

Ethics team case assignment

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The auditor discovers that the manager in question, referred to as Charles, is exclusively responsible for setting bonus targets for himself and his department. This alone poses a red flag in the mind of the auditor.

In particular is the simple fact that a manager should not be solely responsible for the distribution of bonus targets for his own gratuity.

Furthermore, a fundamental element of internal control was not in play. This could give rise to a conflict of interest and overlook a segregation of duties.

Following protocol, the auditor brings the issue up to senior management of the accounting firm who concurs that there is a potential issue and requests the auditor to pursue another meeting with Charles. Ultimately, it is determined that there is a noteworthy statement of error on the bonus accruals that will need to be reaffirmed.

This will also be filed with the Securities and Exchange Commission (SEC).

There is little doubt that this will be a poor reflection on the performance of Charles and may even lead to further ramifications. The auditor's manager is in agreement with this restatement until he learns that the manager that was audited was Charles. The accounting firm manager and Charles are friends outside of work and, from what we can gather, are close with each other's families as well. Immediately pressure is put on the auditor to reverse course and hold off on any formal restatements.

With insinuations from the auditor's manager that filing any restatements against Charles or his department would be detrimental to her performance review, the auditor is now faced with a career changing decision. Her performance review and future with the company is at the discretion of her

manager. More importantly, by correctly reporting the misstatement, she will guarantee a poor review and possibly a termination of employment. Placed in a compromising position, the auditor's loyalty is questioned. To whom does she owe her loyalty in this situation?

As a Certified Public Accountant, there are certain calls of duty, a Code of Ethics to the profession, the obligation to the Organization, and the general financial stability of the marketplace. More importantly, a performance of one's responsibilities in identifying potential misstatements that prevent false or misleading information is proper protocol. In addition to these allegiances, there is the question of obligation that the auditor has to her direct supervisor; who, in this instance, is asking her to ignore duties to the firm and her professional association.

We will examine several alternatives that the auditor could choose while being put in this precarious position. Ultimately we will arrive at what we determine is the most appropriate decision among the alternatives and will argue that decision with ethical concepts we have learned throughout the semester. **Alternatives and Measurements** With further evaluation of the case, it is evident that the relevant stakeholder is the young auditor working for the large accounting firm. She is faced with decisions regarding her career, her loyalty to the company and manager, and her profession as a certified public accountant.

The auditor is faced with various alternatives that can be leveraged to alleviate the compromising situation that she has found herself to be in at this time. It is clear that one alternative will ultimately hold itself morally

superior than the other alternatives, but careful analysis relating to general moral theory is needed to appreciate the arguments. As determined by our team, the auditor is faced with four alternatives to benefit the current situation that she finds herself in.

Below is our thorough analysis of the four alternatives, which eventually leads to the morally superior choice. As an auditor, this individual is faced with a precarious situation that has the potential to make or break her career as a Certified Public Accountant. Together, as a team, our first identifiable alternative to the situation is for the young auditor to ignore the situation entirely. Kant thinks that the validity of morality depends on the freedom of the will and conceptually, a duty, and is certainly achievable (Discarding, J & McCall, 2014).

Given this rationale, we have learned that the individual's manager has strongly encouraged the auditor to 'indoor on other things and to move past these questionable findings" (Case 1). If the auditor simply conceded to the managers requests, she would ultimately assert herself to the belief that there is generally no laid or required moral standard. Relativism is a greater title. It is not what people do believe, but what they should believe. Imposing ones moral beliefs on another is wrong, especially if the belief is categorically immoral.

Seeing that the auditor's manager has a direct relationship to Charles and his family clouds his judgment, but according to moral theory, it is not wise for the auditor to levy her beliefs on the situation. Turning a blind eye in the face of adversity is something that is not normally celebrated by individuals,

but relevant to the young auditors career, it may have been the only viable Option at that time. Her direct manager has threatened the auditor indicating that by failing to let this go, her year-end performance review will be compromised (Case 1).

The potential consequences could be debilitating and end her career as a Certified Public Accountant. The performance review was critical. It was duly noted that if one does not get promoted according to the firms regulated progression schedule, they are likely not to have a job after performance roundtable (Case 1). This could very well have been the only realistic alternative that the young auditor sensed at the end of the discussions. Collectively, as a team and contrary to the aforementioned option, we arrived at another credible alternative to the situation; asking a similar manager with unbiased views for his/her opinion.

The auditor states in the case that her direct manager was friends with Charles and did not want to see Charles ultimately come under scrutiny for his self-imposed bonus payout practices. With a willingness to review the matter at hand, managers sharing the same fiscal responsibility as the young auditor may appreciate the gravity of the situation. We looked to this alternative as a viable method of creasing the possible effects facing both Charles and the young auditor's manager.

We can only assume and, therefore, hope that the other manager would see the “ ethical implications” regarding the bonus payout made to both Charles and his employees. The correlation of basic rights holds important implications to this alternative by protecting the rights of persons in pursuit

of the common good (Discarding, J & McCall, 2014). Most of us are committed to the belief that some individual interests should be protected from actions aimed at improving the good for all, that this is not always sufficient justification for sacrificing the interests of the few.

Individuals have rights that should not be sacrificed merely for satisfying the preferences of a majority (Discarding, J & McCall, 2014). If the auditor had determined that Charles' actions are questionable at best, she has the right to bring it to the attention of another person other than her direct manager. This foundation relies on the fact that he was willing to do nothing in relation to the impropriety at hand. Basic rights are positive rights as well as duties (Discarding, J & McCall, 2014). They impose affirmative obligations to help secure another's interests.

We can see as a team that it is necessary for the young auditor to evaluate the positive rights and duties as related to these alternatives. Besides the reinforcement of proper auditing procedures, the ill benefits of monies allocated to Charlie could further service the company or to other hard working employees. The positive duties can be shared among players, in this case between the auditor and a similar manager; therefore it is obvious that the auditor can use this as an option to share her thoughts arising from Charles' duplicitous bonus practice.

While involving others can somewhat be frowned upon in certain professional situations, we find that, given her hefty predicament, it is a necessary alternative for the young auditor going forward. As a team, we have two alternatives to the young auditor's current situation. Based on

ethical theories and the current situation, our third alternative is relevant to the young auditor's mandatory decision process. General moral theory lends itself to the argument of theories, utilities and rights. Morality is a layered definition that lends itself to specific judgments and the obvious action that that the option is morally wrong.

They can be determined as mid- level rules and/or basic principles, most notably a Certified Public Accountants Code of Ethics. We recognized the harmful consequences that could possibly be incurred by the bonus payouts for Charles and his team. Stated in the case are the facts that not only was Charles “ responsible for setting the performance targets required for a bonus payout to both the employees in his department and himself,” but the auditor had also “ quantified the bonus accrual to be misstated by several million dollars” (Case 1).

In accord with the Utilitarianism argument represented in general moral theory, this misstatement directly relates to harmful consequences for both the individuals and society. When part of a large Fortune 500 company, financial statements are disclosed with the Securities Exchange Commission. Incorrectly reporting the financial not only places ramifications on the individuals responsible, in this case the auditing team and pertinent individuals from the company being audited at the time, but it relates directly to the stockholders of the company.

Incorrect financial statements can cause detriment to society as a whole seeing that investor's in the company would potentially be investing in a company that was misstating their financial for gain. As a team we decided

that the cost/benefit analysis involving this situation was significant enough not to be overlooked. When faced with situations where the competent way of achieving one's goals and objectives jars with moral values, a person needs to ask herself why should one be ethical? The power to tackle the confusions produced by the leading view of management is the appeal of stakeholder theory.

The theory suggests that a fundamental moral principle to bear on corporate activities; one that requires managers to acknowledge all that corporate stakeholders have equals their moral status. In addition, they are to acknowledge this status in all of their activities (Discarding, J & McCall, 2014). A Utilitarianism argument actually supports the stakeholder theory since it compels that managers take everyone's interest into account, not just the stockholders. Ultimately it maximizes happiness and encourages interest satisfaction for all concerned in the situation (Discarding, J & McCall, 2014).

Evaluating the decision and policy as to whether it increases utility for all that can be affected while defining the stakeholder, the young auditor faced with this problem would have no option but to let all relevant parties know the general misconduct affirmed by the company and choose to let senior management evaluate the egregious acts. Utilitarianism as learned benefits the “common good” and when relating the financial statements to larger portfolio of stockholders for the company, it seems necessary that this alternative is sustainable.

We will be, more than likely, exposed to unethical behaviors in all venues of the business world. But, virtue has its own reward. There are countless, truthful ways that the young auditor can approach her ill-fated circumstances, but sometimes a person could be uncovered to barriers that are beyond control. In order for a leader to inspire others, they need to lead by example. Good leadership takes strength of character and a firm commitment to do the right thing based on your moral code. Therefore, another alternative would be to release herself from the duties of the company.

Ethics are normally concerned with moral responsibilities or with inquiries linking to what is right or wrong. The actions of supervisors, what resolutions they pursue, and what actions they take are all touched by ethics. In any given setting, what a supervisor observes as “right” instinctively affects his or her actions and the actions of the employees. Moral standards are the consequence of shared strengths and human understandings over hundreds of years. For example, society condemns cheating, lying, and stealing. However, the application of ethics is an individual consideration.

Do you or do you not follow moral standards when dealing with others? Are you aware of a moral code and, if so, how do you interpret it? Differences in awareness and interpretation of ethical standards create many problems. To demonstrate, when does a deed consent to the domain of righteous self-interest and become personal deceit? Does the fact that a person was not disciplined for a certain action make it acceptable? Not being reprimanded may be why Charles did not change his tactics. All too often, actions are justified based on the means used or based on the ends accomplished.

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That is, do we hold an act to be morally right on the basis of the means used or on the basis of the end result? One might reason, for example, that the act of lying if it achieves positive results, is acceptable? Conversely, one might consider any action that employs ethical ways to be perfectly justifiable regardless of the outcome. A person's inclination to protest with a company's ethical standards demonstrates their moral code and usually is fixed and consistent across all frameworks. Business ethics will believe your corporate image what you portray it to be.

The ethical imprint you leave with others dictates in volumes about your personality. The team came to an abrupt realization that sometimes in business, in order to safeguard your corporate presentation ND image, surrendering your duties may be the only feasible choice. The Morally Superior Alternative Looking through the mission, vision, or value statements Of most corporations, you will observe that nearly every company comprises a statement about integrity; a soundness of moral character. After all, integrity should be the basis for doing business.

Moreover, a person does not want to work for a company that exemplifies dishonestly to their employees. However, simplicity has its conquests. Rationalizing a situation to legitimate its integrity, reliant on corporate policy, can be difficult. Acceptable practices of defining integrity require personal judgment and value statements are intended to be reminiscent that corporate responsibility of integrity is shared as a culture. With our team's values being represented as such, the analysis of all four probable decision alternatives guided us to choose the morally superior alternative.

Ultimately we have decided that a marriage of two alternatives is the superior option for the young auditor. Whistle blowing on the situation, while simultaneously looking for employment elsewhere at a firm that respects an individual's moral code represents itself to us as the viable option. The ethical action is one that provides the greatest good for the greatest number (Discarding, J & McCall, 2014). By disclosing all pertinent facts to proper personnel, including the SEC, and retiring her position from the firm, the auditor can maintain her integrity and ethical behavior in her professional career.

The general moral theory concepts are outlined below as substantiating evidence for our decision. . Our approach was gained in the analysis. Realizing that there was a problem, we came to the realization that the young auditor was facing a moral and atheistically or moral problem, en being the rules Of conduct recognized in respect to Charles' actions and the latter being the personal compass of right and wrong with Charles and the auditor's supervisor. The ethics are governed by loosely fitting professional guidelines where morality surpasses these cultural standards.

Given these external standards provided by the organization, one's morals may be influenced. Milton Friedman believed that all a business has to focus on is to use its resources and make profit. However, even he believed that the business needed to stay with the rules of the game (Discarding, J & McCall, 2014). Turning a blind eye on the situation, selecting another supervisor to analyze the facts, ceasing employment at the company, or to taking drastic measures and blowing the whistle on the covert relations, are all options that the young auditor can take.

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But, in which direction does her moral compass point? Can she live with her decision to do nothing about it? The threat of disclosing information to another supervisor can result in further repercussions of her job performance, hence, her forced early termination. As an auditor, you accept a Code of Ethics that states the principles and expectations governing the behavior of individuals and organizations (International Ethics Standards Board of Accountants, 2013). This impartial declaration is designed to add value to one's self and the organization that they represent.

It is founded on principles of integrity, objectivity, confidentiality, and competency. Internal Auditor's principles recite that acting with due diligence and responsibility while observing the law and not participating in activities that may impair unbiased assessment of information relevant to professional judgments are what shapes the formation of the elite auditor. Auditors are to provide judicious guarantee about whether the financial statements are free of material misstatements, resulting from error or fraud.

Their failure to support the opinion that they have filed is one's responsibility. The synergistic relationship of business and society calls for ethics in these practices. Neither of these groups could succeed without the faith of the other (SABA, 2014). The team has used this honorable set of principles to forgo a coalesced decision moving forward. Sometimes it is easier to form opinions outside the realm of things. However, taking the morally superior alternative would be to honor the given principles that one's profession dictates.

We have come to realize that, the auditor's company does not demonstrate the doctrines of trust and honesty. There are certain standards that which we strive for complete maturity of our morality. Through considerate thought on what kind of persons we likely want to become, the Virtue Approach enables us to act in ways that develop our highest potential. They allow us to follow the models we have embraced; honesty, courage, compassion, integrity, and self-control. Virtues are like bits, once learned; they become illustrative off person.

A person who has recognized these virtues will naturally be ready to act in ways that are sound with moral principles. That being said, the virtuous person is the ethical person. The young auditor, we feel, is that ethical person who should reveal all pertinent information through the proper channels and look for employment elsewhere. Thereafter, terminating her position from her current place of employment will be the key that will open the moral lock and give her the ability to distance herself from all unethical behaviors.

This case provided an interesting challenge demonstrating various ethical solutions that the team could have embraced. Eventually, the team made the recommendation based on a moral code of human society and professionalism. The auditor's Code of Ethics represents the ethical steps to her future excellence in the corporate world, but more importantly, for herself.