**A BUDGET MANAGER’S DILEMMA**

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**CASE:**

**INTRODUCTION**

Jennifer Jean is the budget manager of Jasper Parks, which manages three parks on one campus, which is open all year in a sunny climate. It is the only park of its kind within a one-hundred-mile radius.  The campus contains a traditional amusement park with rides, a water park and a safari park with wild animals.

Jennifer started working in the accounting department at Jasper Parks shortly after graduation from Gotham College. Like all new college hires, Jennifer attended Jasper Training and bonded with many of the attendees. Jennifer has worked hard to increase her skills as an accounting and finance professional, attaining the CMA® (Certified Management Accountant) credential offered by IMA® (Institute of Management Accountant) which requires continuing education. She has consistently received promotions over her 10-year career, resulting in her current position as budget manager.

Jasper Parks’ mission is to create a variety of exciting, unforgettable park experiences for its loyal family of guests. It emphasizes operational efficiency by investing in innovative technologies, sustainability initiatives and employee development. Jasper Parks’ strong brand position in a unique market and the resultant high, recurring cash flows appeal to its investors.

**THIS YEAR’S BUDGET PROCESS**

Jasper Parks has a participative budget process, which begins six months before the fiscal year-end. Jennifer has access to budget information unavailable to other employees until the final budget approval. Managers from each of the three parks and all cost centers send Jennifer their initial budgets. Jennifer assembles these budgets and forwards them to the budget committee consisting of the Controller, Chief Financial Officer, President and Chief Executive Officer.  The Budget Committee reviews the initial submissions, deciding whether to approve them as is or to ask the departments to revise and resubmit them.

Recently, the Strategic Planning Committee had expressed some concerns about the safari park, given increasing controversy about keeping wild animals captive, except for conservation and educational purposes (<https://www.theguardian.com/world/2020/feb/02/zoos-time-shut-down-conservation-education-wild-animals>). The Strategic Planning Committee recently decided to close its polar bear and lion exhibits in the safari park, given the extreme stress of captivity on both animals. Management planned to reintroduce the polar bears and lions into their natural habitats. The Budget Committee asked the safari park to resubmit its initial budget, to reflect the costs of closing these exhibits and laying off associated personnel. Jennifer recently received the revised budget from the safari park, which she must resubmit to the Budget Committee.

After receiving the revised budget, Jennifer meets her “Jasper Training” friends for a monthly happy hour. Sam Smile, who works as a manager in the safari park, takes Jennifer aside for a private discussion.  Sam tells Jennifer that he and his wife were planning to buy a new home but hesitate because of rumors of layoffs at the safari park.  He asks Jennifer whether she can give him any hints about the budget plans of the Safari department.  It is three months before final budget approval.

**QUESTIONS:**

1. Who are the stakeholders in this situation?
2. What is the best description of Jennifer Jean’s ethical dilemma?
3. Which Standards from the IMA Statement of Ethical Professional Practice apply best to Jennifer Jean’s case? For each standard you choose, mention which specific points listed under it apply to this case.
4. Which steps should Jennifer take to resolve this ethical issue?
5. What is the most ethical choice Jennifer Jean can make in this situation? Discuss other alternative actions that are less ethical.

**TEACHING NOTE**

**A Budget Manager’s Dilemma**

**Abstract**

This case study presents a scenario in which a budget manager faces the dilemma whether to leak confidential budget information to a friend who needs it to make a very important personal decision. The objective is to help students get familiar with the IMA Statement of Ethical Professional Practice and practice making ethical managerial decisions. This case emphasizes the IMA standard of confidentiality, which is particularly important as accountants move into managerial roles. Although the case is not based on one real-world situation, it reflects similar issues faced by one of the authors while working in management reporting and analysis in the financial services industry. The authors thought that students would find the theme park setting more appealing and relatable.

Key words: IMA Statement of Ethical Professional Practice, confidentiality, integrity, the budget process

**Intended Courses and Audience**

**For assessment of a basic understanding of business ethics:** In introductory managerial accounting, the authors used this case to assess students’ basic understanding of ethical decision making, a learning goal in our business school. For three years, students in all sections answered objective common final exam questions using a version of this case. Prior to taking the objective common final exam questions, students in all sections worked on other ethics cases, answering essay questions using the IMA Statement of Ethical Professional Practice as a guide. The IMA Statement of Ethical Professional Practice provides a strong, practical framework for ethical decision making for undergraduate students, most of whom had not yet taken a required liberal arts course covering ethical theory.

**As a traditional ethics case**: The case may also be used for a more thorough discussion of ethics in managerial accounting, either for an in depth class discussion or as a written assignment in either introductory managerial accounting, cost accounting or advanced managerial accounting courses. The answers to these questions require a more specific discussion of how the of how the IMA Statement of Ethical Professional Practice applies to this ethical dilemma.

**SUGGESTED ANSWERS TO ASSIGNMENT QUESTIONS**

For assessment purposes, multiple-choice questions are used here, but the instructor can easily assign them as open-ended discussion questions.

1. Who are the stakeholders in this situation? Choose the best answer:
2. Jennifer Jean (50%. We want students to understand that the ethical issue involves more than just the person faced with the ethical dilemma.)
3. Jennifer Jean and Sam Smile (75%. Jennifer and Sam are directly involved, but there are others involved indirectly)
4. Jennifer Jean, Sam Smile and the manager who submitted the revised safari park budget. (100%.)
5. Jennifer Jean, Sam Smile, and any manager who submitted budget information. (80%, Not all managers will be affected if the revised budget is leaked. However, other managers may wonder whether their information is private throughout the budget process).

**Answer to Question 1 for a traditional case**: Students should recognize that there are stakeholders in this situation beyond Jennifer Jean and Sam Smile. Jennifer is potentially exposing confidential information from the manager who submitted the revised safari park budget. However, an answer that is overly broad would receive less points.

1. What is the best description of Jennifer Jean’s ethical dilemma?
2. It is wrong for Jennifer to share information from the budget process until the budget is finalized. (75%, This is a bit simplistic. Ethical dilemmas are not about black and white issues of right and wrong but involve conflicting values)
3. Jennifer wants to help her friend Sam, but she knows she has a responsibility to her bosses to keep quiet until it is shared with all employees. (100%. This recognizes Jennifer’s conflicting values of respecting private information in her job versus wanting to be a helpful friend)
4. It is wrong for Sam to ask Jennifer for this information. (50%) (This may be true, but it does not frame the dilemma from Jennifer’s viewpoint or values).
5. It is unethical not to not follow generally accepted accounting principles (0%, There is no discussion of generally accepted accounting principles in this question).

**Answer to Question 2 for a traditional case**. Before assigning this or any ethics case, the authors emphasize that ethical dilemmas involve conflicting values, not simplistic issues of right and wrong or legal compliance.

1. Reference your copy of the IMA Statement of Ethical Professional Practice, which describes standards of

I. Competence

II. Confidentiality

III. Integrity

IV. Credibility

Which combination of the IMA Standards best applies to Jennifer Jean’s case?

1. Competence and Credibility (30%) These two are the least involved standards.
2. Competence and Confidentiality (75%) Confidentiality definitely applies. Competence only potentially applies if Jennifer is performing work according to regulations and expectations for a budget manager
3. Confidentiality and Integrity (100%) Confidentiality definitely applies. Integrity applies by contributing to a positive ethical culture.
4. Confidentiality and Credibility (60%) Confidentiality applies, but Jennifer is unsure whether the revised budget is credible because there may be further revisions
5. I, II, III and IV (70%) This answer is too general

**Answer to Question 3 for a traditional case**. An in-depth class discussion or written case submission provides students with the opportunity not only about which IMA standards apply, but to specifically consider the points listed under each of the four standards.

Core acceptable answers include IMA Standard II, Confidentiality. Better answers should specifically mention Confidentiality point 1 (Keep information confidential except when disclosure is authorized or legally required). Jennifer is neither authorized nor legally required to disclose the revised safari park budget to Sam. This case does not involve Confidentiality point 2 (Inform all relevant parties about the use of confidential information.) because no one asked Jennifer to share this information with other parties at this stage in the budget process. Confidentiality point 3 (Refrain from using confidential information for unethical or illegal advantage) does not apply as well as point 1. The only unethical advantage Jennifer gains by sharing this information is helping her friend.

A very good answer will also mention IMA Standard III, Integrity, in addition to Confidentiality. Excellent answers mention the points listed under the integrity standard that apply. Integrity point 4 (Contribute to a positive ethical culture and place the integrity of the profession above personal interests.) applies best if Jennifer places her professional integrity above her desire to help her friend Sam. Although a student may argue that Integrity point 3 (Abstain from engaging or supporting any activity that might discredit the profession) may apply, this situation does not seem urgent enough to discredit the profession.

A student may make a valid argument that Standard I, Competence, applies. If so Competence point 2 (Perform professional duties in accordance with relevant laws, regulations and technical standards) is the standard that applies best. Although there are no relevant laws, regulations or technical standards with budgeting, there is recommended practice and potentially company rules. Competence point I does not apply because Jennifer keeps up her expertise through continuing education. Competence point 3 does not apply because Jennifer should not be providing decision support information to Sam given confidentiality concerns.

Standard IV, Credibility, does not apply to this case because Jennifer should not be sharing the revised budget information with Sam, yet alone worry about communicating it fairly and objective (point 1), providing relevant information expected to influence users’ understanding of the reports (point 2), reporting any delays or deficiencies in information (point 3) or communicate professional limitation or constraints (point 4).

1. The IMA Statement of Professional Ethical Practice has a section on “Resolving Ethical Issues”.  Listed below, in random order are descriptions of five suggestions for resolving ethical issues.
2. Consider disassociating from the organization
3. Call the IMA’s anonymous helpline
4. Follow the established policies of his or her organization
5. Consider consulting his or her own attorney.
6. A discussion with one’s immediate supervisor.

Which are the first two steps that the IMA Statement suggests Jennifer follow?

1. Consider consulting an attorney and disassociating from the organization. (20, the two most extreme steps mentioned last)
2. A discussion with a supervisor and calling the IMA anonymous hotline (75, these are the second and third steps)
3. Follow the policies of one’s organization and a discussion with one’s supervisor (100, these are the first and third steps )
4. Follow the established policies of one’s organization and consult the IMA’s anonymous helpline. (80 Steps 1 and 3)

**Answer to Question 4 for a traditional case.** In class discussions of similar cases, the authors emphasize that the starting point for resolving ethical issues is to follow the established policies of established policies of one’s organization. Most organizations have these policies so those facing ethical dilemmas have a roadmap to follow. A discussion with one’s supervisor is the next logical step. Consulting the IMA anonymous hotline may help the member analyze the situation using the IMA Statement. It is a free option for IMA members, but less direct than its first two suggestions for resolving ethical issues. The remaining options, consulting one’s own attorney or dissociating from the organization, are costly and usually apply in extreme cases.

1. What is the most ethical choice Jennifer Jean can make?
2. Tell Sam that she is not permitted to share this information during the budget process, although she sympathizes with his situation (100 points)
3. Tell Sam that she is not permitted to share this information, while making faces indicating that things are bad (75%, Jennifer did not “say” anything but gave a hint to her friend)
4. Tell Sam that she saw cuts in the resubmitted safari park budget (0%, not respecting confidentiality)
5. Tell Sam that she saw cuts in the resubmitted safari park budget, but to keep this between them. (40%, at least this recognizes some need for confidentiality)

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**Answer to Question 5 for a traditional case.** Jennifer should respect the confidentiality of the submitted information as much as possible, realizing that it is still subject to changes, while sympathizing with Sam. Without telling Sam any confidential budget revisions, Jennifer might ask Sam whether he would be more comfortable delaying his home purchase, given his concerns about the rumors of layoffs in safari park. Finally, she might let Sam know that he is putting her in a difficult professional position by asking her for confidential information. A sophisticated answer recognizes that Jennifer’s body language or facial expressions, whether intentional or not, may give Sam some indication of her knowledge. Classroom discussions provide the opportunity for students to explore the challenges of acting ethically while maintaining relationships.

**EVIDENCE OF EFFICACY**

For the past three years, the authors have used this case to assess students’ understanding of ethics in all sections of introductory managerial accounting. The students’ answers to the objective questions indicate that they understood the ethical issues involved in this case, particularly the importance of confidentiality as accountants move into management roles. Instructors prepared students for this question by (1) preparing a slide deck discussing the IMA Statement of Ethical Professional Practice, (2) doing in class exercises using Socrative with short ethics cases and (3) having students submit written responses to at least one ethics case per semester. One particularly helpful in class exercise involved applying the IMA Statement of Ethical Professional Practice to an academic situation, where a graduate assistant is asked to provide test questions in advance to a struggling friend. Copies of that exercise are available upon request from the authors.