

Fraudulent Books

Laura has finally returned to her job as an accountant at Megatron Enterprises, a small family-run hardware supplies chain, after a five-year extended maternity break. She has returned at an important time in the fiscal year: tax season. As she reviews the books for the period she was gone, she notices little anomalies which suggest that Megatron has been reporting much less income than they have actually made in the last two years.

Troubled by this, Laura approaches the company owner, Joseph, who comes clean and explains that he has been altering the books because of a personal financial slump that he fell into because of a gambling problem. Joseph promises that from now on, now that Laura is back, he will no longer attempt to reduce his tax liability because he and the company are in a better place now. However, he also makes clear to Laura that he cannot afford to pay the back taxes and their penalties.

If Laura reports the fraud to the tax authorities, the company may close. If it comes out that she did not report it. She will lose her license. What should Laura do?

(Case prepared by Gov. Jose B. Fernandez Ethics Center, Ateneo de Manila Univ., Philippines)