Sas 99 memo for google

Business, Company

Contained herein is the SAS 99 forGoogle(GOOG). Several measures of internal fraud in the company will be discussed in subsequent sections of this memo. Fist will be a comparison of income information with that of competition, especially Yahoo and Microsoft.

The second measure to be investigated is that of compensation of company executives using stock options. Third measure will involve the connection between senior management and board of directors, whereas the fourth measure intends to answer the question whether the company's stock is overvalued.

Google is the youngest of the three major Internet search engine and onlinecommunicationproviders. However, this new entrant to the industry is rapidly becoming a trend setter for its older rivals. the same is happening with net income, although it may take few more years before Google reaches Microsoft's multimillion dollar profits.

According to EDGAR reports by the Securities and Exchange Commission (SEC), Google's 2007 profits stood at $ 4. 2 billion compared to 3. 1 billion in 2006 and 1. 5 billion in 2005.

As this report indicates, the company's profits have been rising steadily since it was listed at the NYSE. The profitability is echoed by the ever rising popularity of Google's products. In the same period, Yahoo's profits stood at 800 million in 2005, 1. 9 billion in 2006 and 750 million in 2005.

Yahoo's profits have been cyclical despite the rising usage of Internet worldwide. Microsoft, the other market participant that competes with

Google and Yahoo made $ 12. 2 billion in 2005, 12. 6 billion in 2006 and 10 billion in 2007.

From the three companies, it is clear that only Google's profitability has been on rising streak compared to its competitors. The continuation of this trend, buoyed by ever increasing demand for company products and services. Having illustrated profitability between Google and its competitors, the subsequent sections of the memo shall address investigates probability fraud in the company.

With regard to the non financial measures, Google has been steadily increasing the number of employees to cater for the increasing demand for its products and services. Considering Google is a growth company, it has been undertaking aggressive development of new products, which increases the demand for more employees.

This explains the rising employee expenses in the company's balance sheet—the expenses rose from 266 million in 2006 to 2007 million in 2007. Microsoft's employee compensation expense increased from $ 1. 9 billion in 2006 to $2. 3 in 2007. The doubling of Google's employee compensation is due to the fact that the company on its growth stage whereas Microsoft seems to be reaching maturity stage.

Compared with profitability of the company, it is clear that increasing labour force has been paying off in both short and long run life of the company. In addition to the regular salaries provided to employees, some members of the labour force, especially executives and members of the board of directors benefit from being compensated through stock options. In the 2007 financial year of $ 137. 2 million stock options were exercised by respective employees and board members.

At the same period, Yahoo's stock options were valued at $ 108 million and that of Microsoft at $ 819 million. Microsoft's large amount is occasioned by the large size of the company, which means that there is a greater number of employees taking part. As for Google, the number is in no way showing fraud indications, compared to the rest.

Most of Google's 1998 founders are still very much involved in the day to day running of company activities. Indeed, a good number of them serve in both executive positions and at the board of directors. For instance, Eric Scmidt has for long continued to serve as the Chief Executive Officer and Chairman of the company's Board of Director; he has occupied both positions since 2001.

The same happens with Sergy Brin who serves the executive position ofTechnologyPresident and as member in the board of directors. The other founder is Larry Page who serves as President of Products and as a member in the Board of Directors.

This is a far shift from the practice in rest of Google's competitors; none between Microsoft's and Yahoo's executives serve in the Board of Directors. In this regard, Google executives are more likely to participate in fraud compared to those of Microsoft and Yahoo.

Last is the measure on whether Google's shares are overvalued in the stock market. As of Friday, June 6, 2008, Google's stock was trading at $ 567, compared to Yahoo's $ 26 and Microsoft's $ 27. 49.

The higher price paid on company stock develops from fact that Google is poised to in crease its dominance in the industry and thus led to better return on investment. this is an indication the stock is not over valued at all. Investors are therefore eager and willing to make a bet on Google's shares. Considering the analysis above, it is hereby observer that Google far from being prone to internal fraud.

Works Cited

SEC. Securities Fillings and Forms. Securities and Exchange Commission. 8 June, 2008,