

## Case 2-5

### Eating Time

Kevin Lowe is depressed. He has only been with the CPA firm, Stooges LLP, for three months. Yet the partners in charge of the firm – Bo Chambers and his brother Moe Chambers – have asked for a “sit down.” Here’s how it goes:

“Kevin, we asked to see you because your time reports indicate that it takes you 50 percent longer to complete audit work than your predecessor,” Moe said.

“Well, Bo and Moe, I am new and still learning on the job,” replied Lowe.

“That’s true,” Bo responded, “but you have to appreciate that we have fixed budgets for these audits. Every hour over the budgeted time costs us money.”

“Are you asking me to cut down on the work I do?” Lowe asked.

“We would never compromise the quality of our audit work,” Moe said. “We’re trying to figure out why it takes you so much longer than other staff members.”

At this point Lowe started to perspire. He wiped his forehead, took a glass of water, and asked: “Would it be better if I took some of the work home at night and on weekends, completed it, but didn’t charge the firm or the client for my time?”

Bo and Moe were surprised by Kevin’s openness. On the one hand, they valued that trait in their employees. On the other, they couldn’t answer with a “yes.” Moe looked at Bo, and then turned to Kevin and said: “It’s up to you to decide how to increase your productivity on audits. As you know, this is an important element of performance evaluation.”

Kevin cringed. Was the handwriting on the wall in terms of his future with the firm? he wondered.

“I understand what you’re saying.” Kevin said. “I will do better in the future – I promise.”

“Good,” responded Bo and Moe. “Let’s meet thirty days from now and we’ll discuss your progress on the matters we’ve discussed today and your future with the firm.”

This case has students explore the pressure to cheat or lie. This case is good case to discuss slippery slope of ethical situations.

### **Ethical Issues**

Rights Perspective: Working a regular overnigher is setting one up for burn-out, if not a health safety threat. Employees have the right to receive a competitive wage. However, working twice the hours without being paid overtime is working for half the pay.

Kevin should considering the short and long run consequences. In the short run, Kevin does hurt anyone but himself and his family he ignores to pull all-nighter. In the long run the client gets a cheaper audit and a worse audit as Kevin starts cutting corners; the partners get higher profit than if they paid for actual hours worked. The long term effect to Kevin is that he learns secrecy, deceit, and lies.

Six Pillars values include trustworthiness, responsibility, fairness, caring and citizenship.

### **Questions**

- 1. Why do you think Bo and Moe did not want to respond directly to Kevin’s comment about taking work home?**

Bo and Moe may not have wanted to respond directly to Kevin’s comment about taking work home as it would be asking Kevin to lie about the time spent on the audit. A supervise cannot ask an employee to lie in one area of the job and then be expected to be wholly honest in other areas.

- 2. Evaluate Bo and Moe’s position of doing what it takes to avoid not exceeding budgeted time on audits from the perspective of Kohlberg’s model of moral**

**development. Which factors seem to have the most influence on their position?**

Bo and Moe's position of doing what it takes to avoid not exceeding budgeted time on audits seems to be at the pre-conventional level of moral development. Bo and Moe wish to avoid having to discuss budget overruns with the clients and want to maximize the profit on the audits. Their comments do not show the desire for quality work that they stated to Kevin. If the true desire was for quality audits, then Kevin would be properly trained and supervised. Extended time on the audit might indicate a problem area or errors, which should not be ignored. Instead of rushing Kevin they should try to understand why the work is taking longer.

**3. Assume on Kevin's very next audit he exceeds the budgeted time allowed for substantiating all capital expenditures. That is, he's already spent the allotted time to gather evidence, such as invoice descriptions, and he's only 50 percent through with the analysis. Given the facts of this case, what would you do if you were in Kevin's position? Consider the possible effect of your actions on the stakeholders.**

Kevin might be tempted to work off the clock automatically Kevin might feel that he has no choice to do otherwise or else he will be fired. The pressure to lie about doing the work may add more pressure to Kevin and add to the possibility of burn out. The area of capital expenditures may have changed dramatically during the year. The company may have expanded facilities or changed to leasing assets rather than purchasing, or vice versa. In rushing to meet the time budget, complex accounting issues may not be fully

considered or accounted for properly. The public stakeholders, such as creditors, investors, and the market, want to know that the accounting for these important assets is following accepted standards. Scandals, such as WorldCom and Waste Management, have shown why the accounting for capital assets must be audited.