

Management accounting for company

[Business](#), [Management](#)



To continue overpricing knowing the new overhead rates would more than make up for any lost profits from the government sector through more competitive bidding in the private sector is a clear indication of greed. While managers have an obligation to maximize profit and shareholders wealth, this obligation must be within ethical boundaries. In addition, the solution proposed by Doug is not ethical as he is using a plant-wide rate as costing approach for both private and government business but he uses departmental overhead rate to make bidding prices competitive.

This arises due to the company having two producing departments, one labor intensive and the other is machine intensive. This is a violation of at least two major ethical standards: integrity and objectivity. The labor intensive department generates lesser overhead than machine-intensive department. Furthermore, virtually all of their high-volume jobs are labor-intensive. The company is using a plant-wide rate based on their direct labor hours to assign overhead to all jobs. As a result, the high volume, labor intensive jobs receive greater share of the machine intensive department's overhead than they really deserve.

This problem can be greatly alleviated by switching to departmental overhead rates. But as most of the company's government contract work is done in the labor intensive department and the department overhead will push down the cost on the government jobs, the company will lose revenue. Dual-pricing approach will be used. Plant-wide overhead rate approach for official records and departmental overhead rate approach for bidding in private sector business, which is a practice that is highly unethical. 2. Tanya has an ethical

obligation to communicate information and should always make sure that ethical standards are upheld in the company.

Tanya should first determine whether or not Gunderson has a corporate code of conduct. She can pursue the avenues suggested by the code. Check the violations committed and how can you address such violations. For example, If Tanya cannot persuade Doug to refrain from implementing his scheme, she should present her objections to Dough's 1 OFF needs to reach out on the higher management level. If no resolution is possible after appealing to all higher levels, the resignation may be the only remaining option.