Evaluating impact of corporate culture and pressure to meet the numbers in accoun...

Finance

Evaluating Impact of Corporate Culture and Pressure to Meet the Numbers in Accounting Reporting Environment List five specific examples of actions that B&L managers took to artificially boost short-term results.

B&L managers made use of a number of actions to increase the short-term results. The actions include extending extraordinarily long credit terms to clients so that they could make large orders. The grouping of orders into the desperate days in every month resulted in inefficiency on B&Ls distribution operations.

Another way was by diverting the products to areas where market prices were higher such as in Europe referred to as gray marketing. U. S. contact-lens division applied a different strategy in 1989 when they repackaged Optima glasses that had been in sale since 1970s at a price of $7. 50 and sold them with the brand name of Sequence 2 and Medalist brands, which were worth $70. This was a move to counter-to-counter competition from J&J. Another approach was also the routine of frequently rolling over unpaid bills to ensure that customers did not return surplus goods in addition to offering numerous promotions for clients who purchased or ordered large lenses packages. The managers also shipped unordered lenses and glasses to clients such as doctors. Some managers, such as Johnson in U. S, forced their local distributors to take extremely large stocks of older Optima lenses by deceiving them that they would not be required to pay for the unsold lenses. The excess glasses ended up being stuffed in the warehouses.

2) Were the actions taken at B&L unethical, illegal, or both? What was the likely impact on long-term results and stockholder value?

The actions taken by B&L managers were both unethical and illegal. The overall impact was eventual dropping of profits since the sales were phony and resulted in deceitful profits. The B&L shares dropped to 30 shillings in 1994. Another likely long-term effect was the loss of trust on the companies by customers hence decline in the shareholder value (Maremont and Bamathan Web).

3) Explain how the corporate culture at B&L may have contributed to managers pressure to achieve budgetary results.

The corporate pressurized B&L managers to achieve illogical target since the culture lacked ways to monitor and alter its objectives Environmental variations can make existing policies and objectives inappropriate thus top management should ensure the plans are adjusted constantly to fit the fluctuating environment. B&L top management did not alter the targets even when the constraints in the external environment demanded so thus the managers invented inappropriate ways to meet the incongruous targets. B&L corporate culture and pressure to meet the numbers in accounting reporting environment numbers drove B&Ls manager some reasonable degree to engage in the malpractices (Maremont and Bamathan Web).

4) How did the bonus and compensation systems affect the behavior of individual B&L managers?

The managers came up with strategies to maintain phenomenal records which enabled them to get bonuses and compensation. They faked phenomenal records in which they would book extraordinary stocks, which they would stack in warehouses. They would them force distributors to buy excess glasses and lenses or ship them to gray market.

5) Conduct an Internet search on the Sarbanes-Oxley Act. What was its

intent? Did it include any requirements aimed at improving corporate culture as a means to reduce fraudulent reporting?

The Sarbanes-Oxley Act was enacted in 2002and aimed at regulating financial practices and protecting investors from possible accounting fraudulent. The Act was created to restore public trust in the business community due to the numerous corporate and accounting scandals. The Sarbanes-Oxley Act requires publicly traded companies to follow set standards in financial and audit procedures dealings.

The Act aimed at improving corporate culture as a means to reduce fraudulent reporting. Section 302 gave senior management the obligation of verifying accuracy of all financial statements. The Act requires corporate management to create ways of identifying and controlling fraud among company employees (Maremont and Bamathan Web).

Works Cited

Maremont, Mark and Joyce Bamathan. " Blind Ambition: How the pursuit of results got out of hand at Bausch & Lomb." Bussiness Week 23 October 1995. Web. 16 July 2012