

# Cost accounting

Business



Case Study The practices that business enterprises engage in are guided and informed by legal provisions, and violation of regulations and laws outlined by such provisions constitutes a crime (Vona 124). In the contracting business, Jumbo Corporation is well aware of its requirements to be in that business. Having been contracted by the government implies that it had met the criteria of qualification in order to get the contracts. Since the corporation had numerous government contracts, it is expected that it is in a position to address all the necessary activities that pertain to these contracts.

The charging of the contracts by the company employees is supposed to account for the two types of contracts; fixed-price and cost type contracts. In this case, the contract charging by Jumbo Corporation employees, and the subsequent decision and activities undertaken by Frank and Harold pinpoint to fraudulent activities. This is because the contracts are charged inappropriately by having fixed-price contracts charged to cost type contracts. Even though the company's accounting system released unidentified contracts in terms of their relative types, the corporation has a foreman in place to direct contract charging for both GO-1 and GO-2. The responsible parties are not executing their relevant duties, and thus the outcome of the contract charging can be termed to be fraud (Vona 157). Frank is guilty based on the unfolding events regarding contract charging in Jumbo Corporation. He is supposed to direct employees on which GO to charge their time. The role played by Frank shows that the corporation's accounting system was not to blame for the failure to identify GO as to contract type. This failure was supposed to be corrected by Frank by being there to provide directions to the shop employees during contract charging.

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Instead of doing this, Frank feels that the system is working out for him. In other words, the current contract charging saves him trouble with the management. This is because the company reviews meet what Frank is supposed to achieve on a monthly basis. Although he is aware of the mistake being committed, he stays silent to have the process work out for him even further. This makes him engage in fraud in the sense that he conceals it. Harold is as well guilty of fraud. He noticed the pattern that the charging activities were taking and was pleased by that instead of taking relevant actions to correct the situation. The VP noted that the shop employees charged some fixed-price contracts to cost type contracts. The VP is pleased by these events due to the fact that the company was realizing more profits as more fixed-price contracts were charged to cost type contracts. This does not end with the VP being pleased, but he goes a step ahead to certify and submit all due invoices for payment by the government. The VP knew the profits were increasingly being realized from a fraudulent activity in the company, but he took no action to correct the matter. The more generated profits are not genuinely realized, and the VP is, therefore, guilty of fraud.

#### Works Cited

Vona, Leonard. *Fraud Risk Assessment: Building a Fraud Audit Program*. New York: John Wiley & Sons, 2012. Print.