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by Kdkdk Kdkdkdk

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Individual Assignment

Question 1(a) Triple Bottom Line

The Triple Bottom Line is a scale that the companies use to measure profits and its impact on its environs. The Triple Bottom Line shows that the firms should focus more on the social and environmental effects on gains. It is the bottom line or a way of expressing the firm's result and sustainability locally and globally by focusing on profit, people, and the planet. The Triple bottom line's central concept is that either the firm is fully responsible to everyone who is involved directly or indirectly in the organizational activities and the planet they are living on. Therefore, the Triple bottom line gauges the firm's commitment to corporate social responsibility and its effects on the environment.

Question 1(b) Volkswagen 'Dieselgate' emissions scandal

In the Volkswagen "Dieselgate" emissions scandal, the company sold millions of cars in Europe and 600,000 in the US Volkswagen fitted vehicles with "defeat devices" following research in 2015 about pollution. From the Triple bottom-line perspective, the firm concealed software used to evade the pollution limits in the name of making a profit. The "defeat devices" could cut the emission of the cars. As a result, the decision of the management affected the environment. The 11 million vehicles contributed to excessive pollutions on the planet; hence the firm violated the US Clean Air Act. Besides, Volkswagen happily made profits for many years with their deception of the "eco-friendly" diesel. Moreover, their action affected approximately 100,000 motorists (Baker, 2015).

According to Lynch and Santos (2016), pressure, opportunity, and rationalization often allow the employees to act unethically. In the Volkswagen Emissions Scandal case, the VW engineers were under pressure from the top official to match the strict regulations in the US. Due to the autocratic leadership style and the urge to succeed, the engineering technique was to be tested and the design of the cars. The company's 25-page Code of Conduct that

demanding employees to be ethical was deemed irrelevant. Secondly, this crisis presented an opportunity for the firm to cheat. The engineers came up with “defeat devices” that were detected when cars underwent testing. Upon testing, the device would turn on the emission-controlling device, making it easy for cheating. The third reason behind the decision was rationalization. Before the 2015 scandal, Lynch and Santos (2016) reveal that VW engineers had installed the same device that made them cheat. As a result, they later faced a penalty of \$120,000. Therefore, the firm thought that the penalty would be lighter, and hence cheating was a good option.

Question 2(a) Financial Statements

The statement of profit or loss is defined as a statement that displays the total income, total cost, total expenses, and the net income of a company within a given period. The purpose is to show the performance of the business throughout each period. The statement of changes in equity is a financial statement showing the difference in the equity of the business owners over a certain period. The purpose is to offer essential information in equity reserves that are found elsewhere in the financial statement. The balance sheet provides the company's financial position in terms of the company's assets, liabilities, and shareholder equity. It shows the criteria for computing returns and evaluating the capital structure of the firm. The cash flow statement measures how well a firm can generate cash to clear out debts, meet expenses, and fund investments. The profit and loss statement differs from the cash flow in that the former does not show every detail of the financial activities. These financial activities are not recorded on the profit or loss statement. Instead, the transaction is captured on the cash flow statement.

Question 2(b) Business Structure

A sole proprietorship is a form of business that Carolyn should consider since she contemplates starting the company independently. It involves just an individual who owns

and operates the business. One advantage of a sole proprietorship is that it is effortless to form, and one has complete control over the entire company. However, the owner does not have a separate business entity from the business. The business is not different from the ³ personal assets and liabilities; hence one can be held responsible for any debt (U.S Small Business Administration, 2020). The second structure is a partnership. Carolyn can opt to adopt a general partnership with her best friend. One advantage of the general partnership is that one enjoys the tax treatment in that tax is on any profits or losses to the individual partners. However, a general partnership is more expensive to establish since it requires more legal and accounting services.

Question 3: Errors in Financial Statement

One of the errors that Stephen has committed is the error of principle. This is where one uses a transaction that incorrectly uses the accounting principle. The mistake of the principal fails to meet the Generally Accepted Accounting Principle (GAAP). This error is also known as an “input error.” In the income statement of Stephen’s Delivery Service, Stephen recorded both owners’ equity and long-term bank loan in a wrong account. Owners’ equity belongs to neither the revenues account nor the income statement. Similarly, the long-term bank loan does not belong in the expenses account and income statement. On the other hand, the balance sheet also has an error of principle where the charge payable should be the current liability and account receivable as a current asset. However, Stephen recorded them as an asset. As a result, Stephen can correct the error of principle by removing the two transactions from the income statement. This will conform to the generally accepted accounting practices guidelines. Secondly, Stephen committed the error of commission. The commission error is a mathematical mistake where the calculations are not done well or where incorrect figures are placed in the statement. The calculation in the current liability sector is not correctly done. This could be corrected by performing the correct measures.

Question 4: Statement of Cashflow

The cash flow from operation tells the investors more about the cash generation of a company. In this case, the cash flow from operation entailed the net income from customer sales, operating assets, and liabilities. Additionally, from the cash flow statement, the sales have been increasing. However, due to the Covid-19 pandemic in 2020, the sales are likely to reduce. The second section entails the cash flow that comes from investing. This is where the company invests in capital expenditure for properties such as machinery and even the flow from assets' sale. However, the most crucial part is the capital expenditure since it shows whether a firm can invest. In this case, property, plant, and equipment are the main capital expenditure. The third section is the cash flow from financing. This category is dominated by debt and equity. Investing in this company should not be a good option since as sales increases, the cash flow reduces. The net cash flow in 2018 was \$ 314,337,000, with sales of \$2884573, while the net cash flow in 2019 was \$278883, with sales of \$3127961. This shows that the two indicators do not move at a similar rate. As a result, the sales are bound to reduce drastically due to the effects of the Covid-19 pandemic. Besides, the cash flow from operating activities is less than the sum cash flow from investment and financing, showing a decrease in cash flow. This poses a risk to investors since the company could make a loss in regular times. As a result, the investors should not invest in the company during this time of the pandemic.

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GENERAL COMMENTS

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