

Ethics and compliance – hewlett packard assignment

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Ethics and Compliance - Hewlett Packard Introduction How a company conducts business is important. The U. S. Security and Exchange commission has established guidelines for publicly traded companies so investors and creditors have easy access to the information they need to evaluate the risk to invest or extend credit to a company (Kimmel, Weygandt, & Kieso, 2007). In this paper Hewlett Packard's ethics policy, U. S. Security and Exchange compliance, financial ratios reported in their 2006 and 2007 annual reports, and filing with the U. S. Security and Exchange Commission are examined.

HO Ethical Behavior According to Mark Hurd, Chairman and CEO of Hewlett-Packard the company wants to be known for ethical leadership so that employees can be proud to work for them, and customers and partners that will continue to do business (2008). Hewlett Packard considers it important to focus and understand the financial aspects of their business. To be successful and grow, Hewlett Packard must be on the right path to financial performance and at the same time focus on proper business ethics. Hewlett Packard must comply with federal, state, and local laws, regulation, and ordinances.

Hewlett Packard must conduct business with complete honesty and integrity and in such a way that best serves the interests of the business, employees, and customers. Employees should avoid any situation that benefits, or appears to benefit the employees, such action could be in a form of a business transaction, gift, or favor. Hewlett Packard's Standard of Business Conduct (SBC) embodies the fundamental principles that govern the ethical and legal obligations of Hewlett Packard. They pertain not only to the conduct within the company but also to conduct involving customers,
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channel partners, suppliers, and competitors. Hewlett Packard, 2008) Some of the business ethics proved by Hewlett Packard are: We are passionate about customers; We have trust and respect for individuals; We perform at a high level of achievement and contribution; We act with speed and agility; We deliver meaningful innovation; We achieve our results through teamwork; and We conduct our business with uncompromising integrity (Hewlett Packard, 2008).

Hewlett Packard business conduct is more than a written policy; it's a way of doing business. Not only should Hewlett Packard conduct business that meets legal requirements but the business must act responsibly and ethically when making business decisions. Since Hewlett Packard values everything, importance is placed on any report of misconduct. At any level of the organization, integrity and trust are very important to them. Hewlett Packard requested an assessment on their ethics practices, selected independent directors, and a compliance council was established.

Hewlett Packard recently expanded the chief privacy officer role as a part of the assessment. As a commitment from Hewlett Packard they will continue to monitor their ethics programs, process, and policies as needed.

Organizational Processes Hewlett-Packard uses form 10-K to file the annual report pursuant to the Security Exchange Act of 1934 which was created to protect the investing public by providing control of securities business on the secondary market and control the interactions of broker-dealers (Security, 2008).

All companies listed on the stock exchanges are required to register any securities listed on stock exchange disclosure, substitute solicitation and audit requirements. Hewlett-Packard breaks down the 10-K report in 4 sections; Section 1 provides the company's business overview, risk factors, which describe the factors that may affect the companies operating results. Section 1 also includes unresolved staff comments, properties, legal proceedings and submission of matters to a vote of security holders (Hewlett, 2007).

Section II offers information about market for registrant's common equity and related stockholders matters, financial data, management analysis of financial condition and results of operations, quantity and quality disclosures regarding market risk, financial statements, and outcome of changes due to disagreements with accountants regarding accounting and financial disclosures and Hewlett-Packard's control and procedures (Hewlett, 2007).

Section III discloses a list of Hewlett Packard's directors, executive officers and corporate governance of the registrant, company's executive compensation, stockholders matters and security ownership of beneficial owners and management, relationship and related transactions, director independence, and principal accountant fees and services (Hewlett, 2007).

Section IV Exhibits a list of all the attachments included in the report and the financial statement schedules. The report is certified to be true and accurate by the Hewlett Packard's chief executive officer and chief financial officer (Hewlett, 2007).

Financial Ratios In order to evaluate and analyze the financial performance of a company, the first thing to be done is to obtain a copy of the company's annual report and Security and Exchange Commission filings. With these reports in hand and a fair understanding of their function, the evaluation Hewlett Packard's financial performance for 2006 and 2007 fiscal year was done by calculating the company's current ratio, debt ratio, ROE (return on equity) ratio, and day's receivables for both years.

In the following paragraphs the calculations show the finding of these various ratios using Hewlett Packard's Financial Statements and will also explain what each ratio shows about the financial health of the company.

Current Ratio The Current Ratio can be simply found by dividing the company's current assets by its current liabilities (Current ratio = Current assets/Current liabilities). This rate can be defined as " a company's ability to pay its current obligations from current assets" and is also a measure of liquidity (Friedman, Jack P. 2000). From our calculations, for every dollar Hewlett Packard spent \$1. 5 (for 2006) and \$1. 21 (for 2007) was either cash or should have become cash during each year. Even though Hewlett Packard's current ratio for either year is significantly lower than that of the desired 2: 1 ratio many industries aspire too, this does not mean that the company is not capable of meeting its obligations. This just means that if the current assets were to deteriorate by 50%, then the company might encounter problems in paying its debts.

Debt Ratio Debt/Total assets). This ratio measures the company's use of debt financing, and is a measure of the company's financial leverage.

From the calculations it shows that Hewlett Packard's debts were financing 47% of the assets for 2006, and financing 50% of the assets for 2007. These rates indicate that the value of assets for 2006 could have dropped 53% before equity would completely be wiped out and by 50% in 2007. These ratios tend to vary amongst industries and are not only an indication of risk to the creditors, but to the stockholders as well. For now Hewlett Packard seems to be at a fairly safe percentage, but it needs to be watched closely. If the percentage gets to high and the value of the assets decline, the equity of the company could be wiped out.

ROE - Return on Equity Ratio The ROE or Return on equity is a ratio of earnings to owner's equity. Return on equity is calculated by dividing the earnings after interest and taxes by equity. Equity is defined as the sum of the common stock, the additional paid-in capital, and the retained earnings of a company" (Mayo, 2007). The sole purpose is to measure the earning being received from stockholders' investment. The following information was obtained using information provided in the Consolidated Balance Sheet and the Consolidated Statements of Earnings for Hewlett Packard's 2006 and 2007 fiscal years.

These percentages indicate that Hewlett Packard returned \$0.16 (for 2006) and \$0.19 (for 2007) for every dollar invested in assets and \$0.16 and \$0.19 for every dollar invested by the common stockholders for the same years. Days Receivable Days receivable or number of days receivables, tells us the average number of days it takes the company to collect an accounts receivable. The calculation used to obtain this ratio " is the number of days

in the year (usually 360 or 365 days is used) divided by the accounts receivable turnover ratio for a specific year" (Accounting, 2008).

According to the calculations, the days' receivable average was 41 days for 2006 and 42 days for 2007. This means that on average it takes Hewlett Packard 41.5 days to collect an accounts receivable. This is not an exact figure; but just an estimate, since some accounts can be overdue while others are paid on time or early. Conclusion Hewlett-Packard's business ethics go above and beyond compliance with legal regulations. Hewlett Packard follows a standard of business conduct that applies not only within the company, but externally as well. Integrity and feedback from others is highly valued at Hewlett Packard.

To comply with Security and Exchange Commission regulations, Hewlett Packard uses form 10-K to protect the investing public. Hewlett Packard's annual report is verified by the chief executive officer and chief financial officer and all required forms are filed with the Security and Exchange Commission. References AccountingCoach. com (2008). What is the days' sales in accounts receivable ratio? Retrieved October 4, 2008, from <http://blog.accountingcoach.com/days-sales-accounts-receivables/> Friedman, J. P. (2000). Dictionary of Business Terms (3rd ed.). Hauppauge, New York: Barron's Educational Series, Inc.

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