

Recycling Equipment Teaching Notes

What Are the Relevant Facts?

1. The company pays to dispose of waste solvents.
2. The company could purchase expensive recycling equipment which would decrease the amount of waste to be disposed of.
3. The effect of the equipment on ROI and net income depends on assumptions about future costs for disposing of the waste solvents.
4. Different industry sources give different estimates of future disposal costs.
5. Bonuses for company managers are based partly on ROI.

What Are the Ethical Issues?

1. Should the company purchase the recycling equipment for environmental reasons?
2. Should this decision be influenced by ROI and net income?
3. Does the company have any responsibility for the environment, beyond complying with all applicable laws?
4. To what extent should an accountant's personal opinions affect the report and analyses he/she prepares?
5. From David's point of view, does the end (protecting the environment) justify the means (concealing potentially relevant information)?

Who Are the Primary Stakeholders?

- David Hendricks
- Mr. Jones and the other company managers
- The stockholders and board of directors
- People who live or work near the hazardous dump, now or in the future.

What Are the Possible Alternatives?

1. David could give Jones only the second analysis.
2. David could give Jones both analyses as they stand.
3. David could try to develop additional support for the second analysis and then give both to Jones.
4. David could give Jones only the first analysis.

What Are the Ethics of the Alternatives?

- From a "utilitarian" perspective (costs and benefits):
 1. Which alternative would have the greatest benefit for David?
 2. Which choice offers the greatest benefit for Mr. Jones and the other company managers?
 3. How can possible environmental costs and the costs and benefits to company personnel be compared and measured?
 4. Which alternative has the greatest long-term benefits?
 5. Should possible costs to people outside the corporation affect this decision?
- From a "rights" perspective:
 1. What does Mr. Jones have a right to expect from David?
 2. Does David have a right to try to influence this decision by withholding information?
 3. Should the rights of people who live or work near the dump site and the rights of future generations be considered in making this decision?
 4. What responsibilities does David have in this case?
- From a "justice" perspective (benefits and burdens):
 1. Which action distributes benefits and burdens most fairly?
 2. Which stakeholders will bear the greatest burden if David gives Mr. Jones both analyses? Which stakeholders would benefit?

What Are the Practical Constraints?

1. Mr. Jones may not react to the information in the manner that David expects.
2. The board of directors may not support whatever recommendation Mr. Jones makes.
3. The company must comply with legal requirements for the disposal of hazardous wastes.

What Actions Should Be Taken?

1. What should David do?

2. Which ethical theory (utilitarian, rights, justice) would help David in reaching his decision?