Sun beam company

Business, Company

Sun Beam Company is a company that majorly dealt with computer hard wares such as mices, keyboards power supply and fans and other computing solutions. In September 2002, the then former chief executive of Sun Beam Company, Mr. Dunlap, who was nicknamed Chainsaw Al, was fined $500000 and was expelled from serving in any capacity in public cooperation (New York times). He accepted the allegations of participating in an historical fraud that involved inflating the profits of sunbeam company by securities and exchange commission when he was appointed back in 1996 to turn the company around.

It was said that Mr. Dunlap and his co managers used variety of ways to manage earnings. The fraud allegations also included Donald R. Uzzi, Robert j gluck, lee B. Griffith and Philip Harlow, an Arthur Andersen partner who was the chair of audit firm that certified the financial statements as true and fair. This involved frauds such as understatement of reserves for sales returns and bad debts, disregard of consignment of sales rules. The New York Times quoted Mr.

Richard Sauer, then assistant director of enforcement at the securities exchange commission saying that sunbeam managers used a variety of accounting techniques to overstate losses in 1996 and blame on prior management. The techniques included the use of excess reserves which were created in 1996 and could be used to increase profits later and also used techniques to overstate sales and downsizing which lead to loss of jobs for many employees, which he claimed would cut operation costs hence increased profits .

To some extent the company failed to pay its bills and resolved to extending unusual credit terms to its creditors and excess debtors balances. This had implication of increasing sales and at the same time creditors balances. It was unraveled when sunbeam sales were booked at $62 million future sales as present sales and also increased reserves and its share price finally fell . The sunbeam was involved in fictitiously overstating revenues and assets such as cancelled goods and non-ordered goods.

They created revenues through contingent sales, offering high discounts on gas grills, a bill-and-hold strategy and increasing sales. They increased the 1997 sales by “ a bill and hold” strategy of selling products to customers, holding the products with an agreement to deliver them later. Digital lightware recognized the fraudulent billings later (Larry 36). As for ZZ Best it was headed by Mark Morze and was a carpet cleaning company whose fraud was rather different since it involved financial and billing fraud and identification thefts.

As the company’s president, he made over 10, 000 fake documents on fraudulent insurance restoration that created $300million in fictitiousreconstructionprojects. As a result, many banks were lured to lending this company and also some private investors who were involved in its initial public offer . In waste management company, various ways were used to manipulate expenses. In 1999, the management changed the depreciation schedule from 20 to 25 years on its assets which reduced depreciation expense in 2000 by $158 million.

They avoided depreciation expenses on their garbage trucks by assigning false values and stretching the useful lives of the trucks and their salvage values. (Larry 24) They also included understating of expenses to increase profits of a company and improperly capitalizing some expenses and deducting them over a number of years . Waste management officers relied more on financial incentives which were based on the inflated earnings hence retaining high remunerations, retirement benefits and stock options. (Richard, 2002), rather than accounting for them when they occur.

This reduced operating profits on income statements and increased the amount of profits. Capitalization of expenses should be for only huge investment expenses such as replacement of vital assets that will benefit the company in future. Thus revenues should be matched with their corresponding expenses.

Works cited

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