Shreyshans 22/9/23

Delta

Assignment

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Subject → Accounting for Management

#1 Summary of the Blaze Manufacturing case study.

Blaze Manufacturing is a small, privately held textile Manufacturing company located in upstate New York. They make Textile products such as bedspreads and curtains for institutional customers, primarily hotels and hospitals. The company has been struggling with profitability in recent years due to competition from foreign producers who can pay lower wages and are exempt from many of the Environmental and safety regulations that apply to US companies.

In order to improve profitability, the company Management tool team is considering accepting a new order from a large hospital chain. The order is for a custom-made bedspread that is more expensive to produce than the company standard bedspreads. However, the Management team believes that the order will be profitable, even through it will require the company to operate at a loss for the first few month of production.

The Company's controller, wendy, is concerned About the ethics of Accepting the order. She believes that the company is not being prudent in its financial reporting by not Accounting for full cost of the order upfront

wendy concerns are valid. The Company is facing significant financial challenges, and the New order could put the company at risk of bank-ruptcy if it is not successful. The company should be fully transparent with its shareholders About the risk involved, and it should be prudent in its financial reporting by Accounting for the full cost of the order upfront.

#2 Application of the full disclosure and Prudence concept.

The full disclosure concept requires companies to dislose all material information that could Affect the decisions of their shareholders and Creditors. The prudence concept requires companies to Account for all foreseeable losses and expenses, even if they are uncertain in Amount'

In the Blaze Manufacturing case study the company is not fully disclosing the risk involved in Accepting the new order. The company is also not being prudent in its financial reporting by not Accounting for the full cost of the order upfront.

The company should fully disclose the following information to its shareholders

* The fact that the New order is more expensive to produce than the company standard bedspreads.
* The fact that the company will operate at a loss for the few Months of production.
* The risk that the order may not be successful and could put the company at risk of bankruptcy.

The company should also Account for the full cost of the order upfront. This means that the company should Estimate the total cost of the order, including cost of Materials, labor, and overhead. the company should then Record this cost as an Expense on its

Balanceshed.

By following the full disclosure and prudence concepts, the Blaze Manufacturing company it can provide its shareholders with accurate and complete information about the company financial condition. This information will help shareholders to make informed decision about their investment in the company.