Case study enron

Business

Andrew Fast is a key person responsible for the downfall ofEnron. When he became the SCOFF in 1998, he came up with the plan to make the company appear in great shape by using the mark-to-market accounting practice. The company would build an asset, such as a power plant, and immediately claim the projected profit on its books, even though it hadn't made one dime from it. If the revenue from the power plant was less than the projected amount, instead of taking the loss, the company would then transfer these assets to an off-the-books corporation, where the joss would go unreported.

This type of accounting created the attitude that the company did not need profits, and that, by using the mark-to-market method, Enron could basically write off any loss without hurting the company's bottom line (Seabird, 2014). SEC and FAST are also key.

In the early asses, the SEC and FAST had wrestled Ninth the controversial accounting and financial reporting issues of Spec. There was intense debate but the SEC and FAST did not offer guidance or a solution. SEC and FAST were fully aware there was concern with this reporting but did not take it very rigorously and let it slide by.

Arthur Anderson is also a key. The auditors did work for Enron but they are also to guide the company in the right direction of financial.

With the use of the SPEC and mark-to-market accounting, it was kind of a loophole in financial reporting. Since can report and not report assets and liabilities in Spec, auditors were aware of the shift of these items from Enron to the subsidiary companies. Seabird, C. (2014). Enron: The Fall off Wall Street Darling.

Retrieved from http://www. Investigated. Com/articles/stocks/09/Enron-collapse. Asp 2.

Management Participation – This occurs when the accountant takes on the role of client management or otherwise performs management functions. It may exist when the accountant serves as an officer or direct of the client, establishes and maintains internal controls for the client, or hires, supervises, or terminates client employees.

Undue Influence – This occurs when an attest client's management coerces the CPA or exercises excessive influence over the CPA. This may happen if the client threatens to replace the CPA firm over a disagreement about applying an accounting principle.

It may also occur if a client unduly pressures the accountant to reduce audit fees or provides a significant gift to the accountant. Familiarity – This occurs if a CPA has a close or long-standing relationship with client personnel or with individuals performing non-attest services. Familiarity may occur if a Spa's spouse or close friend holds a key position with the client.

It may also occur if a firm partner provides attestation services for a prolonged period, or if an accountant with the CPA firm serviced as a director or officer of the client firm. 3. Anderson was employed as a consultant throughout the year and then audited the

Nor and services they provided throughout the year. Anderson was not working as an independent auditor. Since they were consulting Enron, this shows they were looking at day-to-day operations on an ongoing basis and

were very aware and were providing the information to use the Spec. Individually, the accountants with Anderson did not take into consideration their own integrity and what role they played in the financial statements and consulting services.

Individuals within Anderson as well as the company itself faced charges, loss of reputation, and their profession.