

Crazy Eddie's fictitious purchases discounts affected the company's profit on the income statement because by failing to report sales discounts they reduce the company's expenses. Any additional profits caused by this scheme would fall to the bottom of the line. They did this because this is one scheme that is harder to detect or not as easily caught. An example of this would be if they were coats and a customer called and complained that there was damage to the coat you gave them a discount but when it came time to post the transaction in your ledger you didn't report the sales discount you only report the sales so it does not show the sales discount expense you took in you only report the actual sales. So, in the book it looks like your company is doing better than it is. Premature recognition of sales is prematurely reporting a sale that has not taken place or has not fully taken place. Doing this affects the income statement because it shows that you are making sales and making revenue when you are not. An example of this would be saying you sold so many coats to a customer but there was no customer, and you then held those coats in an offsite warehouse.

Another illustration of this would be if a client paid you 500,000 to mow their lawn for 5 months. You would record 100,000 over that time period, but under premature revenue recording, you would record it all at once when you first receive payment, giving the impression that you completed the job in one accounting period received 500,000, making it appear as though your business had a sizable revenue when in fact it only generated 100,000 during that time. When Crazy Eddie inflated the stock of assets on the balance sheet, their net income grew, which raised the number of shares owned by shareholders.

To stakeholders, they appeared to perform satisfactorily. It would also improve the company's appearance to potential investors because it would appear that they were producing more money than they were spending. When creating records for any organization, there are several things you may do to maintain your ethics. One thing to consider is whether what you're doing is lawful. If not, you shouldn't be performing the action in the first place. You can only make better decisions if you stop and ask yourself this question. If you don't want to go into problems, engaging in unethical behavior can land you in jail. You should also consider whether what you're doing is morally correct. We all know right from wrong, therefore if you're doing something wrong, stop. Are you okay with people knowing your decision was made? Is a further question you should ask yourself. Being ethical and honest will help your business succeed because people cherish honesty. They will respect you for upholding your principles and show that your business has moral principles. You can check to see if your actions comply with the company's policies and ethical standards. Did you consult with all the appropriate parties before making your choice? You should make an effort to treat the community, your partners, employees, and customers with respect and honesty. Work for what is best and morally correct. Also, key facts are Most of Crazy Eddie's top executives were relatives or close friends of Eddie Antar who lacked the appropriate qualifications for their positions. The consumer electronics industry realized a dramatic increase in sales from 1981 through 1984, which prompted Eddie Antar to convert Crazy Eddie's stores into consumer electronics supermarkets. In 1984, Eddie Antar took Crazy Eddie public to raise capital needed to finance his company's aggressive expansion program.