

Paul Robbins training and consultancy

Ethics for Accountants

Objectivity, Resolving Ethical Conflicts and Professional Competence

Conflicts of Interest Between Clients

Hamish works as a self employed accountant. Two of his clients that are located in the same small market town are a small local convenience store and a much larger supermarket.

Hamish has recently been doing some consultancy work for the supermarket to try to improve the profitability of the business.

To enable the supermarket to improve its profitability, Hamish has recommended that the supermarket cuts its prices on some so-called 'essential' products e.g. milk, bread, biscuits, tea and coffee and also to offer a half price newspaper to everyone who spends £10 or more in the supermarket that day. By doing this, he believes that people will be tempted to come into the supermarket and, whilst they are there, purchase other more profitable goods.

However, Hamish is concerned, since he is aware that if the Supermarket does these things then it could easily have the effect of putting the convenience store, (which mainly sells milk, bread, newspapers, etc), out of business.

Explain what conflict of interests exists between these clients

Hamish has a duty to act in the best interest of all of his clients.

There is a clear conflict of interest between his two clients in this case.

This is because what is in the best interests of his supermarket client would adversely affect his convenience store client and possibly put it out of business.

Explain what Hamish should do to manage and mitigate the risks

In the circumstances, it would appear that Hamish is not able to sufficiently reduce the risks associated with the conflict of interest between these two clients as his work with the supermarket inadvertently damages the interest of the convenience store.

Hamish should therefore end the relationship with one client or the other and since he is currently advising the supermarket he should cease to act as the accountant for the convenience store.