

Consultancy advice for JOT Toy Company

Suggested answers

Draft email on Ethical dilemma concerning JOT's IT system problems.

What the ethical issue is:

1. JOT's IT systems are clearly not providing sound information of integrity in order to prepare accurate invoicing. This is both a business issue as well as an ethical dilemma.
2. This is not a professional way to operate and could reflect badly on JOT's reputation and JOT could be accused of wrongly invoicing its customers for goods that were delivered only as replacements for faulty products.

Why I consider this problem to have an ethical dimension:

3. It goes against the principle in CIMA Code of Ethics concerning the need to act with integrity.
4. JOT's lack of clear procedures and lack of integration of its IT systems shows that JOT is not acting with professional competence and due care in its business transactions

Recommendations for this ethical issue:

5. It is recommended that JOT's procedures for returned goods and faulty products are reviewed so that replacement products are not invoiced and that its invoicing procedures should also be reviewed.
6. JOT should urgently count all of its inventory at its warehouses and reconcile any differences to the accounting system and that any inventory losses are written off.
7. It is also recommended that an IT consultant be appointed to review JOT's IT systems and to make urgent recommendations on how the IT systems could be integrated where possible and additionally, a longer-term review of JOT's IT systems should be undertaken and a new IT system requirement for this growing company should be specified and reviewed by JOT's Board for future implementation.

Justification of why I am making these recommendations:

8. JOT is not treating its customers with professional competence and due care and its inaccurate invoicing procedures will slow up cash collection and could cause a higher level of bad debts, which would impact JOT's profits.
9. It is important that JOT's systems are integrated and any inventory losses are written off so that JOT's profits are correctly recorded and that customers' orders are not accepted in future for products that JOT does not have in stock.
10. JOT is a growing successful, profitable company and it must have suitable IT systems that meet the needs of the business and allow JOT's management team to have confidence in the accuracy of the data held in the systems. JOT's current IT systems do NOT give JOT's management team the ability to operate in a professional manner with all of its stakeholders.