# The financial picture of enrons report

Finance

The firm reported $1 billion in earnings in 2000 which did not exist. The fact that most investors were institutionalized investors shows that the Enron fraud was very well covered. Institutionalized investors are supposed to be able to decipher when a company is generating funny money. One of the biggest victims of the Enron scandal was the employees of the company. The company set up a pension fund that matched employee contributions with Enron stocks. The pension plans that employees had worked for on many instances over 20 years became worthless overnight when the scandal broke out. The company's stock in 2001 after the revelation of the scandal that led at the time to the biggest bankruptcy in U. S. history went down to $0. 40 from its all-time high of $90 a year earlier.

The accountants and the executive management team of Enron were completely unethical. The market to market accounting the firm used inflated income by overstating the value of energy contracts. To act in an ethical manner using market to market accounting the income estimates should have followed the principle of conservatism. The unethical strategy the managers used was biased because the managers recognize energy contracts in a manner to maximize the present value of the contract in order to receive higher bonuses. In regards to off-balance sheet transactions, the company was extremely unethical because it created over 3, 000 special purpose entities to hide the actual debt of the company.