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# CORPORATE DILEMMAS IN PROCESSING INDIVIDUAL FINANCIAL CLAIMS

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## ABSTRACT

*This short note is an inquiry into the individual financial claims processing from a corporate ethics perspective. The authors discuss three issues that are likely to be encountered in corporate accounting. To overcome these issues the authors suggest that the companies need to consider the ethical merit in such claims.*

**Keywords:** Financial claims, Accounting policy, corporate ethics.

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## 1. COMMENTARY

In today's globalized world many companies, irrespective of their size and nature of business, are under compulsion to expand their market, operations and network across the continents. As suggested by Eugen and Cristina [1], companies need to consider the opportunity of extending their business activities to a bigger environment, especially abroad. This is essential to sustain the business and have access to better suppliers, customers, markets and/or business (operational or external) environments in other countries.

Therefore, it has indeed become necessary for the employees to make payments in a currency that is different from the home currency while carrying out business related activities that involve travel, accommodation, purchase and other incidental expenses. Though many corporate companies have standard policies on reimbursing such expenses at times the incumbent is required to make the payment in advance and make the claim later. Such payment approvals are long-drawn process involving multiple layers of decision making with a considerable risk of delay, reduction in claim and rejection. Likewise, inbound payments made by third parties to individuals through the company account are also subject to delays and translational losses. Considerable delay is encountered while processing the royalty payments or consultancy fees to incumbent individuals.

The first issue is the delay in processing the claims. The accounting department in many firms treats reimbursement claims as a low priority item and takes time to verify the documents and settle the claim. This could cause an unintended interest loss to the individual and gain to the company in terms of interest charges. Meanwhile, the domestic currency could either appreciate or depreciate and this might adversely affect the individuals involved. If the domestic currency weakens it would be an advantage to the receiver and loss to the company. However, if the domestic currency weakens the receiver stands to lose money as the realized proceeds would be lower than what was paid. Here the company stands to unduly gain and this raises questions on ethics and accounting policies.

The second issue relates to reduction in claim due to various reasons. Especially, the transaction fees and incidental charges are not mentioned in the invoice and the accounting department usually doesn't entertain such claims. And, at times the company policy doesn't allow certain payments to be made and such claims are not entertained as well.

The last issue to be discussed in this article is total rejection of claims due to various reasons that could range from accounting policies to trivial issues such as incomplete form submission or delayed submission of forms.

A simple solution is not possible for all these issues. However, the companies could consider the merit in such claims and review their policies and practices. Highlighting ethics in corporate accounting practices can resolve the three listed dilemmas and issues. It is argued ethics should be given more importance in accounting practices and corporate management practices because ethics is a reflection of divine and morality [2]. The companies must ensure that individuals are not affected by procedural delays and losses as the individuals incur these expenses while discharging their official duties.

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