ACC 203 Ethics Case: Brixton Surgical Devices

**1. Are the proposed actions of Ed and Robin ethical (make sure you address both proposals)?**

No, these actions are not ethical. Ed and Robin are using channel stuffing and over production in order to artificially boost their 2006 third quarter numbers just in time for bonuses. The actual number of sales and money in will most likely not be the same after the third quarter because most of these sales will be returned and the discounted prices change their sale model for the products. There are also potential problems with increased productions where overhead could become too high for the company, and they could run out of money/credit options.

**2. What is the likely effect of the actions on shareholder value?**

What will most likely occur is that a down quarter will show after 2006 in the first quarter of 2007. This will then affect the company’s overall profits and returns on investments which could lower the value of company shares.

**3. Does compliance with GAAP (Generally Accepted Accounting Principles) equate to ethical behavior?**

This depends on the scenario. Complying by GAAP principles when creating accounting documents means that you would be acting ethically but GAAP doesn't pertain to just general business practices. So, the decisions that a company makes are not affected by GAAP as long as they have the correct financial documentation.

**4. What do you recommend?**

Well, I would recommend the termination of Ed and Robin since they are trying to create artificial earnings in order to get more money out of the company for their own gain. This is clear unethical behavior that shows they have no consideration for the company, its value, or the shareholders.