Enron the court decision and the impact

Enron was founded in 1985, it was the product of a merger between two small companies. The two companies were Houston Natural Gas and InterNorth. When Enron came about it looked to be a promising company, one to have a big impact on the economy. This essay will shine light on the facts of the case, the investigative methods which were used, the laws that were broken, the court decision and the impact of the case. Kenneth Lay, who had been the CEO of Houston Natural Gas, became Enron’s CEO and chairman. He turned Enron into an energy trader and supplier. During this time Enron took the changing times to their advantage.

It was the era when the internet was becoming the next big thing and companies were using it as a tool to grow and for this instance, stock shares was their main interest. The company really excelled in the market. In the late 1990s, the Nasdaq hit 5, 000.

Which this was completely revolutionary when it came to internet stocks. And since it was so new and unheard of, investors simply accepted this as a new normal and didn’t really question huge spikes in share prices. Enron participated in the stock market by creating Enron Online (EOL). To make themselves seem more desirable to participants, investors and trading partners, would play the buyer or seller and they even offered their reputation to show that they could be trusted, and vouched that their business was the absolute best. A decade later Enron was up to nearly $350 billion in trades. When the recession began, Enron would begin to become exposed which resulted that many investors and creditors found themselves on the losing end. Enron had a way of hiding the financial losses and it was called market to market accounting. It is basically when you measure the item or in this case a company at is current market value instead of its actual book value.

It only has one benefit and that is always the main company and it is devastating to others. In this case, Enron would build an asset, like a power plant. Even though they had not made a profit from the plant that wouldn't keep them from documenting the projected profit in their books. So, if the revenue from the power plant or whatever illegitimate business were less than the projected amount, Enron would transfer these money to an off-the-books corporation Meaning that if it is off the books then they will never have to report all that money. They did this type of accounting numerous of times and it didn't affect their bottom line and it would make them appear more profitable than they really were. And that was a big thanks to Enron's CFO, Andrew Fastow.

It was his plan that look like Enron was in good shape even though investors were losing money. When it came to light that there was something wrong with Enron's bookkeeping, it didn't take long for Securities and Exchange Commission to act. October 31, 2001 the inquiry had grown into a formal investigation and on December 2, 2001 Enron filed for bankruptcy. Enron's shares drastically dropped from over $90. 75 to just a few cents. This not only impacted Enron but its investors, US market and the world. The executives and insiders at Enron were facing many charges that included including fraud, money laundering, and conspiracy just to name a few. Many Enron executives sold their shares just before the collapse.

But also during this time, the Enron executives were encouraging people to invest more of their money and some would be their life savings into the company. The day Enron filed for bankruptcy the company's employees were told to pack up their belongings and leave the premises and they only had thirty minutes to do so. It is alarming that 90, 000 people lost their jobs; Enron employees, who had been encouraged to invest their retirement plans in company stock, lost $2 billion into the bargain. Life savings, college funds and people's way of life was all gone.

Stockholders lost $70 billion subsequently to this scandal and even the state of California sued Enron for $6 billion in energy losses. The lawsuit accused twenty-nine of the executives and directors of insider trading and misleading the public. Chief executive Ken Lay escaped justice, dying of a heart attack before he was sentenced. Skilling, Fastow and another dozen executives went to prison.

Enron at first appeared to have the potential to be a successful and blossoming company. But with their greed, unethical and illegal decisions it kept them from being a legitimate and successful company. The Enron scandal has forever left its mark on history. One good thing that came from this scandal is the Sarbanes-Oxley Act to prevent another event like this from ever happening again. We can only hope and pray that we all learned something from this and that every business; big or small will be more ethical and law abiding.