Group project essay

Please form groups of four to five students. Each group should analyze three cases provided below and write a short report. The objectives of the project are to help you develop the ability to 1) evaluate situations that have ethical implications, 2) identify the stakeholders and their interests, 3) describe ethical dilemmas and propose solutions, and 4) explain the importance of social responsibility.

Each group should submit a written report that should include: 1. A cover page: title, section, and the names of team members (plus student IDs). 2. Case analysis: one page per case (three pages in total), 12 pt font, single-spaced, one-inch margins all around. The report is due at the beginning of class on November 9, 2012. Late submissions will not be accepted. Note: Every group member should contribute fairly to the project, which means that everyone should take part. I reserve the right to adjust your project score if I learn that you did not make adequate contribution to the project.

Case 1 Sunrise Bank, Inc. recently appointed the accounting firm Smith, Godfrey, and Hannaford LLP as the bank’s auditor. Sunrise quickly became one of Smith, Godfrey, and Hannaford’s largest clients. Subject to banking regulations, Sunrise must provide for any expected losses on notes receivable that Sunrise may not collect in full. During the course of the audit, Smith, Godfrey, and Hannaford determined that three large notes receivable of Sunrise seem questionable. Smith, Godfrey, and Hannaford discussed these loans with Susan Carter, controller of Sunrise. Carter assured the auditors that these notes were good and that issuers of these notes will be able to pay their notes after the economy improves. Smith, Godfrey and Hannaford stated that Sunrise must record a loss for a portion of these notes receivable to account for the likelihood that Sunrise may never collect their full amount.

Carter objected and threatened to dismiss Smith, Godfrey, and Hannaford if the auditor demands that the bank record the loss. Smith, Godfrey, and Hannaford want to keep Sunrise as a client. In fact, Smith, Godfrey, and Hannaford were counting on the revenue from the Sunrise audit to finance an expansion of the auditing firm. Discussion questions: 1. What is the ethical problem in this situation? 2. What are the alternative decisions for Smith, Godfrey and Hannaford to consider? 3. Who are the stakeholders in this situation? What are the possible consequences to each stakeholder? Analyze from the following standpoints: (a) economic, (b) legal, and (c) ethical. 4. If you were the auditor, what would you do? How would you justify your decision?

Case 2 St Genevieve Petroleum Co. is an independent oil producer in Baton Parish, Louisiana. In February, company geologists discovered a pool of oil that tripled the company’s oil reserves. Prior to disclosing the new oil reserves to the public, St. Genevieve quietly bought most of its shares back from current shareholders. After the announcement of the discovery of new oil reserves, the company’s share price increased from $6 to $27. Discussion questions:

1. What is the ethical issue in this situation?

2. Who are the stakeholders? What are the possible consequences to each stakeholder? Analyze from the following standpoints: (a) economic, (b) legal,

and (c) ethical. 3. Place yourself in the role of decision maker. What decision would you have made?

Case 3: Corporate Social Responsibility (CSR) is the one of the most discussed topics in today's business environment. Various arguments have been made regarding the relationship between firms' social responsibility and their financial performance. One view is that firms face a trade-off between social responsibility and financial performance.

The contrasting view is that CSR improves firms' financial performance, resulting in a win-win situation. Baltazar Ltd., a chemical company, is considering whether it should establish several socially responsible practices such as environmental protection procedures, extensive charitable contributions, promoting community development plans, and maintaining plants in economically depressed locations. The CFO of Baltazar opposes such actions because he believes that these actions deviate from the company's economic goal and will negatively affect the company's financial performance.

Discussion questions: 1. Explain the social responsibility informally, from your personal perspective. 2. What are the potential costs (benefits) of having a low (high) level of social reasonability to a company? 3. Do you think the company should continue or discontinue these socially responsible actions?