Essay on ethics and business finance

Business, Company

Ethics and business finance

1. How does ethics factor into thinking about finance as a method? What key questions do managers need to ask as they perform a financial analysis of a project?

Finance is one of the most important methods of any business practice and ethics is a crucial element of all this. The recent situations regarding capital greed and financial impropriety have all shown us that no holds barred capitalism without any sort of ethical considerations is extremely damaging to society as a whole. This means that when conducting financial transactions, ethics needs to be at the forefront of any sort of decision making. The first question that a manager must ask is where the funding for the project is coming from, if it is some sort of illicit provenance or if it has been honestly acquired. This may seem to be slightly short sighted at first glance but dividends will be immense at the end of the day especially if the project succeeds. The manager should also ask what the conclusion of the project will bring to the community which is affected by it, if it is not just personal or financial gain but essentially a situation where everybody manages to win. Financial analysis is important as here one may gauge what profit is eventually available down the line and how this can actually be implemented essentially. However at the end of the day, the key question a manager needs to ask when performing a financial analysis of any project is that the end result will result in an honest profit without any serious effect to the community at large.

2.

What is accounting with and without ethics?

In today's day and age, accounting is an important part of any business practice or financial institution. Obviously certain ethical considerations apply with regard to accounting in the sense that one has to observe certain rules and regulations with the moral issues being crucially important. If one does not care about ethical considerations then the end result will probably mean that the company in question will embark on projects which could mean short term financial gain or else tax evasion but at the end of the day this could also mean that the long term implications for such a policy will be disastrous. This may also mean that accounting practices are not always up to scratch and could involve certain issues where other persons or employees dip their fingers into the pie and create a situation where everyone ends up a loser in the long term. Accounting is an ethical practice in its fundamentals and this should definitely not be disregarded. In fact when one compiles a profit and loss account, it is important that all the figures are properly annotated and explained as any diversion could mean that the company will experience some sort of investigation. Thus accountants are duty bound to be truthful and faithful to the figures in question as when one decides to abuse his/her position, the problems and final outcomes could be totally disastrous and this would also mean financial ruin. At the end of the day short term gain as opposed to long term success is definitely not the option to take.

3.

What is finance with and without ethics?

As in the accounting question, finance is obviously much the poorer if ethical considerations are not applied. This could mean anything especially if one accepts financing from some shady business deals which could eventually result in the scuppering of projects or also a situation where financing will look rosier at first glance but end up to be rotten to the cote when the project comes to eventual fruition. On the other hand, ethical finance can guarantee that money is properly acquired and the end result will be acceptable to all with, possibly the common good being served. Finance is a delicate practice and every care must be given to ensure that it is as clean and without blemish as possible. When some projects are financed from illicit sources, the end result is always the same as it demonstrates that proper success cannot be guaranteed from illicit sources. This may happen when funding is acquired from sources such as drugs, gambling etc. It is always important to note that short term considerations may appear lucrative in the short run but in the long run they could be harmful and damaging to the company. It is crucial to ensure that all ethical considerations are applied in the sourcing of any financial deals and that these are properly vetted to ensure that there is no immoral financial sourcing. In the end, it is a win win situation for any project if the financial considerations are properly and ethically applied.

4.

How should stakeholder theory and key themes, from chapters 1, 3, influence core elements of finance?

Stakeholder theory is important as here the interests of the firm are protected although one can have problems with regards to the personal interests of the stakeholders who might have different opinions on how a job is to be carried out. Older stakeholder theories actually result in the conversion of the various inputs from the stakeholders (be it production, work or advice) and the eventual end product is put up for sale with eventual profits going back to the company. This concept is similar to the worker director issue where workers who have a direct interest in the firm they work for will feel revitalized and much more motivated if the work they are doing results in eventual profit for themselves. This approach can have both a positive and negative influences on finance as employees may be motivated to take a lot of risks to improve their financial situation and position with the eventual result that the company will suffer in the long run through unneedy risks and rash decisions. Conversely if stakeholders take a more measured approach but still improve the company’s financial considerations then it will be definitely a win win situation for all. Core elements of finance should always be taken into consideration when stakeholder theory is applied and although it has its critics, the situation is probably the best way forward for a company to be successful. However the contrasts between what is morally important for the company and its short term financial gain should also be addressed as this may mean that the company has problems in addressing these issues. Relationships between stakeholders and company clients are also crucial for a better understanding of this theory.

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