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**Introduction**

The paper is about the analysis of the case of professional ethics and reporting division performance. This paper analyze the case and provide solutions and argumentative suggestions regarding the ethical problems and concerns discussed in the case. In this, the ethical dilemma of Gilpin is described as well as what should be the acts of Gilpin if Myers stretches the order for reclassification of costs. In the next phase of the paper, the classification of costs into the provided business functions value chain (Exhibit 1-2) has been done.

1. **Describe Gilpin’s Ethical Dilemma.**

Ethical responsibilities of Gilpin are summarized well in the IMA’s “Standard of Ethical Behaviors for Practitioners of Financial Management and Management Accounting”. The areas of the ethical responsibility for Gilpin include but only the below listed.

* Confidentiality and Disclosure
* Competence and Capability
* Credibility and Credibleness
* Integrity

The ethical standards that majorly associated with the current dilemma of Gilpin are competence, integrity, and credibility. Based on the integrity standards, the Gilpin has to carry out all of the duties and responsibilities ethically as well as communicate unfavorable/uncomplimentary. As well as carry the professional analysis, judgments and opinions and favorable information. In consideration of competence, Gilpin is required to perform all of her duties and responsibilities according to the relevant rules, laws, regulations and other technical and legal standards and provide the accurate and reliable information regarding decision support. In credibility, Gilpin is required to report all information finely, fairly, objectively and disclose deficiencies or weaknesses or absence in the internal controls in accordance with the applicable laws and relevant policies of the organization.

Gilpin has to use all of her professional expertise and judgment and decide that would the reclassification of labor cost from the CGS (Cost of Goods Sold) cost to the internal administration labor is fine and appropriate. This cost has to be classified as CGS (Cost of Goods Sold) she needs to refuse to classify 50,000 dollars costs as administrative/organizational costs. This should be done only for the purpose of avoiding the allocation of overhead costs.

1. **What Should Gilpin do if Myers gives her a Direct Order to Reclassify the Costs?**

Gilpin has to refuse to follow Myers’s orders but must discuss al of her concerns (major and minor) with Myers. So if Myers persists then the incident has to be reported to the corporate controller of the Blakemore Auto Glass. Gilpin might also be interested to consider consulting and assisting the IMA for ethical guidance and regulation. Beyond that, the support for line management should also be wholehearted and committed but it should not need any unethical or even informal conduct.

**Value Chain and Classification of Costs**

1. *“Utility costs for the plant assembling the Latitude computer line of products”* are associated as the production cost because the costs occurred for assembling any electronic part is included in the production cost.
2. *“Distribution costs for shipping the Latitude line of products to a retail chain”* is classified as distribution cost because this cost is because of the distribution of the company’s products.
3. *“Payment to David Newbury Designs for the design of the XPS 2-in-1 laptop”* is classified as the cost of design or products and processes.
4. *“Salary of the computer scientist working on the next generation of servers”* is classified as the research and development (R&D) cost because operations of the computer scientist are to research the next generation of the server that means generating ideas and concepts related to new products.
5. *“Cost of Dell employees’ visit to a major customer to demonstrate Dell’s ability to interconnect with other computers”* can be classified as customer service cost because the visit of company’s employees to a major customer to demonstrate Dell’s ability to interconnect with other computers is an after-sales service to the customer.
6. *“Purchase of competitors’ products for testing against potential Dell products”* is associated with the design of products and processes because the cost of purchasing competitors’ for the purpose of testing against potential Dell products is a testing cost.
7. *“Payment to business magazine for running Dell advertisements”* is a marketing cost/expense for the company because magazines advertise and promotes Dell products.
8. *“Cost of cartridges purchased from outside supplier to be used with Dell printers”* is associated with the procurement of necessary parts to produce the product, so it would be classified as production or production cost.