

# Discussion 2 week 5 cost management

Business



Cost Management al Affiliation Cost Management Imagine that you are a manager of a chemical company. An accident has occurred in which chemicals leaked into the ground water nearby. The community is unaware of the accident. Compare the primary costs involved in cleaning up the water immediately (and thus confessing) versus hiding your culpability now and possibly paying more in the future. Predict the impact on profitability in both situations. Justify your response.

The primary costs involved in cleaning up the water immediately, and confessing to the accidental leaking of chemicals into the ground would be costly in terms of the extensive amount of cleaning up operations that would tantamount to outright expenses for the organization. Accordingly, “ The costs associated with cleaning up an oil spill are strongly influenced by the circumstances surrounding the spill including: the type of product spilled; the location and timing of the spill; sensitive areas affected or threatened; liability limits in place; local and national laws; and cleanup strategy. The most important factors determining a per-unit amount (either per-gallon or per-tonne) cost are location and oil type, and possibly total spill amount” (Etkin, 1999, p. 1). On the other hand, hiding the culpability now could mean deferment of the mentioned costs but would mean paying more in the future in terms of legal expenses associated with the chemical leak, especially to lives and properties that were affected. In addition, the negative image that the incident would generate for the organization could cost them their reputation and would even cause a significant loss in the financial condition of the organization.

The fact is corroborated, as asserted: “ those who have been affected by chemical leaks and spills, whether residents of the area or local business

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owners, may be entitled to financial compensation for the harm they have experienced. The at-fault industrial plant, oil company or other corporation may be held liable for the injuries and property damage the incident has caused” (Toxic Chemical Leaks & Spills, 2012, p. 1). Therefore, the delay in admitting the fault could cause greater damages which would be more costly for the organization in the long run because the same cleanup cost elements would be incurred, in addition to legal expenses and the damage to the reputation of the organization.

#### References

Toxic Chemical Leaks & Spills. (2012). Retrieved October 27, 2014, from napolibern. com: <http://www.napolibern.com/Environmental-Litigation/Toxic-Chemical-Leak-Spill.aspx>

Etkin, D. (1999). Estimating Cleanup Costs for Oil Spills. Retrieved October 27, 2014, from thebanninginformer. com: [http://www.thebanninginformer.com/wp-content/uploads/2011/12/ERC\\_paper\\_1.pdf](http://www.thebanninginformer.com/wp-content/uploads/2011/12/ERC_paper_1.pdf)