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## COOKING THE BOOKS: STRETCHING THE PRINCIPLES OF REVENUE RECOGNITION

### **1. What is the issue?**

In this case the issue is John, should he create a false report (fraud) and boost the financial report or

Should he just be transparent to not create a false report (fraud) and face the consequences that

company might have to face with funding.

**2. What should John do? What are his alternatives? List at least 3.**

- 1- Prepare a nice report and represent the situation to the presidency board, which is in charge for the actions and decisions of CFO and CEO
- 2- Prepare the financial report based on the situation as it is and avoiding the possible fraud.
- 3- Totally ignore the possible fraud and change the financial report

**3- What is the best option and why?**

The best option would be to report the financial report as it is but if doesn't qualify as the revenue then

John should commit the fraud to make the situation better.

***4- What could be the consequences of his decision?***

John might end up losing his job or they may have trouble with gaining sufficient funding in the second round, which could mean the end of the company.

**5- What ethical system is he using?**

I think John is being Duty-Driven because he is doing what is right to do. What he is doing was also determined by the company's rules and he wasn't doing anything illegal.