The state of house of representatives

Business, Accounting

Thus, the Serbians-Solely Act was born. II. Background/Purpose The Serbians Solely Act was signed into law on July 30, 2002 by then President George W.

Bush. After major scandals involving multiple large firms embezzling funds, two Senators took on the task of revamping the financial system criteria to the laws in place currently. Senator Paul Serbians was a Democrat representing the state of Maryland in the United States Senate for thirty years. In 2002, he was the Senate sponsor of the Serbians Solely Act which was unanimously passed 99-0 in the 100-member Senate. Michael Solely was a Republican representing the state of Ohio in the House of Representatives, while a member Solely served as the chairman of the Committee of Financial Services. Solely was the House of Representatives sponsor of the Serbians-Solely Act which passed overwhelmingly with a 423-3 vote in 2002. After the Act was put into law both retired from their positions. (Institute, 2010) The Serbians- Solely Act was established to revivalist investor’s belief that the financial market is a sound body and uncorrupted.

The Act focuses primarily on large public firms in light of failing corporate giants such as Enron, which incurred over 1. 2 billion dollars in debt and had to file bankrupt. Looking deeper into the Enron scandal, the company created subsidiary organizations (that were named after Star War characters) to hide its financial dismay and declining financial status. As a result of these careless gestures stakeholders for Enron suffered sarcastically, their stock value plummeted and anyone with an investment in Enron lost big time. The corporate level executives were aware of this upcoming judgment day and failed to report to their investors or employees.

Enron’s stock price peaked at $90 per share which raised flags about there being no supporting evidence behinds these claims Of financial superiority.

First, Forbes released an article questioning the stock prices without evidence and then Vice President of Corporate Development blew the whistle and exposed Enron and all of its upper managements wrong doing. Parties involved lost everything, but the major players were penalized by fines or jail time. Saddle, 2002)The Serbians-Solely Act was put in place to control the public dismay along with preventing this massive injustice to Americans and our financial system from happening in the future. Ill. Economic Impact Our economy has become increasingly complex and is expanding beyond our country’s creators imagined. Our financial system cannot function properly without the guidelines put in place by the Serbians-Solely Act, it’s a wonder our economy has functioned until its creation. There is no telling what amount of fraud or embezzlement has taken place since the creation of our country’s financial structure without these guidelines.

Accounting principles set in place by the Serbians-Solely Act maintain the credibility of the accounting profession and financial system as a whole; it serves as a checks and balances mechanism. The biggest change in result of SOX was the creation of the Public Company Oversight Board which provides oversight for auditors of public companies establishes auditing and quality control standards for public company audits and performs inspections of the quality controls at audit firms performing those audits. Arena, Elder, & Beastly, 201 3) Another particular “ game changing” piece of The Serbians-Solely Act is Section 404 which created unprecedented requirements regarding reporting internal control procedures. (Green, 2004) IV. Requirements for Publicly Traded Companies Public companies issuing securities, public accounting firms, and firms providing auditing services whether they are domestic or foreign must comply with Serbians-Solely. Serbians-Solely Act Section 404, 2002) Additionally, publicly traded companies with a market capitalization greater than $75 million must comply with these new rules. Don E.

Garner, 2008) A company’s management is required to provide an external auditor with all financial statements for the current review period. Upon reviewing these statements the auditor issues a report classified as unqualified, unqualified with explanation, qualified, adverse, or disclaimer based on what they find or do not find. All public companies reports are available on the Securities Exchange Committees website, below is a sample of what this report looks eke. You can imagine what a relief this was for investors, to be able to search any company and find statements solidifying their prospective investment. Report of Independent Registered public Accounting Firm The Board of Directors and Shareholders of McDonald’s Corporation We have audited the accompanying consolidated balance sheets of McDonald’s Corporation as of December 31 , 201 2 and 2011 , and the related consolidated statements Of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company’s management.

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McDonald's Corporation at December 31, 2012 and 2011 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U. S.

Generally accepted accounting principles. We also have audited, in accordance with the standards of the public Company Accounting Oversight Board (United States), McDonald's Corporation's internal control over financial reporting as of December 31 , 201 2, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Driveway Commission, and our report dated February 25, 2013, expressed an unqualified opinion thereon. ERNST & YOUNG ALP Chicago, Illinois February 25, 201 3 McDonald's Corporation 201

2 Annual Report 45 (Young, 2013) In its annual report, the Company must report on internal controls over its financial reporting. Four key elements must be included in this report: Statement of Responsibility by Company Management (the CEO and SCOFF) for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Secondly, Statement identifying the framework used by management to evaluate the effectiveness of the Company's internal control over financial reporting. Management's Assessment of the effectiveness of Internal Controls over financial reporting.

Lastly, Attestation by the company's external auditor on Management's assessment of the effectiveness of the company's internal controls and reoccurred for financial reporting. (Serbians-Solely Act Section 404, 2002) V. Impact on Company Costs/Market Implementing SOX requirements can be particularly costly to qualifying companies. In addition to being responsible for the entire audit cost, they are responsible for implementing and updated an internal controls system. The Act imposes heehaw; penalties for all that do not remain in compliance. (Slaughter, 201 2) After the Enron scandal investors were extremely weary with their investments SOX had a two part effect on the market.

First, the authors of the bill intended to give investors' confidence in a previously broken market. Second, the law aimed to cut short opportunities for companies to defraud institutional and individual investors. The Serbians Solely Act inadvertently may have shrunk the market, by setting these requirements they discouraged some small and medium sized businesses from going public to avoid these extra costs.

Additionally, this act has kept away some of the foreign business’ because of all of the regulation associated with being a public firm in the United States. VI. Effectiveness Serbians-Solely is effective as it was created to be. SOX was not created to put an all-out stop to fraudulent activity, but to monitor and control it as such as possible. The Serbians-Solely Act is underrated in my opinion; it put a major stop to these horrifying activities Of corporate level executives thinking they can just ride off into the sunset with other people’s money.