GPE: A Slippery Slope into a Tangled Web

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Abstract

This is a case study regarding an international manufacturing company (GPE in the united states) based out of Europe that produces machinery used to generate electricity. The European Corporate organization is comprised of several subsidiary organizations and incorporated subsidiaries. GPE has created separate companies for the equipment manufacturing, as well as for the sale of parts and services outside of the Americas. Further, GPE Corp also consists of the US Corporate organization, which is comprised of four business units including the US Financing Division focuses on finding other corporations to provide funds as outside investors. Credit financing is obtained from the World Bank and private banks for these power plant projects. Bob Smith, a two years veteran controller, has been assigned to a new position working for Joe Daboss, the VP of Plant Management division of the US operations. In this case we have covered several different scenarios involving revenue recognition, consolidation, transfer pricing, forecasting and ethics. Bob's problems which are presented in the case are mostly the billing that he is asked to process based on a "handshake deal", or verbal commitment, which is not confirmed by the subsidiaries. Bob is embarrassed by these scenarios, but discovers that his boss; Joe Daboss keep getting bonus payment for meeting the profit budget. In our opinion, this is a multidimensional case that would be appropriate for courses in Advanced Accounting, Advanced Managerial Cost Accounting, Auditing, Accounting Ethics and a Business Strategy course for Accounting majors. Points of emphasis for Advanced Accounting and Auditing would be consolidation, revenue recognition, internal controls and ethics. In a Managerial Accounting or a Business Strategy course, the instructor should place emphasis on transfer pricing, forecasting and performance evaluation as well as ethics.