**ETHICS CASE STUDIES ASSIGNMENT**

Choose one of the following scenarios and solve the case answering the questions provided:

1. What’s the problem?
2. What are the facts and who’s involved?
3. What are THREE possible options and list positives and negatives of EACH including: Is it right/ethical? Is it legal? Does it adhere to GAAP?
4. Decision: Select your option.
5. Reflect on your option

**Scenario 1**
Brad Shoreman is a drummer in a band based out of Southern Ontario. He asks you to help him with his personal tax return. He believes that any cash “gigs” should not be included in his personal income because they are not traceable and the government gets enough of his money. You like their music and enjoy the free tickets supplied to you. What will you do when he demands that this revenue not be included.

**Scenario 2**
As the new accountant for the Get Gas Here Truckstop & Restaurant, an employee has told you about a common practice that occurs at the truck stop. Gas bar attendants are frequently asked by truckers to over-bill the gas component of a bill and give the truckers cash in exchange. For example, a trucker who fills up with $200 worth of gas will have the attendant bill $300 on the trucker's credit card. To make things balance out, the trucker gets $100 cash given to them with the $200 worth of gas. The trucker then bills the trucking company they are working with for $300 for fuel costs.

**Scenario 3**
Heinz Koenig, a client of yours, has asked that you complete a confirmation of business earnings for his bank. The bank has requested the confirmation of earnings to make a decision about whether to make a loan to the business. You complete the confirmation of earnings but your client states that it is incorrect as it does not include the cash sales. Heinz tells you that he has taken $50,000 in cash sales “under the table” that do not appear in your accounting record. He wants you to include these hidden sales in the bank confirmation of earnings. In fact, Heinz has stated that if you don't change the confirmation of earnings to include the cash sales, he will change accountants.

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| **Scenario 4:** A customer owes Mark $60 for lawn care services. The customer accidentally gives Mark four $20 bills instead of three. What should Mark do? How will this affect the customer? How will this affect Mark and Mark's Lawn Service?  |

**Scenario 5:** Sam wants to apply for a bank loan to expand his business. He would like to impress the banker with his financial statements. Sam is considering how he could show more assets and owner's equity on his balance sheet. Sam wonders about listing his parents' truck, garden shed, and his personal DVD collection as assets on his balance sheet. What should Sam do? What Generally Accepted Accounting Principle applies to his situation? How will this affect Sam? How will it affect the bank?

**Example Case Study Solution:**

**Case:** Candice Crown, a Chartered Accountant (CA), is considering a request to audit the accounts of a local registered charity. It is Candy's policy not to charge an audit fee to any local charities. Candy has found this policy to be good in obtaining new clients; the cost is not significant, as there are few charities in this small community. In addition, she is considering an arrangement with the charity; she will donate $250 for each new client who club members refer to her practice.

1. **Dilemma or Problem:**
Should Candice provide “free” auditing to clients? Should she donate $250 to the charity for each client referral?
2. **Facts and stakeholders:**
– Stakeholders include; Candice, Candice's Clients, The Charity, Club Members, Other local accountants, ICAO members.
– No audit fee requested but Candice is looking for new clients.
– Is she doing this out of charity or to obtain new clients?
– There is very little cost for Candice to complete these audits.
– She lives in a small community. Will word of mouth about the referral impact on her business and her image?
– It is implied that Candice has been doing the audits for a few years?
– Referral donation of $250 is something new.
3. **Options:**
	1. Continue to complete audits for free without a donation referral.
	2. Implement the donation referral.
	3. Discontinue doing the charity audits.
	4. Continue to do charity audits but without the motive of obtaining new clients.
4. **Evaluate and Test Options:**

**Option A**: Continue to complete audits for free without a donation referral.
This option would not impact on the stakeholders since she has been doing this for some time. However, according to the Rules of Professional Conduct, ICAO does not allow the providing of services without fee unless for charitable purposes. Candice's motive is profit-driven.

**Option B**: Implement the donation referral.
The donations referral is legal but is it ethical?
**Rules of Professional Conduct**: ICAO does not allow the providing of services without fee unless for charitable purposes. This is a case of conditional fees.
**Client Solicitation**: The donation violates the ICAO rule about paying a commission to obtain clients.
**Professional Misconduct**: Word of mouth in the town may spread that Candice is doing the audits to benefit her business and not out of pure compassion. In a small town, this may negatively affect her business. She may also make other local accountants angry.
**Responsible Use of Power:** As a professional, you are seen as an honourable and trustworthy person. In this case, Candy is using the cloak of professionalism to misrepresent her actions.
**Moral Conscience**: Candy is living the letter of the law and not the spirit of the law. While the work is charitable within ICAO guidelines, she is financially benefiting from this activity. Her moral conscience may over time cause her to regret this decision.

**Option C**: Discontinue doing the Charity Audits.
Discontinuing the charity audits may negatively impact on her business since the community may feel she is selfish and she will no longer receive referrals from the charity.

**Option D**: Continue to do charity audits but without the motive of obtaining new clients.
This option requires that Candice complete the audits out of compassion and community stewardship. It may also require her to turn down work that has come from her charitable audits due to a conflict of interest.

1. **Decision:**
**Option D**: Candice should continue to offer the audits without offering the referral donation or accepting clients as a result of the charitable audits. This would comply with ICAO principles, and maintain her standing in the community.