

Principle of accounting

Finance



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Conflicting Principle of Accounting in General Motors

General Motors (GM) is considered to be one of the largest manufacturer and distributors of cars in the world (GM, 2012). The business firm has been operating its activities successfully over the years. However, it is faced with certain financial issues which have resulted in restructuring of its business following its bankruptcy. A conflicting or unusual accounting principle that has been followed by the firm which had a significant impact on the company and the analysis of the last two years financial statements of the organization has been discussed in this study.

Departments – Strengths and Weaknesses

The responsibility of developing marketing strategies for GM with the objective of increasing the product sales lies with the sales and marketing division of the company. This department of the company has been performing well recently. However it has failed to implement required modern marketing strategies to be able to successfully tap many of the unoccupied markets worldwide.

The services related to testing of products of the company are carried on by its quality assurance department. This department has not been successful in developing good relationship with rest of the departments of the company in relation to the reduction of mishaps caused due to inferior vehicle quality.

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However, it has always been promised to the customer regarding high quality of the products. This problem can be reduced through proper coordination of the quality department with the other departments of GM. The accounts department of the company is held accountable for all the finance related activities carried on by the firm. Recently, few financial problems have crept up in the company which has contributed towards it being bankrupt. The major weakness was the top post of the department being two in number. However this issue has been resolved considerably through reshuffling of those positions in the company (Canis, & Yacobucci, 2010, p. 27). Similarly, the company can take the help of other financial consultancy firms so as to boost the accountability of the department.

Underlying Conflict and Alternate Courses of Actions

GM was reported to have some issues related to its bankruptcy recently in the year 2009 and it came up in news as well (Economist, 2009). It is mainly attributed towards the alteration of the financial results of the company which paved the way for the department of accounting of GM to represent false picture of its financial position. This misrepresentation of the financial figures in the financial statements of the firm along with other errors in accounting that were present in the company records led to the bankruptcy of the firm.

Apart from implementing the strategy related to the restructuring of accounts department, GM should establish reliable and frequent auditing services in order to reduce the conflicts. This would ensure that the company is well aware of the competencies of its accountants and take steps accordingly to hire reliable accountants for the company.

Recommendations

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The restructuring option is in accordance with the organizational structure of the company since majority of the top officials of GM would be finishing their contract tenures. Next the option of hiring new competent accountants for GM will also be in accordance with the restructuring process of the company and hence both the options can be considered to be consistent in nature.

References

Canis, B., & Yacobucci, B. D. (2010). *The U. S. Motor Vehicle Industry: Confronting a New Dynamic in the Global Economy*. Pennsylvania: Diane Publishing Co.

Economist. (2009, June 4). *The Bankruptcy of General Motors: A Giant Falls*. The Economist. Retrieved from <http://www.economist.com/node/13782942>

GM. (2012). *About GM: Our Company*. Retrieved from http://www.gm.com/company/aboutGM/our_company.html

Appendices

Appendix: 1 Income Statements