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ACCT – 152: Prologue Selected Questions Part 2

**P – 12**

Microsoft’s corporate social responsibility report was on their website and very easy to find. Three non-financial measures that were described include:

* Support inclusive economic growth.
* Protect fundamental rights.
* Create a sustainable future.

In my opinion, Microsoft (and other large corporations) publish these reports to quell accusations of mistreating the public. When we entered the modern era and businesses grew to unfathomable sizes, the externalities of these businesses became nearly impossible to track. In response to this, companies seem to all report that they are “taking steps in the right direction” to convince investors that the company will remain in the positive public eye.

**P – 13**

When a company implements Lean production (JIT supply) they are keeping a relatively small supply of the products they are intending to sell. This is because it saves on storage costs and prevents disasters where there is leftover inventory of an unwanted product. A company will be moving product in and out quickly based on demand, which facilitates minimal inventories.

**P – 15**

Ethical behavior is the foundation of all “efficient” business. Ethics are subjective and depend on where you are raised and what you choose to believe is important; but to scale-up markets, it was necessary for business to agree on a “standard of ethics”. This standard helps us trust that the products we buy will be of the quality advertised and assists businesses in making smaller deals without extensive auditing/due diligence. Auditing and due diligence are still necessary, but a shared code of ethics acts as the grease to the wheel of the economy in allowing it to run fast, efficient, and with more trust.

P-4 Required Questions:

1. **According to the IMA’s Statement of Ethical Professional Practice, would it be ethical for Perlman *not* to report the inventory as obsolete?**

NO, according to the IMA’s code as well as our ethical intuition, Perlman should report the inventory as obsolete as soon as they find out that this is the case. If they fail to do so, they are misrepresenting the value of the firm, and this would be a massive failing of the economic system.

1. **Would it be easy for Perlman to take the ethical action in this situation?**

Again, NO. Perlman is in a very classic situation where they are incentivized to do well financially over everything else. In this scenario, Perlman would be knowingly reducing the reward for them and the employees of the firm, but it would be the only ethical thing to do.

P – 7 Required Questions:

1. **How would this behavior affect customers? How might customers attempt to protect themselves against this behavior?**

This behavior massively affects customers; the most obvious way is because customers will spend more money on things they do not need. Another effect is that customers will lose faith in the company, or more broadly, in the industry. Customers might attempt to protect themselves against this behavior by boycotting the company, and/or going somewhere else for repairs.

1. **How would this behavior probably affect profits and employment in the automotive service industry?**

For a very brief period, this behavior could positively affect profits for the firms that are overselling to their customers. Employment could possibly go up as the profits are high, BUT this would only be a temporary effect. Very quickly, consumers would notice that the company is overcharging them, and once they have enough info, they may realize that this comes from pressure from the top. After this inevitability, the profits and employment in the automotive service industry would suffer greatly as the public opinion of the industry goes down and profits go down with it.

P – 10

**“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it … engages in open and free competition, without deception or fraud.”**

**Explain why you agree or disagree with this quote.**

I agree with this quotation, but only to an extent. While I believe it is true that, with the proper stipulations of free competition, no deception or fraud, etc., businesses are free to engage in whatever behaviors they want to earn profits. I find it is not so simple in the modern world; business is still primarily concerned with making money, but if a business’ ONLY responsibility is profit, then things like climate change may never find time in the spotlight, and all of humanity might suffer for it.