



## PUBLIC TRUST & ETHICS PRACTICE PAPER

### Drysdale Biscuits Ltd

#### **Note to Students:**

This paper contains a number of ethical dilemmas which you are required to evaluate.

This exam has a time limit of 2 hours

#### **CASE STUDY HISTORY**

PTE Exam November 2019

Pass rate 91%

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## EXAMINATION QUESTION

You are Jan Fergusson, a Chartered Accountant for the past three years, who has worked in the Finance department of Drysdale Biscuits Ltd (“Drysdale”) since joining at the end of your training contract. Drysdale started as a family run business baking biscuits in the north of England in 1903 and has grown steadily in size over the decades. It now employs over 400 staff at the headquarters which are still in the same town as the original bakery and has remained profitable despite increasing pressures from competition in a saturated market.

You qualified with a medium-sized CA firm, and now work as Finance Manager at Drysdale’s overseeing a team of 10 finance staff and reporting directly to Sami Khan, the Finance Director. You get on well with Sami and have always found him to be straightforward to deal with.

You are running late for the monthly heads of department (HoD’s) meeting which Sami has asked you to attend in his absence. You arrive while Rachael Brigham, the HR Director, is speaking and sit at the back of the room ready to take notes.

Rachael is saying “So we will be making some redundancies I’m afraid. It is unfortunate of course but we need to streamline the business to keep driving forward. If you could send me a list of people that you think should be considered for redundancy by Friday that would be great as we need to get moving on this as quickly as possible.” Rachael sits down and the Chief Executive, Bradley Johnson, stands up.

“Ok I am sure I can rely on you all to keep the redundancy rumours at bay until we can follow the proper process. We are a family business and some people have had family members working here for generations so it will be an emotional time. We need to be as sensitive as possible,” Bradley says. He then hands over to Marjorie Falempin, Head of Purchasing, Sales and Marketing to speak.

“Hello everyone, I will keep my section brief as I know we all have a lot of work to do at the moment as we prepare for this year’s seasonal peak” she says.

Marjorie joined Drysdale a year ago from a French confectioner and has been making some radical changes since. One of Marjorie’s first changes was to buy in pre-made biscuits from Bulgaria and package them in the Drysdale brand on site in England. This was to meet the increased demand for biscuits in the run up to Christmas. This appeared to save the company a significant amount of money by reducing the amount of overtime for staff in the Drysdale factory and reduced the amount of expensive local ingredients used. Marjorie is keen to do this again for the coming festive season but would like to change the marketing to increase profits further.

“Following the success of last year’s Christmas biscuit tin we are proposing to produce it again but we need to be smarter with the package labelling and promotional material this year. Market research shows that the availability of local produce is a really big issue for our market so we need to be pushing the fact that these biscuits are a UK product,” Marjorie continues.

You raise your hand to ask “But are these the biscuits that we buy in from Bulgaria? They aren’t made here in the factory, are they?”. Marjorie shoots you a look and retorts, “They are packaged here in the UK therefore there can be no issue with us promoting them as “Made in the UK”. The customers will lap that up. Can’t beat a British biscuit.”

The meeting carries on with each head of department reporting on new developments from their team or issues that need raised. You walk out of the meeting clutching your notes for Sami, hoping they are detailed enough for him. He has asked you to go to his office after lunch to give him a de-brief of the meeting.

At 1pm you knock on Sami’s door and go in. Sami turns to you, “How did you get on at the HoD’s meeting this morning? Please tell me.”

“OK”, you say, “well the key thing that affects our department, I think, is that there are going to be some redundancies and each department is to come up with a list of those staff members who should be considered by Friday.”

“Excellent” says Sami rubbing his hands together, “just the right opportunity to get rid of that waster Susan. Honestly, she irritates me and she has never been a good team player. She’s on the list, definitely.

Sami asks, “Anything else of interest at this meeting then?” You tell Sami about the plans to market the Christmas biscuit tin as being UK made and the key points from the other departments but he doesn’t appear very interested.

“One last thing” says Sami as you stand up to leave, “remember the forecasts are due to be completed by the end of this week. Bear in mind, if you can make the profits look good, we might not need to make as many people redundant. And it might even mean I will get that pay rise I’ve been after.” With that, Sami picks up his phone again, indicating that your conversation is over.

After leaving Sami’s office you decide that you need a large cup of coffee and head to the staff kitchen where you bump into Susan from the finance department. “Hi Susan, how are things?” you ask. You have always found Susan very pleasant to work with so didn’t really understand what Sami was saying about her not being a good team player.

“Oh, Jan, I’m good thanks. More than good actually. I am going to go for that promotion that has just been advertised. I have a good feeling about it as I’ve been working so hard lately and have gained much more experience now. I am also just about to put a deposit down on a new house. It’s on that new estate at the edge of town and much bigger than where I’m living just now. The mortgage is going to be a stretch, even if I do get the promotion, but even without the promotion I’m determined to find a way to manage the repayments.”

“That sounds great Susan” you say, “I really hope it all works out for you.”

Susan leaves the room and you sit at a table looking out of the window. A small group of workers from the production line settles down at a table behind you and you can't help but overhear their conversation.

"Do you want some of these?" one of the staff members asks another who appears to be new, "They are the biscuits that don't pass quality control. They get bagged up at the end of every day and are meant to go into boxes to be sold as misshapen biscuits but you can just take what you want home with you for nothing as they don't make much money from selling broken biscuits anyway. Everyone does it, but don't shout about it. We've all been kept in biscuits for years!" They all laugh.

You wonder how long this activity has been going on for but are careful not to look as if you have been listening in to their conversation.

When you go back to your desk, what Susan was telling you sticks in your mind and you wonder if you should have been less encouraging about her house plans knowing that she could be made redundant. You open up an email and start to write to tell her about the possible redundancy but then stop yourself as you wonder what the best thing to do here is. You decide to come back to it later once you've had a think as you have the annual profit and cash-flow forecast to prepare by the end of the week so you'd better get started.

As you complete the usual data entries and narrative back-up for the forecasts, Sami's words from earlier pop back into your head. You make some minor tweaks to some assumptions, and see that even a small increase in the forecast sales figures would have a significant impact on profits.

As you leave the office for the day you can't help but feel conflicted and that there are a few issues that you really need to consider.

### **Required:**

1. Identify the public trust & ethical issues in this scenario;
2. Evaluate the public trust & ethical issues, considering the impact on the relevant stakeholders;
3. Evaluate possible courses of action/inaction, including the implications of each, with appropriate consideration of the relevant ethical theories;
4. Recommend actions that you (as Jan) should take.

Throughout your answer, you should demonstrate an understanding of the ICAS Code of Ethics, and relevant legislation / regulations.

In addition, candidates will be assessed on appropriate structure & communication.

**End of Paper**