

**ETHICAL
PROBLEMS
CASE STUDIES**

BY

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ETHICAL PROBLEMS

- MACRO LEVEL
- FIRM LEVEL
- MICRO LEVEL

MACRO LEVEL

- INTERNATIONAL
- NATIONAL
- ACCOUNTANCY INDUSTRY
- PROFESSIONAL INSTITUTES

FIRM LEVEL

- VISION,MISSION,VALUES
- PROFESSIONAL STANDARDS
- STAFF OFFICE MANUAL
- FIRM-WIDE SAFEGUARDS
- ENGAGEMENT SPECIFIC SAFEGUARDS

INDIVIDUAL LEVEL

- VALUES
- SKILLS
- INDEPENDENCE

PROFESSIONAL CODE

KEY FUNDAMENTAL PRINCIPLES

- INTEGRITY
- OBJECTIVITY
- PROFESSIONAL COMPETENCE & DUE CARE
- CONFIDENTIALITY
- PROFESSIONAL BEHAVIOUR

ETHICAL BEHAVIOUR

- **SENSITIVITY**
- **REASONING**
- **MOTIVATION**
- **BEHAVIOUR**

ETHICS THREATS

- SELF INTEREST
- SELF REVIEW
- ADVOCACY
- FAMILIARITY
- INTIMIDATION

THREATS & SAFEGUARDS

- CLIENT ACCEPTANCE
- ENGAGEMENT ACCEPTANCE
- CHANGES IN PROFESSIONAL APPOINTMENT
- CONFLICTS OF INTEREST
- FEES, REMUNERATION
- MARKETING SERVICES
- GIFTS, HOSPITALITY
- CLIENT ASSETS
- OBJECTIVITY

FRAMEWORK FOR ETHICAL PROBLEMS

- **1) Gather the relevant facts and identify the problems**
- **2) Identify the affected parties**
- **3) Consider the ethical issues involved**
- **4) Identify which fundamental principles are affected**
- **5) Refer to the employing organisation's internal procedures**

FRAMEWORK CONTINUED

- **6) Consider and evaluate alternative courses of action**
- **7) Implement the course of action and monitor its progress**

CASE STUDIES PROCESSES

- KEY FUNDAMENTAL PRINCIPLES
- IDENTIFY FACTS
- IDENTIFY AFFECTED PARTIES
- WHO SHOULD BE INVOLVED IN RESOLUTION
- POSSIBLE COURSE OF ACTION

CASE STUDIES

PRACTICE

BUSINESS

NON-EXECUTIVE DIRECTOR-NED

CHARITY

PRACTICE CASE STUDY

- You are one of three partners in a firm of accountants. Five years ago the firm was appointed as external accountants to a young, successful and fast-growing company, engaged to prepare year end accounts and tax returns. The business had started trading with a handful of employees but now has a workforce of 200, while still remaining below the size of company requiring a statutory audit.
- Due to your close relationship with the directors of the company (who are its owners) and several of its staff, you become aware that staff purchases of goods manufactured by the company are authorised by production managers, and then processed outside the accounting system. The proceeds from these sales are used to fund the firm's Christmas party

BUSINESS-CASE STUDY

- You are a qualified accountant. You have been asked, by your line manager, to complete a costing exercise with a very short deadline and limited resources. You think that the president of the company is planning to use this information to restructure the company, including making some of your close colleagues redundant. You are worried that your work cannot be robust enough to be used for such a big business decision, but your line manager is putting you under a lot of pressure to complete the work quickly.

NED-CASE STUDY

- You are a non-executive director of two unrelated companies, Company A and Company B. Company A has recently bought a business that has an operation that competes with Company B, so that both companies are now bidding for the same contracts.
- You are now likely to find out information about Company A that could be useful to your role in Company B and vice versa.

CHARITY-CASE STUDY

- You have recently been appointed management accountant for a charitable company, and have been asked to prepare a grant claim. As you are new to the company, this is the first year you have prepared the claim. However, the company has been claiming the grant for a number of years.
- When reviewing the detailed cost information, you find that some inappropriate expenditure was included in the past, which increased the amount of grant awarded. This incorrect approach was consistently applied to previous claims, and the external auditor signed off the claims without qualification. Your predecessor had a close working relationship with the auditor.
- Your manager is also new to the organisation. He is a member of the same golf club as the external auditor, and you are concerned that they might have a close relationship which could prevent the issue being addressed objectively.

Questions ???

Thank You

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