

Accounting analysis

Finance



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Accounting case study analysis Topic: c) Identify the relevant ethical issues of the above case study and scenario and relate them back to the major principles, rules and values.

The case study involves a charity organisation named as Help Our Homeless Offspring. The charity specializes at providing home and support to children who do not have food and shelter. The sources of financing for Help Our Homeless Offspring organisation come from donations. The organisation is planning to hold a bigger charity donation to support its programs. However, there is a rule that states that the revenues and expenditures ratio for a charitable organisation should not exceed 25 percent. The rule helps to prevent donors from being exploited by non-charitable organisation (University of Western Sidney, 2014).

The charity Help Our Homeless Offspring, look forward towards violating the rule of exceeding 25 percent expenditure and funding to survive. They must have an expensive TV for advertisement. The resulting effect is an increased expenditure to funding ratio beyond 25 percent. Such activities are unethical and unacceptable because they contradict accounting principles (Needles, Powers and Crosson, 2011). The accountant of HOH felt that the misallocation of cost at the expense of exploiting the willing donors was an unethical act because it contradicts accounting principle (Vanderbeck, 2013). For example, the following principles were violated namely; full disclosure principle, cost principle and reliability accounting principle. HOH charity should disclose the true state of affairs and avoid misleading the donors, as well as other users of accounting information (Smith, 2011). Further, the information disclose should be reliable to avoid making wrong decision. The senior accountant in this case tends to justify unethical acts applied by the <https://assignbuster.com/accounting-analysis/>

company (Lerner and Cashin, 2009).

d) Explain the consequences of each of the following actions, you could choose:

As an accountant who adheres to the accounting ethics, it will be inappropriate to do nothing because misallocation of cost contravene the principle discussed. I would, therefore, tell my corporation to embrace the accounting principles. Instead of misallocating the cost to mislead the donors, the corporation should focus on minimizing its variable cost. I would not encourage my corporation to work with HOHO because the top management are encouraging unethical practices (Duska, Duska and Ragatz, 2011).

Reference List

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