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Abstract

- ▶ The focus of this presentation is to connect the learnings on expenses, revenues and adjusting entries with the commitment to ethics in the profession.
- ▶ Accounting and finance ethics are critical elements for every business's management (Mele et al., 2017).
- ▶ Accounting and finances are not purely technical tools devoid of ethical implications. They cannot function without trust, which is impossible to exist without ethics.



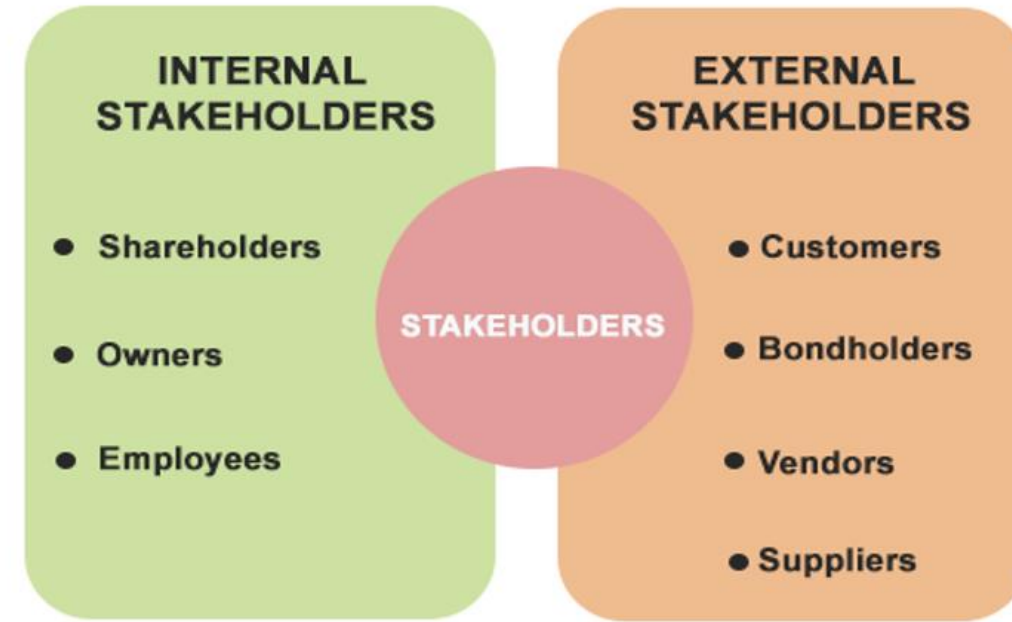
Overview

- Russell Company makes pesticides. This year's sales fell dramatically due to laws banning the sale of some of Russell's chemical components. However, Russell will have ecologically friendly chemicals to replace these outdated goods next year. Sales are likely to outperform previous years. The drop in sales and profitability looks to be an anomaly. Even yet, the firm president expects a significant drop in current-year profits. He thinks such a decline might trigger a large reduction in Russell's stock price, making it a target for acquisition (Weygandt et al., 2018).
- To avert this risk, the business president summons Zoe Baas, the controller, to examine the year-end adjusting entries for this time. He implores her to generate as much revenue possible and to defer costs as possible.

Stakeholders in this situation

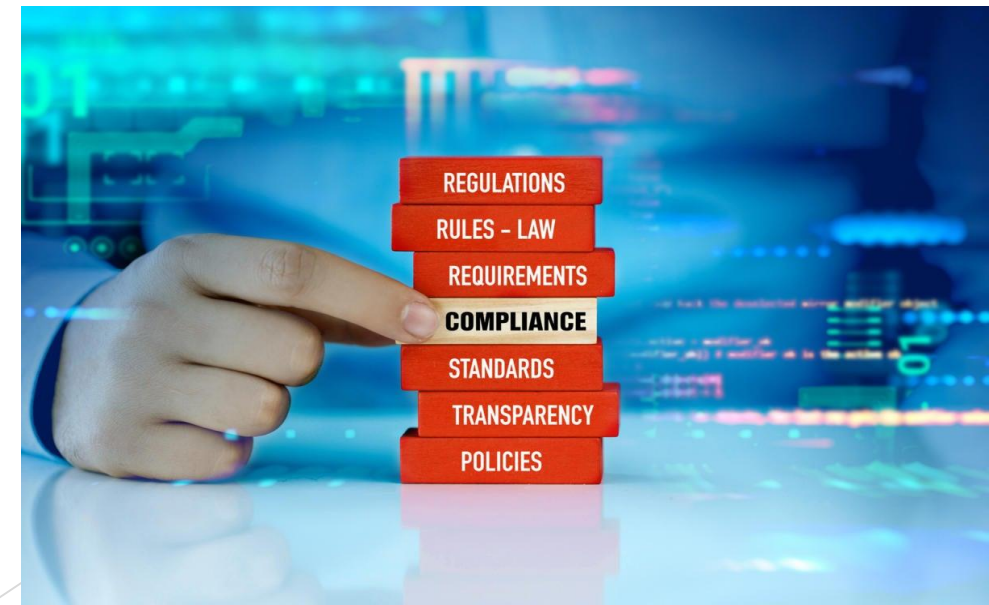
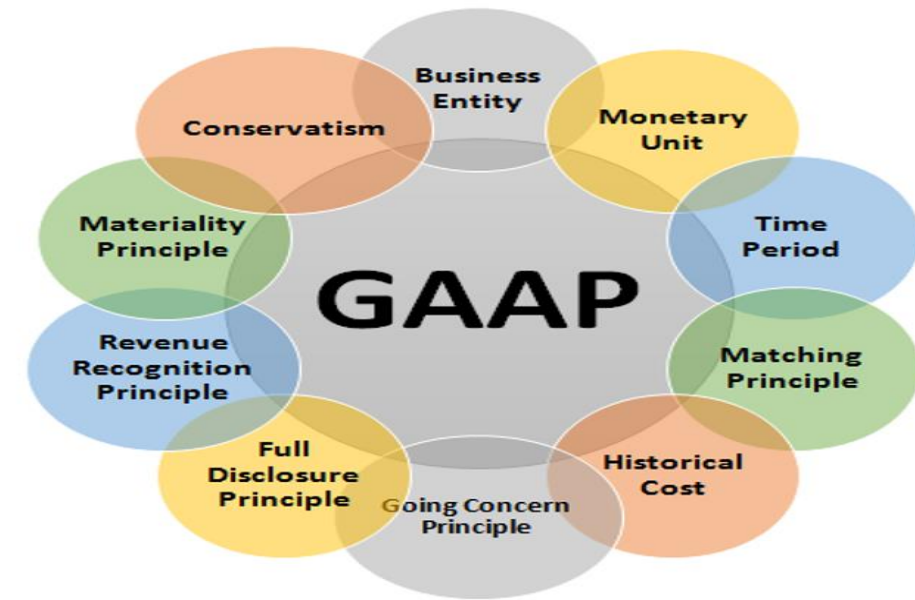
- In this situation, the stakeholders include;

- Company shareholders
- Employees
- Suppliers
- Creditors
- Government agencies
- Customers



Ethical considerations of the president's request

- Some of the ethical consideration of Russell's president request include;
 - Violating the Generally Accepted Accounting Principles (GAAP).
 - Directing his employee, in this case, the controller Zoe to adjust entries, thus violating the Sarbanes-Oxley Act (SOX) of 2002.
 - Practicing unethical leadership.



Ethical considerations of Zoe dating adjusting entries December 31

- Some of the ethical consideration of Russell's controller, Zoe include;
 - Complying to the president's unethical requests by dating the entries December 31.
 - Violating accounting principles.
 - Not advising the president on the repercussions of adjusting entries.

Accounting Principles



Can Zoe Accrue revenues, defer expenses and still be ethical?

- Accrued revenue are goods and services offered but not yet paid for.
- Deferred expenses are expenses that the company have paid out, but not yet incurred (Ferguson, 2020).
- Therefore, Zoe can accrue revenue and defer expenses by adhering to accounting provisions, International Federation of Systems Research guidelines and Generally Accepted Accounting Principles.
- However, Zoe's actions still remains unethical.



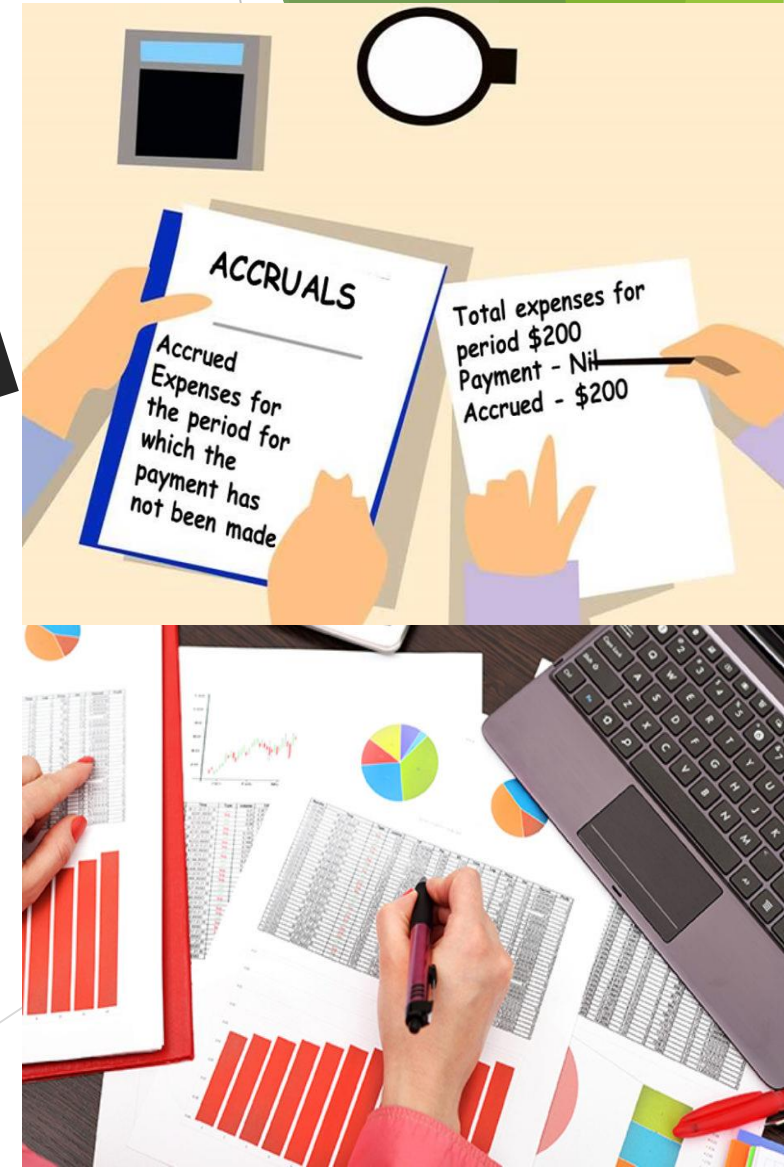
Can Zoe Accrued revenues and deferred expenses be illegal?

- Zoe can accrue revenue and defer expenses by adhering to accounting provisions, International Federation of Systems Research guidelines and Generally Accepted Accounting Principles and still be legal.
- However, she is committing corporate fraud by following president's request of violating accounting policies and federal regulations.
- Zoe's actions are illegal.



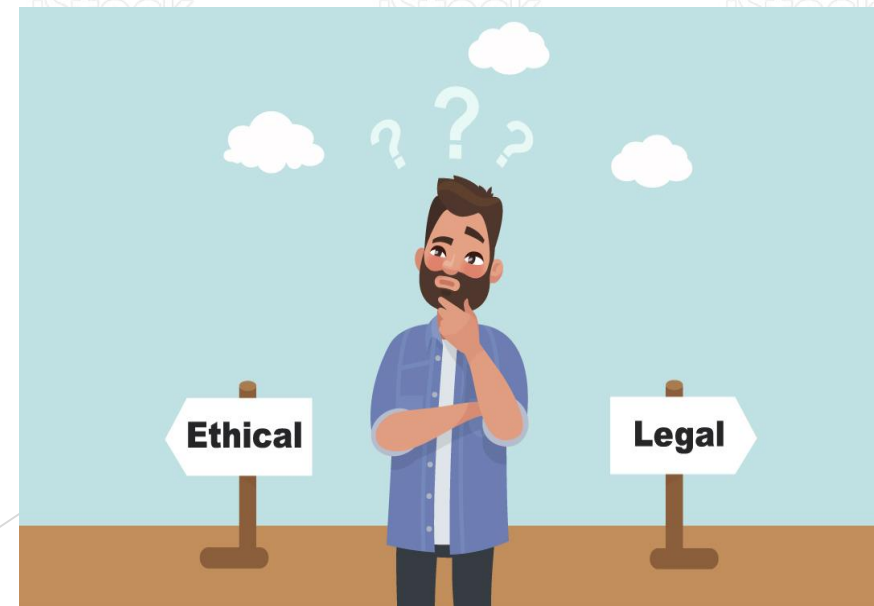
Who do you think can discover Zoe's accrued revenues and deferred expenses?

- I think the company's auditor general can easily discover Zoe's deferred expenses and accrued revenues.
- The role of the company's auditor is to review and verify the correctness of financial documents and ensure that businesses adhere to tax regulations (Weygandt et al. 2018).
- The main goal is to safeguard from fraud and to reveal any anomalies in accounting processes.
- Therefore, Zoe's unethical actions will be identified easily.



Conclusion

- Accounting and finance ethics are critical elements for every business's management (Mele et al., 2017).
- Accounting and finances are not purely technical tools devoid of ethical implications.
- They cannot function without trust, which is impossible to exist without ethics.
- The company president and Zoe, the controller action of deferring expenses and accruing revenue is unethical.
- Regardless of the situation, it is illegal to falsify financial records.



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