

A few basic points of the bill essay

[Business](#), [Accounting](#)



Have you ever invested your hard-earned money into the stock market? If so, you know the risks involved when investing money into a biblically traded company. For thousands of people whom had money tied up in stocks with companies such as; Enron, World, and Health South, their investments were doing great for a very long time. But as time went on, the good times quickly ended. It was discovered that over the past several years the accountants and Coos of these corporate giants were “ cooking the books,” the act of fooling the market into believing profits are higher Han they actually are.

The unlucky individuals who had believed their money was invested in high earning companies were hoodwinked, and their money was lost forever when all three of the companies eventually filed for bankruptcy. Even though the investors had done no wrong, they were forced to forfeit all shares in the company because off few selfish people. Do you think that something like this should be allowed? I do not, and I hope no one else does. To help prevent events like these from ever happening again the Serbians-Solely Act was passed in 2002 (SOX) (Deadlines). The hasty passing of this Act, specifically on the heels of the collapse of Enron has been the topic of many heated debates, but has the Serbians-Solely Act truly done its Job? In my opinion, and in the eyes of may experts, Serbians-Solely is failing the American people. Before I continue, a brief summary of the Act is necessary to gain a better understanding of how it works. A well-noted accounting website, disenchanting. Org, gives a great explanation on a few basic points of the Bill: “ The Serbians Solely Act, in summary, requires that corporations maintain much teeter financial records than were required in the past.

It requires companies to actually establish a system of internal controls by which financial reporting takes place. It then requires managers to prepare quarterly statements assessing the strengths and weaknesses of these controls, and furthermore forces an outside accounting agency to do provide an independent assessment of the in-house auditing controls, and to report any flaws which may indicate sloppy-? or fraudulent-? practices taking place. As a part of financial reporting under SOX, record keeping is a ajar point of interest. When crafting this piece of legislation, federal lawmakers made sure that corporations would be required to maintain records-? both paper and electronic-? for a minimum of five years.

Another major provision of the SOX Act is the protection of whistle blowers. Before it was enacted in 2002, the law was much less stern in explicitly regulating against the threatening or harassment of individuals who leak information about malfeasance from the inside. Now, there are special penalties for corporate staff who transgress in this area. “ One of the main concerns following the quick implementation of the Serbians- Solely Act was the high cost being put on the companies to comply with the Bill, specifically Section 404. According to Sallow.

Com, a website devoted strictly to Serbians-Solely, Section 404 of the Act states, “ issuers are required to publish information in their annual reports concerning the scope and adequacy of the internal control structure and procedures for financial reporting. ” Section 404 also requires that an external accounting firm be brought in to determine the effectiveness of the report and all internal controls. To not violate any parts of Section 404

companies are spending an astronomical amount of money every period for which reports are submitted. As Amy Feldman stated in her article recapping the effects of the Act, "by spurring companies to clean up their acts-? the fact remains that the law has created inequities, especially for small companies." She continues by adding that the Bill has adversely impacted long-prospering corporations like Home Federal Bank, started in 1929. Curt Wage, Chief-Executive of Home Federal's parent bank, specifically comments that it is nearly impossible to meet the terms of Section 404 for small and mid-cap companies (CTD. In Feldman). John Montana states in his article proponents of the Bill argue that it was passed in 2002, but it was not completely implemented until two years later; therefore, we must wait and see what long-term impact the Act will have.

Although this is true, the Act has proven to be costly and is stunting the growth of many small and mid-cap corporations. Too many companies are spending valuable time and money in an attempt to comply with SOX without any guarantee they are doing what the Securities and Exchange Commission (SEC) wants. Another critical problem with the Sarbanes-Oxley Act is its extreme vagueness.

Because of the desire to end corporate fraud immediately, the government acted swiftly in creating the Bill. This created many holes in the Act, making it unclear as to what needs to be accounted for in each company's financial statements. As an accounting major I can attest to the fact that financial statements can be complicated and confusing.

Many Coos and Scoffs are unsure on what exactly the SEC wants to see on the reports, or whom they can talk t in regards to following the proper procedures of SOX. Some action has been taken t clear up the vagueness of the Act, but very little evidence has been seen on how these changes are helping the problem. Montana affirms the new amendments are not helping any of the problems and in some cases are even making them worse. Even in the midst of the outcries from Corporate America, the SEC continues to contend, “ We believe that the definition [of the Act] appropriately emphasizes the communication requirements between management, the audit committee, and independent auditors on those matters that are important enough to merit attention ND will allow management to use its Judgment to determine the deficiencies that need to be reported to the audit committee and the independent auditor” (CTD. In Montana). Although the SEC claims the rules are clearly stated and easy to follow, there are still a looming problems that requires attention. Another negative resulting from Serbians-Solely is the delighting of many companies from major U. S.

Stock exchanges. Companies delis from stock exchanges in order to get better deals from exchanges in other countries or to avoid laws the of the country that the exchange is currently in. In the case of companies listed in America, they must fool SOX.

Many companies have delimited and moved to other stock markets in order the avoid complying with the Act. According to an article from the General Counsel website, 370 companies delimited within the first two years that Serbians-Solely was implemented (Wong). The threat of more companies

delighting to avoid the complex and costs of SOX does not bode well for the U. S. Economy.

Companies listed in American stock exchanges, such as the New York Stock Exchange (NYSE), provide the economy with much-needed Jobs and money. In a survey taken by Russell Reynolds Associates, a global executive search and assessment firm, 58 percent of companies listed in the U. S. Loud consider delighting because of " SOX's steep costs and troublesome bureaucracy. " In addition, 70 percent of European companies surveyed would not desire to be listed in the U. S.

Because of the overbearing regulations in the American stock markets (Wong). The loss of these listings in the U. S. Stock market is having a detrimental effect on the American economy. The SEC is working to fix the problem, but for now all they can do is try to " excuse smaller companies from some f the provisions in SOX" (Wong). Although this is helping smaller companies stay listed in America, much damage has already been done to the U. S.

Economy. PricewaterhouseCoopers, an international accounting and consulting firm, states, " U. S. Listings has dropped from 260 initial public offerings (Ipsos) in 2004 to 221 Ipsos in 2005," while " the number of PIP listings in the European exchange has increased from 433 Ipsos in 2004 to 603 Ipsos in 2005" (Wong). The American stock Market is missing out on new companies' listings at a rapid pace to foreign markets. Serbians- Solely is causing a problem that could result in many American companies being listed in foreign stock markets. Although Serbians-Solely has done a lot to

clean up the record keeping and auditing of biblically traded companies, the Act has resulted in significant collateral damage. The high costs of complying with SOX have caused many problems for biblically traded companies.

The vague nature of the Act is contributing to companies wasting money, and is also leading to many companies delisting from American stock exchanges and going foreign. If significant provisions are not made to the Bill soon things will only get worse.