Safety Act (1969)	Protects children from toys and other products that contain thermal, electrical, or mechanical hazards
Fair Credit Reporting Act (1970)	Gives individuals the right to examine and correct their own credit history records
Consumer Product Safety Act (1972)	Gives the Consumer Product Safety Commission the power to protect the public against risks of injury or death from unsafe products
Nutrition Labeling and Education Act (1990)	Requires food labels to list the amount of calories, fat, cholesterol, sodium, and fiber per serving
Country of Origin Labeling Law (2009)	Requires that product labels list a product's country of origin

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Section 3.1 Review

1. List the required elements of a legal contract.

Offer, consideration, acceptance, and intention of legal consequences.

2. Identify the types of laws and regulations that apply to every business, regardless of type or size.

Fair competition, e-commerce, business finance, and environmental protection laws and regulations.

3. Which governmental agency enforces federal laws regarding human health and the environment?

The Environmental Protection Agency (EPA).

Section 3.1 Review

4. What personal characteristics does the EEOC use to define discrimination against a job applicant or employee?

It is illegal to discriminate against a job applicant or employee because of the person's race, ethnicity, religion, gender, national origin, age, disability, or genetic information.

5. List the eight basic consumer rights that are stated in the Consumer Bill of Rights.

The right to safety, to be informed, to choose freely, to be heard, to satisfy basic needs, to redress, to consumer education, and to a healthy environment.

Section 3.2

Ethics and Social Responsibility

Objectives

- **Explain** how businesses encourage ethical behavior.
- **Discuss** the actions businesses take to promote social good.

Key Terms

- morals
- code of ethics
- code of conduct
- confidentiality
- proprietary information
- trade secret
- false advertising
- social responsibility
- corporate social responsibility
- corporate culture
- philanthropy



Essential Question

In what ways do businesses demonstrate ethics and social responsibility?

Business Ethics

- **Ethics** are rules of behavior based on a group's ideas about what is right and wrong
- *Business ethics* are principles that help define appropriate behavior in a business setting
- **Integrity** is the honesty of a person's actions
- **Morals** are an individual's ideas of what is right and wrong

Business Ethics

- **Code of ethics** is a document that dictates how business should be conducted
- May define specific issues as inappropriate, unethical, or illegal
- A **code of conduct** is typically a handbook that outlines expectations of employee behavior
- Applies when at work and when employees are representing the company outside the workplace

Business Ethics

- **Confidentiality** means that specific information about a company or its employees is never shared, except with those who have clearance to receive it
 - *Confidentiality agreements* state that employees will not share company information outside the company
- **Proprietary information** is any work created by company employees on the job that is owned by that company
 - May be called a **trade secret** because it is confidential information a company needs to keep private and protect from theft

Business Ethics

- Marketing messages must be written according to the law
- **False advertising** is overstating the features and benefits of products or making false claims about them
- The *Federal Trade Commission (FTC)* enforces laws that uphold truth in advertising
- Misrepresenting information can result in lawsuits, lost customers, or employees being dismissed

Social Responsibility

- **Social responsibility** is behaving with sensitivity to social, environmental, and economic issues
- **Corporate social responsibility** includes all the actions taken by a business to promote social good
- **Corporate culture** describes how the owners and employees of a company think, feel, and act as a business
- **Philanthropy** is promoting the welfare of others

Section 3.2 Review

1. What are *business ethics*?

Business ethics are principles that help define appropriate behavior in a business setting.

2. List the questions that can be used to analyze if an action is ethical.

Is the action legal? Will the privacy and confidentiality of the company be protected? Who is affected by these actions? Is the information presented factual and honest?

Section 3.2 Review

3. What is the purpose of a confidentiality agreement?

A confidentiality agreement typically states that the employee will not share any company information with those outside the company. Confidentiality agreements can also prevent former employees from working for a competitor for a specified length of time.

4. Which governmental agency enforces laws that uphold truth in advertising?

The Federal Trade Commission (FTC).

Section 3.2 Review

5. Explain how businesses benefit from giving back to the community.

Giving back to the community creates goodwill for a business. Providing jobs for local people helps keep the community employment rate stable and strengthens the local economy