

**ETHICS
CHALLENGE**



BTN 24-3 Super Security Co. offers a range of security services for athletes and entertainers. Each type of service is considered within a separate department. Marc Pincus, the overall manager, is compensated partly on the basis of departmental performance by staying within the quarterly cost budget. He often revises operations to make sure departments stay within budget. Says Pincus, “I will not go over budget even if it means slightly compromising the level and quality of service. These are minor compromises that don’t significantly affect my clients, at least in the short term.”

Required

- 1. Is there an ethical concern in this situation? If so, which parties are affected? Explain.
- 2. Can Marc Pincus take action to eliminate or reduce any ethical concerns? Explain.
- 3. What is Super Security’s ethical responsibility in offering professional services?

**COMMUNICATING
IN PRACTICE**



BTN 24-4 Improvement Station is a national home improvement chain with more than 100 stores throughout the country. The manager of each store receives a salary plus a bonus equal to a percent of the store’s net income for the reporting period. The following net income calculation is on the Denver store manager’s performance report for the recent monthly period.

Sales	\$2,500,000
Cost of goods sold	800,000
Wages expense	500,000
Utilities expense	200,000
Home office expense	75,000
Net income	<u>\$ 925,000</u>
Manager’s bonus (0.5%)	<u>\$ 4,625</u>

In previous periods, the bonus had also been 0.5%, but the performance report had not included any charges for the home office expense, which is now assigned to each store as a percent of its sales.

Required

Assume that you are the national office manager. Write a half-page memorandum to your store managers explaining why home office expense is in the new performance report.