

# Corporate governance best practices: 10 years after sox by ken yysiac

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Accounting Information Systems " Article Review" Article The first article chosen for review is " Corporate governance best practices: 10 years after SOX: Section 404 has had profound impact on controls environment" by Ken Yysiac. Summary of Article This article accentuates on the impact that Sarbanes-Oxley Act (SOX) and particularly its Section 404 on the corporate governance environment in the last one decade. The author states in the beginning of the article that the SOX Act has been triumphant in averting some of the problems it was formulated to deal with. The positive impact of SOX in fortifying the business oversight has been widely accepted by professionals in the audit industry. The Act is believed to have unquestionably enhanced the audit quality, though its Section 404, which stressed on internal control besides the financials, has been widely considered to be premature. However, implementation of the Act had ensured that businesses made better decisions and in many cases even discovered superior competence resulting in cost savings. In the initial stage companies had to incur higher expenses to perform extensive audits of their internal control systems and consequently in the initial years of its implementation, there were reports of many companies going private as they could not afford the audits. In spite of cost involved and the complicated audit requirement, SOX has been able to fortify the function of autonomous audit committees in terms of superior corporate governance. Statement The review of the above article helped in coming to the conclusion that the perspective of the author is agreeable. Discussion on How the Article will Impact Accounting Information Systems The article stresses on the need of evaluation and declaration of corporate

organizations' internal control efficiency. It emphasises that though SOX and Section 404 obligates a thorough evaluation of all financial reporting associated internal controls and, hence, requires a huge amount of resources, its positive impact on the quality of audit and corporate governance makes it highly beneficial and a necessity in the modern business environment. However, besides evaluation of internal controls, emphasis should be made on formulating controls around security of information.

Article 2 The second article chosen for review is “ Highlights of corporate governance research: Studies examine post-SOX issues, CEO pay, whistle blowing” by Cynthia E. BolrLee; David B. Farber; and Stephen R. Moehrle.

Summary of Article This article reviews the imperative interpretations and findings of the currently made public journals in accounting and finance. The prime objective of Sarbanes-Oxley Act (SOX) was to reinstate the confidence of investors in financial reporting. However, SOX, and particularly section 404, had received adverse comments from companies. Studies had revealed that the companies having such adverse opinions had CFOs with inferior accounting knowledge, implying that organizations can attempt to enhance their internal control by employing CFOs with superior accounting qualification. Other studies have confirmed that compensation consultants, who are hired by large companies, lose their autonomy when they offer compensation as well as non-compensation associated services to such companies. The SOX does not particularly deal with the aspect of compensation consultants. Nevertheless the SEC requires organizations to disclose the charges paid to the consultants for both their compensation and other services provided to the same organization. The

article emphasises on the need to speculate on the organizational hazards of employing the compensation consultants for other services as well. Intense board monitoring is another requirement of SOX; the authors however found that there were a number of unwanted results such as diminution in strategic advising as well as undermined communication and inefficient advising. The article also focuses on corporate fraud whistle blowing and suggests that companies should incessantly review their policies and systems to encourage employees to disclose irregularities within the organization.

Statement The viewpoint of the authors in this article is found to be largely agreeable. Discussion on How the Article will Impact Accounting Information Systems This article focuses on the findings of various research studies on corporate governance ranging from enhancing internal control in organizations by employing CFOs with higher accounting knowledge, speculating the risk associated with employing compensation consultants for other services within the company, hazards and costs involved in the intense board monitoring, whistle blowing in context of corporate frauds, function of internal audit in revealing the corporate flaws, and the scenario of corporate governance following the formulation of the SOX. Thus, it helps in gaining a comprehensive view of all the aspects associated with the Sarbanes-Oxley Act in terms of corporate governance in companies. References Tysiac, K., (2012). Corporate governance best practices: 10 years after SOX: Section 404 has had profound impact on controls environment. *Journal of Accountancy*, Vol. 214(1). Bolt-Lee, C. E., Farber, D. B., and Moehrle, S. R., (2011). Highlights of corporate governance research: studies examine post-SOX issues, CEO pay, whistle blowing. *Journal of Accountancy*, Vol. 212(3).

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