

Ethics and compliance

[Sociology](#), [Ethics](#)



Ethics and Compliance Fabian Marrero, Kevin Martinez FIN/370 March 9, 2013 Norberto Molina Perez Ethics and Compliance In this paper we will as a team: Assess the role of ethics and compliance in your organization's financial environment. Describe procedures your organization has in place to ensure ethical behavior. Explain how financial markets work in the United States. Identify processes the organization uses to comply with SEC regulations.

Evaluate your organization's financial performance during the past 2 years, using financial ratios. Calculate the ratios for each year: Current, Debt, Return on equity Discuss the trend for each ratio and what it tells you about the organization's financial health. The business code and ethics code at the company Lowe's stores begins with the board of director's right through to the newest of workers. The requirement to read and follow the code of conduct is vital for all who are associated or represented by the company.

Compliance with governmental regulations involving ethics is valued by Lowe's and held strong. The application of ethics financially, under section B of the code of conducts states: " employees and members of their immediate families should not have any financial interest, direct or indirect, in any organization that is or is seeking to be a supplier of merchandise or other property or services to the company" (Lowe's, 2012).

Areas of importance that are also covered in the codes pertaining to financial concerns are " payments to governmental officials or other persons, the importance of accurate books and records along with adhering to internal controls to financial reporting, protection, and proper use of company assets, public company reporting, and insider trading according to the code of

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conduct. " (Lowe's, 2012). The possession of information or knowledge of a transaction or attempted transaction must be informed to the employee's direct supervisor.

There is a strong encouragement towards employees to utilize the business's open door policy or simply by using the website at www.ethicspoint.com (Lowe's, 2012). Any situations involving any executive officers such as principal executive officers, financial officers, are concern given charge to the general counsel and chief compliance officer. Zero tolerance is given for any retaliation towards any individual that goes against the reporting of any violations of the conduct codes.

The ability of the exchange of previously issued financial assets from individuals to businesses is the main purpose of the financial markets in the U. S. The actual structure brings borrowers, investors, and intermediaries that put together the financial institutions and markets that put both together as a whole. Finance companies, insurance, investment companies, investment banks, are some of the organizations that can compromise the marketplace. The majority of the time individuals deal with commercial banks on a daily basis.

The recession of 2008 what greatly due to some non bank intermediaries that made a great number of citizens remove their funds from financial marketplaces. Securities play a significant role in the marketplace in addition to these organizations. These markets are made up of primary and secondary markets. The primary markets are made up of new securities so firms may utilize them to raise capital to assist with financing. The

transference of previously issued securities that investors move within each other is secondary markets.

Securities can consist of common stock, preferred stock, equity, and debt securities. Finally, financial markets provide the money necessary by companies and individuals and create links between investors and corporations. Because of the stock market crash of 1929 the U. S. Securities and Exchange Commission was created. S. E. C. mission is to regain the confidence in investors in capital market by issuing information that is reliable with honest and clear rules. Under this commission any publically traded entity must disclose their financial information by law.

This allows the investor the information necessary about selling, buying or even holding a specific security. Under the SEC regulations, publically traded organizations must disclose their financial information. This information provides investors common knowledge about buying, selling or holding a particular security. Last but not least, “ the S. E. C. s primary responsibilities are to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation” (U. S. Securities and Exchange Commission, 2012). Lowe’s has been a publicly held company since October 10, 1961. Lowe’s list’s on the New York Stock Exchange with shares trading under the symbol LOW. The New York Stock Exchange is the largest financial industry brands in the world. Membership with the NYSE has made one regarded as a valuable property since 1868. In April 2006, the NYSE went both electronic and public that the exchange was a membership-only organization” (New York Stock Exchange, 2012). Since Lowe’s is a publically traded entity, it must file reports with the Securities and Exchange Commission.

Some important documents such as, Annual reports, quarterly, current and any other reports necessary for the S. E. C. to properly evaluate the business and its use for investors. Financial reports must have accuracy and be in full compliance with the regulations of the SEC. Finance statements together with the independent registered accounting firm by the name of “ Deloitte and Touche LLP” show that this practice “ acknowledges adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934” (Lowe’s 2012).

This basically means that this firm is agreeing to give their full assurance to the company that their finance reporting will be reliable and will present accurate financial statements for publishing. Reports to the SEC are as follows: Balance sheets, consolidated statements, statements of cash flows, notes to consolidated financial statements, statements of earnings. Serious violations from organizations of misleading information, fraudulent accounting practices, and even insider trading can cause SEC to use civil enforcement against a business for security law violation.

EDGAR (Electronic Data Gathering, Analysis, and Retrieval system) is a automated collection and validation system that by law is required to file forms. “ The primary purpose of EDGAR is to increase the efficiency and fairness of the securities market for the benefit of investors, corporations, and the economy by accelerating the receipt, acceptance, dissemination, and analysis of time-sensitive corporate information filed with the agency” according to the (U. S. Securities and Exchange Commission, 2012).

Historical ratios in comparison to a business’s current period ratios to determine if a firm’s financial status is growing or in deterioration. Ratios

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illustrate a company's performance and current ratios permit a company's liquidity by putting in comparison current assets and current liabilities. Measurement of debt ratio shows the amount of assets financed by borrowing. The rate of return earned by common shareholders' in the firm is known as return on equity, and finally accounts receivable turnover ratio shows the amount of times that it rolls over throughout the year.

Throughout 2010 the economy was demonstrating signs of recuperation, but increasing rates of unemployment were visible in the home improvement industry. A decline in the value of property, tight credit for consumers, and disposable income was slow to grow. Illustrations below show the continued growth in the business. Growth and stability and above all, growth in the long run show that Lowe's has expectations to maintain a flow of cash throughout the next few years. Financial Performance of Lowe's: Current Ratio | Debt Ratio | 2010 | 2010 | $3005000 = 2.37$ times | $13936000 = 42.2\%$ | $13936000 | 33005000$ | | 2011 | 2011 | $33699000 = 2.16$ times | $15587000 = 46.3\%$ | $15587000 | 33699000$ | Return on Equity | 2010 | | $1783000 \times 4815 \times \frac{1}{4818} = 1.042$ | $36.53 \times 0.0015 \times 1.72 = 9.4\%$ | | 2011 | | $2010000 \times \frac{50208}{33699000} \times \frac{1}{50208} = 1.0463$ | $40.03 \times 0.0015 \times 1.86 = 11.2\%$ | Accounts Receivable Turnover Ratio 2010 | 2011 | $32250000 \frac{1}{208000} = 0.42$ days | $34790000 \frac{1}{208000} = 0.49$ days | $208000/365$ days | $193000/365$ days | |

To finalize the company we have chosen continues to follow its ethical behavior tradition within the home improvement world. The business will keep with updating codes of ethics as the demand for the best environment for customers is what they strive for. SEC assures that Lowe's continues to

follow old and new regulations always. The financial performance is visible proof of their continued effort for improvement. With the information given we can clearly see that Lowe's will keep in the home improvement industry as one of the major players in the years to follow.

References Lowe's. (2012). Investor Relations. Retrieved from <http://phx.corporate-ir.net/phoenix.zhtml?c=95223&p=irol-IRHome> Lowe's. (2012). Lowe's 10-k annual report. Retrieved <http://phx.corporate-ir.net/phoenix.zhtml?c=95223&p=irol-reportsannual> New York Stock Exchange. (2012). History. Retrieved from <http://nyse.nyx.com/history> U. S. Securities and Exchange Commission. (2012). What we do. Retrieved from <http://www.sec.gov/about/whatwedo.shtml>