

Case Review of The Diamonds Foods

Posted on September 16, 2018

Diamond Foods Accounting Controversy

The Diamonds Foods, Inc. case designates the significant accounting to blow-up at the corporation in late 2011 elicited by a statement by Off Wall Street, a protuberant short-selling investigation firm. Diamond Foods, a high-growth business in 2011, was nurtured from a walnut farmers' cooperative in 2005 into a proprietary snack foods constructor based on the strength of a chain of acquisitions. The accounting humiliation that involved inappropriate accounting for walnut procurements led to Diamond tumbling its high-profile acquirement of Pringles, an SEC and DOJ study, the departure of the CEO and CFO, and the foundation of a top-flying development company. The case styles the history and evolution of the company, as well as the investigative and methodical work conducted by OWS, and permits students to understand suggestions for the growth plan for financial performance and assessment. Additionally, the case highlights the role of corporate panels and audit committees in handling strategic and financial reporting menaces.

Grower Payments and Market Concerns

The article reviews that the complaining growers, for their fragment, tend to be unhappy for fewer payments than the actual market's predicament price, as said by the analyst, but their criticisms ignored a severe fact: Diamond had approved buying all of their inventions before the harvests even commenced. They further contracted grower's subsidies from having a surefire buyer, which at periods can lead to value disparities, particularly in years when countless export buyers are procuring directly from uncontracted agronomists (Srinivasan & Gray, 2013). I also think it was the best practice for a group of displeased growers to go further to sue the company in the year 2008, alleging below-market-rate values. However, the lawsuit was dismissed in 2010. According to Srinivasan and Gray (2013), with all that viciousness now behind it, the Diamond is leftward to shore up its rudiments. In part, that earnings were paying renewed consideration to its essential walnut business, something Mendes had severely wanted to progress beyond. Diamond started out as a modest cooperative of walnut gardeners in Northern California. When the Inc. went public in the year 2005, growers were given places on the board, and the corporation provided stock to cooperative members, many of whom static own shares. Growers have comprehensibly been disturbed about Diamond's fate, as beautiful as their own, ever since the IPO and the following moves away from the nut occupational (Diamond owns the Secret Pop brand of popcorn as well as Kettle chips.) The Pringles pact and then the accounting indignity, only heightened rigidities, and many cultivators have fled to other buyers, counting foreign investors.

Accounting Treatment of Grower Payments

The article also explains how another analyst jagged out that the Diamond (DMND) characteristically paid its cultivators in installments, and the only transformation this time was the reimbursement's name. DMND seems to give its disbursements different names from year to year, but I think it would be prudent to keep a consistent name to circumvent confusion over the nature of the disbursement; thus, the article explains payment itself as a strange condition. There was also an issue with Roberts' disagreement that Diamond's changes away from walnuts had been forced by weakening relations with farmers and forfeiture of its near-monopoly on their nuts. Diamond was spreading into snacks because that was an enhanced business, the report argued. In exasperating to buy Pringles, it was not scrambling to reimburse for lost walnut sales and curdled relations with growers, as explained in the article. It was briskly leaving a low-margin business overdue.

Stakeholder Treatment and Corporate Responsibility

It tends to believe that in business, all the stakeholders are supposed to receive equal and satisfactory treatment, which in turn upsurges the organization's productivity. Diamond Food Inc. failed to treat their growers well regarding payments for their dues; hence, the loyalty between them was an unease situation that led to the company's failure, hence loss realization. Every company in function always tries to operate in a conducive environment that will improve the productivity of the institution, hence high-profit margin realization with satisfied products and services to clients (Srinivasan & Gray, 2013).

SEC Findings and Executive Conduct

The article portrays that SEC claims that while tackled with competing strains, Neil orchestrated a structure to have it both conducts. He developed two particular outlays to please Diamond's walnut cultivators and bring the entire yearly amounts remunerated to growers nearer to market prices but inadequately excluded quotas of those disbursements from year-end financial proclamations. Instead of acceptably recording the expenses on Diamond's books, Neil drilled his finance team to deliberate the payments as developments on harvests that were yet unconfined. By concealing the authenticity of the fees linked to prior crop conveyances, Diamond was capable of manipulating walnut prices in its accounting to hit periodical targets for earnings per stake (EPS) and exceed estimates by analysts. For example, after regulating the walnut charge to encounter an EPS target for the subsequent quarter of the year 2010, Diamond went on to vendor it's top of twelve successive quarters of outperformance in its described EPS results during depositor presentations (Srinivasan & Gray, 2013).

Industry Competition and Management Decisions

The article explains that Roberts thought that the changing subtleties of the walnut business, counting more competition from purchasers domestically and requests abroad, might have encouraged Mendes's move into the more comprehensive snack business. To reserve the indispensable acquisitions, Diamond had to have a resilient stock price and the capacity to borrow money comparatively cheaply. The motion payment might have been an approach to make the establishment look more lucrative and less hazardous than it was in the previous period. Had semi of the payment been encompassed in Diamond's financial year 2011 income account, it would have more than halved paychecks. In effect, Roberts was reproving Diamond's accounting deception (Srinivasan & Gray, 2013). The article portrays the scandal well, rendering accounting statements of the Inc., where the company tends to perform on a loss basis, whereas it is supposed to realize a good margin profit.

Evaluation of Executive Performance

In conclusion, I feel that the article tries its best to explain the role played by the executive under their tenure; thus, in my view, it seems they underperformed to the expected. The executive management department should try to put everything in order, hence enhancing customer satisfaction (Gujarathi, 2014). The article displays performances where Diamond and Kettle's Foods share a history of a persistent focus on flavor and produce quality and functioning collaboratively with their retail associates. By adding Kettle, counting its talented team of workers, the diamond snack business will have a superior scale that will help drive even greater invention in the snack marketplace. It tends to expect that the attainment will be accretive in the opening year and is a durable, strategic fit to enhance and support our long-term progress plans (Verschoor 2014).

References

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