

Ethical issues in accounting paper case study examples

[Business](#), [Company](#)



A. Identify the Facts and All Stakeholder Groups Likely to be Affected

Andrew Yo is a relevant part of Asia Telecom's financial management and accounting team. Asia Telecom on the other hand is a large-scale telecommunications company whose main sources of income involve the provision of telecommunications services to a wide array of clients such as American Express, General Electric and IBM, and LDDS or Long Distance Discount Services.

The company never really had any major problems dealing with large-scale corporations that are in need of telecommunications products and services such as the ones required above because more often than not, the transactions are done directly or non-overseas. This way, the management of invoices and payments are made easier and the negotiations of new deals are made easier and more efficient.

The main thing that concerns Asia Telecom at this point is their transactions with Long Distance Discount Services client companies. LDDS is actually intended to be a profit-making scheme which creates a win-win situation for both Asia telecom and its clients—everyone is basically supposed to make money.

The particular area where Asia telecom is having problems with is the slowness of the arrival of the payment of their LDDS clients for their LDD service. In the telecommunications industry, there are usually no hard assets involved because most, if not all, things are done virtually and so these companies that offer virtual services and those that require such services will have to utilize a virtual payment system as well to compensate for the

resources used to provide such services. This principle becomes more applicable in cases wherein transactions are made overseas.

Asia Telecom should be considered as the primary stakeholder. It is kind of obvious actually because Asia telecom does not directly provide LDD services to its client companies—it simply outsources the LDD services to other companies to gain substantial profits.

The lack of hard assets is actually the root cause of the Asia Telecom's company when it comes to receiving payments. Nevertheless, Asia Telecom has been transparent and lenient to these companies, despite their regular delays in payment or even unlawful omission of the contract. In cases wherein the debts of the LDDS client companies have already exceeded the maximum allowable debts indicated by the company guidelines, Asia Telecom usually cuts the client company's connection to the network, disabling their use of the company's services.

B. Define the Ethical Issue (s)

The client companies usually evade this particular consequence by creating new accounts and joining in another LDDS network that is provided by another LDDS provider. The client companies who still have existing debts from Asia Telecom could usually go away with that that easy. This in turn serves as the threshold for Asia Telecom to blacklist those companies. But even so, Asia Telecom will still have to cover and pay for the resources that they used to provide LDD services to those companies that failed to or intentionally did not pay and what's worse is that these values are usually carried on to the company's debts. Of course, the company can only have so

much debt before it becomes bankrupt. This can actually be identified as one of the ethical issues in this particular case.

Another ethical issue in this particular case would be Andrew Yo's use of unusually aggressive strategies to force the LDDS client companies to pay at least a fraction of their entire debt to Asia Telecom for using its LDD services. For example, the company's bad debt ceiling should be directly proportional to the company's revenues in a way that when the profits and revenues have increased substantially, the maximum allowable bad debts should be substantially and rationally increased as well.

C. Identify Major Principles, Rules and Values

The ones discussed in the previous questions are actually some of the common guidelines among companies which allow their clients to acquire debts. What Andrew Yo did is he made the relationship between the bad debt and the company's revenues inversely proportional instead of the other way around. In a way, he probably did that to force the client companies to pay which would more often than not lead to much more increased company revenue. The main issue in this case then is Andrew Yo's establishment of his own guidelines. Although the effects of his efforts are considerably helping the company recover from the financial and performance effects of the lost resources from the defaulted LDDS contracts, it does not change the fact that he and his team of intelligent and creative MBAs did not follow the company guidelines and procedures when it comes to dealing with bad debts and other finances.

What Andrew Yo just did is actually a good solution to the current problem

only that it only has a short-term effect. In the long run, especially when respectable and credible LDDS client companies have already discovered this scheme perpetrated by Andrew Yo and his team, Asia Telecom will certainly lose its credibility as a reliable LDD service provider.

D. Specify Alternatives

The implementation of the new guidelines and protocols should be well-explained to the current and future clients, preferably before the signing of any contract. This way, they will have no valid and lawful reasons to reverse and default the contract once it has already started, should they find it peculiar to be in a LDDS dealership with those types of conditions.

E. Compare Values and Alternatives

At least, the company would appear more at ease with its policies and guidelines from the credible LDDS client companies' point of view. The company will not suffer from a shrinking LDDS client base and instead, it will attract more credible and paying LDDS client companies. Sure there are short-term and fast-acting solutions to avoid client companies that do not pay but the recommended solutions would appear to be the most effective and ethical way of dealing with Asia Telecom's problems.

F. Assess the Consequences

What Andrew Yo did kind of shows to the clients that the company does not trust them to pay and so they have to suffer by paying considerably larger interest rates at the beginning of every deal and from a considerably less amount of allowable bad debts even though everybody knows that the company's revenues are continuously rising because of the LDDS deals with

that particular and other involved companies who exercise the same kind of dealership with Asia Telecom.

If things continue this way, Asia Telecom's client base will slowly shrink and it will undoubtedly be more difficult to attract and find more credible and paying LDDS client companies in the future. Sure there are short-term and fast-acting solutions to avoid client companies that do not pay but the recommended solutions would appear to be the most effective and ethical way of dealing with Asia Telecom's problems.

G. Provide Your Advice Based on the Above

There is actually a simple solution to this problem; especially now that the main source of the problems has already been identified: the LDDS client companies' lack of hard assets which leads to their failure to pay Asia Telecom for using its LDD services. One thing that the Asia Telecom financial management department could do is to revise the current guidelines and protocols in engaging with LDDS deals with clients used by the company. This is actually a very advisable step, especially in cases wherein there the company's legal and financial rights are being violated. They have to revise it in a way that the service provider will at least be more guaranteed that they will be able to be paid with real and hard assets in exchange of providing LDD services for the client companies. This way, the financial management department would not have to breach the company guidelines and protocols when it comes to dealing with bad debts and processing of promissory notes and interest rates anymore.

A. Part I

1. Identify the Stakeholders Involved

- a. Eddie's Clients
- b. Beth's Clients
- c. The Lower Class Members of Society—as in Eddie's perspective of taxation consultation

2. What are Eddie's main three reasons to support his view?

- a. Eddie directly and sternly opposes this idea because he thinks that depriving the government of the funds that it needs to create new and maintain services intended for the public will be harmful to society.
- b. Eddie also thinks that their roles as financial and taxation consultants should focus on everyone in the society's common good and not only on financial and personal interests.
- c. He thinks that the less fortunate members of society should be their real focus and not their clients' wealth because in a way, their clients are already wealthy and they are just trying to be more wealthy.

3. What are Beth's main three reasons to support her view?

- a. Beth on the other hand opposes Eddie's point of view because he thinks that the more wealth she becomes, the better.
- b. She also believes that her actions will not cause any thing that is bad for the poor to happen because the poor are covered by tax relief and so there is nothing to worry about.
- c. She only thinks about her clients' interests as well as her own, nothing more and nothing less.

B. Part II: Use the framework above to justify your decision on whether

providing tax advice that reduces taxes paid to wealthy clients is ethical? Is the decision profitable? Legal? Fair? Right? Go further sustainable development?

This case can be taken from two different perspectives: Eddie and Beth's perspectives. Eddie and Beth are both work as a financial and taxation consultant for non-for-profit organizations and wealthy clients, respectively. Based on this fact, we could assume that the stakeholders in this case would be Eddie and Beth's clients. However, if we are going to look at it from Eddie's point of view which will be explained in a little while, it could be that the poor or other members of society will also be identified as a stakeholder. These two people's clients and the other members of the society are the ones who are directly affected by the different taxation laws enacted on the particular state where their assets are in.

There is one big ethical dilemma in this case that can be best explained by showing the contrast between Eddie and Beth's perceptions about taxation. Basically Eddie argues that generally, as a financial consultant, they should help their clients realize that they should follow taxation laws because taxes are used by the government to fund the services that it offers to the less fortunate members of the society and that without enough taxes, governments will crumble and everybody will get affected, in a negative way at that. Eddie is practically seeing things from a bigger picture and from a logical point of view, using the causality and effect principle which simply tackles things by viewing how one thing could affect the other thing and so on.

Beth on the other hand sees things differently. She thinks that as a financial consultant, her only responsibility is to satisfy her clients' consultation needs which most likely revolve around the question how they could earn more by paying less taxes to the government and other concerned entities. She works her way by looking for loopholes in the current taxation laws and system as a whole that would be perfectly applicable to his present client's case and then from that, she would give an advise how her clients could legally evade taxes, which would directly lead them to achieving their main goal—to earn more by paying less to the government. Beth does not really care about any other thing as long as her clients pay her for her services.

The best thing to do in this situation is to remain neutral. From a rational point of view, we could say that Beth is just being objective and meticulous about things while Eddie tends to be focused on the ethicalities and social implications of things too much. Too much of everything, even if it is centered on fairness, ethics, and justice, could be unhealthy for the society. I believe that in this particular scenario, remaining netural will be the most profitable, legal, fair, and right decision that will promote further sustainable development. Being neutral enables taxation consultants to have the ability to protect the personal interests of their clients, which are most likely the elite members of society, while protecting the public intererets, or the interests of the poor at the same time. This is also why in providing tax advices, I would be more than glad to share my risk analysis expertise to my clients and help them save more money as long as I know, based on my analysis,

that they are not stepping on other people, especially the poor, and as long as they want to do things in the right and legal way.

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