

Acctg discussion

Finance



**ASSIGN
BUSTER**

Ethical issues in accounting The budget preparation responsibility lies with Jill and not with Jim. Therefore Jill on his part should prepare the budget as expected of him by the headquarters of the company. He should then take into consideration Jim's suggestion, to increase certain aspects of the budget by 15%, under advisement. If he deems it fit to actually increase this amount by the said 15% he may then do so. After which Jill should ensure that this is communicated to headquarters through the profoma budget that he has prepared. Jill can do this by then stating in the final recommendations that the numbers for labor and supplies have been marked up by 15% and should define the reasons for doing this thereafter.

The ethical issue for Jim is whether the increase that he is calling for is due to a specific and truly justifiable reason(s). Secondly there is the issue that this budget is used in the allocation of bonuses and capital improvements. His calling for the increase in the budget may be so as to unfairly place him at a position to get more money for these two items. This is despite the fact that he might not be rightfully entitled to them. The two factors together bring with them an ethical dilemma seeing that he stands to profit personally by the higher bonuses that would be paid to him by headquarters. Also that he would have a larger budget according him the increased option of taking on additional risk, which may not be possible with the original budget

The first point of consideration is if these numbers have been inflated for the wrong reasons. Discovery of this by headquarters may lead to him losing his job. Secondly the headquarters may instigate investigations into the hotel's books for the period during his tenure to make a determination as to how long this has been going on. This is so as to ensure that all the previous budget numbers were above board. There is also the possibility of budget

cuts and allocations from headquarters that may actually affect the hotels operation for the coming year. If these figures are actually justifiable on the other hand, there may be increased scrutiny of the hotel just to ensure that the budgeted items are accounted for in the new financial year.

If this directive came from the bank manager then Jim has two options. On the one end being the controller he has the ability to counter check the managers directives so as to make a determination of whether these are true claims or not. Secondly he may engage with the manager to discuss the basic ethical concerns that the issue raises so as to find the best way forward. If he has any concerns that the manager is indifferent to address, then he has the ability to inform headquarters of the issue at hand and to await their judgment on the matter.