

## AC330: Managerial Accounting for Business Professionals | Unit 6 Assignment

### Assignment:

This Assignment is assessed by **GEL-7.01**: Identify the ethical issues within the field of Accounting.

Steve Morgan, controller for Newton Industries, was reviewing production cost reports for the year. One amount in these reports continued to bother him: advertising. During the year, the company had instituted an expensive advertising campaign to sell some of its slower-moving products. It was still too early to tell if the advertising campaign was successful.

There had been much internal debate as to how to report the advertising cost. The VP of Finance argued that advertising costs should be reported as a cost of production, just like direct materials and direct labor. He therefore recommended that this cost be identified as manufacturing overhead and reported as part of inventory costs until sold. Others disagreed. Morgan believed that this cost should be reported as an expense of the current period, so as not to overstate net income. Others argued that it should be reported as prepaid advertising and reported as a current asset.

The president finally had to decide the issue. He argued that these costs should be reported as inventory. His arguments were practical ones. He noted that the company was experiencing financial difficulty and expensing this amount in the current period might jeopardize a planned bond offering. Also, by reporting the advertising costs as inventory rather than as prepaid advertising, less attention would be directed to it by the financial community.

Use the Internet, Purdue Global Library resources, and textbook to discuss this ethical case.

**In a 2–3 page paper, please respond to the following:**

1. What are the ethical issues involved in this situation?
2. Identify the stakeholders in this scenario and discuss what you would do if you were Steve Morgan.

(CT 1.5)

Write your responses in a Word document and submit to the Dropbox. This Assignment is due on the last day of Unit 6.

**Assignments Submission Requirements:** Written response must follow the following formatting guidelines: Microsoft Word document, title page, double-spacing, 12-point Times New Roman or Arial font, one-inch margins, APA in-text citations and an APA reference list of at least two references. Page length requirements: 2–3 pages, not counting title page and reference list page.

Once completed, submit your Assignment to the Unit 6 Assignment Dropbox. Assignments are due Tuesday 11:59 p.m. ET of their assigned unit.

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Item criteria	Points Possible	Points Earned
Identify ethical issues in the case.	4	
Identify stakeholders.	3	
Describe actions you would take.	10	
APA style and references.	4	
Grammar/spelling.	4	
<b>Total Points</b>	<b>25</b>	