

The new century financial corporation

Business



The New Century Financial Corporation is one of the renowned companies in the USA.

It greatly experienced many years of celebrated financial growth, based on the existing stock price appreciation in its earlier operations, before going on to face serious accounting problems. The financial problems cropped in the Corporation in 2007. There was an entire call for intervention and analysis from all stakeholders. It was necessary that the Corporation to take quick steps in ensuring the progression and sustenance of all operations. This occurrence went on to force the renowned corporation to resolve into entering in to liquidity. This was the only options at the time basing on the current conditions at that moment.

This called for the Corporation to go on to file for a predetermined bankruptcy protection, which is clearly stipulated under the chapter 11 of the nation's Bankruptcy protection policy. The Corporation assigned an expert who was to assess the cause of the problems that faced New Century. After the investigations, the expert came up with findings and propositions. He postulated that most of the problems that the Corporation faced were the main causes of the subprime meltdown of the company, and which eventually led to a financial crisis and distraction in the famous United States of America and also other countries. In a bid to assess the whole case that the Corporation was in, and the proposal that would have been well suited for the whole organization, this research paper will provide a clear analysis of the whole situation. All Accounting control systems always help business organizations and corporations to use their sought data, information and also financial analyses in a given uniform manner.

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There are three fundamental divisions that exist within any of the accounting analysis and control systems; these include implementation, analysis, and design. These three compliment with any system of control and analyses, which any given organization may deem necessary to put in place or even adopt. This talked about internal control normally refers to any given system known to play a fundamental role in all the analysis and accounting systems. It is always mandated to protect businesses and corporations from any abuse and also fraud. These internal control systems always ensure accuracy and up to date of the data and information that a corporation has, basing on time it allocates its operations and also its regulatory requirements.

This internal control must always take into consideration the environmental control, monitoring, risk assessment, communication strategies, control procedures, planning, and evaluation. Each of the areas mentioned always contribute to the sought effectiveness and sustenance of the deemed necessary control systems. In case a corporation deems it necessary to seclude any of these fundamental issues and aspects, the desired control strategies and also the control system will definitely fail to work as the Corporation expected. All these areas talked about earlier form the basis of the applied accounting control systems in all the operations of the renowned New Century Financial Corporation and are the main factors that caused the existing financial problems in the same corporation (Khuzami, 17). The renowned New Century Financial Corporation experienced decent came out as extremely swift and also totally dramatic. The existing stock price evidently dropped and on the eve of March 2, 2007, the Corporation resolved to announce the eventuality of the whole plight and that it would not, basing

on what had befallen it, file any of its financial reports for the previous year, 2006.

This sought decision made most of the company lenders and major stakeholders to become suspicious and eventually refused to keep on providing any further funding and assistance for the budgeted operations of all the corporations. Due to all those occurrences, the New Century Financial Corporation went on to decide not to eventually accept any of the loan applications on the date March 8, 2007. This was a big blow to many stakeholders who greatly depended on the Corporation and its operations. It meant that most of their targets and projections would not be met, either in the short run or even in the long run. This is normal to any organization that is winding up and eventually puts its stakeholders on notice.

These decisions made the New York stock exchange to remove the Corporation from its known list a few days after this happening. A bankruptcy protection was eventually filed almost two months later, after all the above occurrences, mainly after the delisting from the stock exchange. This came as another feared setback and blow to the whole Corporation. All the stakeholders now lacked basis and direction on where they could base. This eventually elicited a series of many events in that Corporation.

A renowned company auditor, KPMG LLP, which is a New York, based and also independent firm, went on to resign as the main auditor of the Corporation (Plunkett, 97). The famous New Century Corporation mainly suffered two fundamental business risks, which may be considered as primary. These included the financial difficulties that it faced at that time and

also bankruptcy that eventually came out. The events that have been stated above elicited these primary risks that the Corporation faced and were fundamental to its decent. This eventually could happen since the renowned corporation risked having a declaration that based on bankruptcy that would finally go out to put it under the dreaded receivership. The only solution that the Corporation would seek was to apply for bankruptcy protection and at the same time clear its mess before elapsing of time.

This was a time that the Corporation experienced the worst treatment from its investors as the latter feared making losses in the whole deal. The customers that the Corporation once boasted of were no more and other stakeholders had to consider other areas to base their hopes on. The failure of this Corporation was projected earlier on and it was so nigh that everyone noticed. The eventual result would be that the Corporation would end up failing for its lack of funds that was necessary to run all its operations. The Corporation entirely required all its employees to work throughout even during the times that all its problems continued to become worse.

However, other employees would not accept to work for the Corporation without having enough pay for their services. Therefore, this meant that this corporation would eventually miss out on its employees for the fear of the latter working daily without adequate salaries and payment. Employee satisfaction calls for heeding to the desires, needs, or wants of all the employees in order to realize the goals of the organization. An organization will not succeed if the employees feel that their personal needs are not satisfied. The contracts and rules outlined should be followed to the latter in order to ensure that each and every person that is involved in the <https://assignbuster.com/the-new-century-financial-corporation/>

organization is at peace and comfortable. An employee survey 2012 carried out on employee satisfaction garnered several influential results that call for careful analysis.

Once an employee feels not satisfied with the place he or she works in, the terms offered, and the attention offered by the managers, the results of the production and generally the goals of the organization will not be met. There will be resistance from the employees and eventually collision between the stakeholders and the managers may arise. Employee satisfaction surveys are always out to provide the necessary information that is needed to improve all levels of productivity, loyalty and also job satisfaction.

Organizations can end up identifying the root causes that exist in line with job issues and also create solutions for further improvements geared towards accurate perspective of all employee views. The corporation resolved not to ever lend out loans to their customers even those who really needed loans.

This decision brought out the fact that all those people who depend on them for their services were forced to base their needs on other entities in order to survive. All these factors would eventually cause many losses in the renowned New Century Financial Corporation and its environs. This New Century Financial Corporation was deemed to eventually face a lot of revocation of its based certificate of operation and service. Besides this, the corporation risks losing out on the loans that it had granted to customers. Because of the problems that the corporation faced, it may not be able to put strategies in place that could help it recover the loans it had granted to people (Padmalatha, 87).

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The renowned New Century Financial Corporation still made many accounting errors from its known financial statements that were of the year 2005. It stated that it had uncovered accounting errors that came up from its earlier financial statements of that were of the year 2005, which mainly caused a deemed overstatement of all the earnings that they had year. New century financial corporation also made a great mistake when it went on to announce that it would never restate the results of that period mainly because of that liquidation (Rezaee and Riley, 27). The employees considered their work as extremely important. This means that they valued the kind of work that they were involved in.

the economic times were also responsible for all that as one could not afford to operate without a job. They had no option rather than accepting what they had at that moment. However, in case they could get anything better, and more satisfactory, they would not think twice about it. The economic downturn that had hit all countries worldwide affected sales and also the rate of job creation. They had fear that in case they would show or even come out as having problems with their current job, they would eventually be laid off. This scenario is common in all jobs.

Employees fear expressing their real state and what they stand for. Most employees fear losing their jobs in case they express their feelings even to surveys. Confidentiality is always ensured whenever surveys are carried out but most employees are never assured of it. The results that they issue out may be bias due to the fear that they have. There is hope, however, in that with the loosening of the barriers against trade among countries, it will be

easier for global trade and hence more jobs will be created. This will make opportunities available for everyone.

Financial reporting errors This Corporation greatly failed to work towards reviewing all its financial reports and records. That is a major area in management and cannot be neglected by any instance. For example, the elicited comparison of all budgeted and also actual revenues that the expenditure had were not looked into. It also went on to record failure in carrying out all validated comparisons that were necessary, of current and also previous year's dealings and activities. This was another main reason to the mishaps that befell the Corporation.

If the management could have given this priority and put all the necessary mechanisms towards ensuring the survival of the Corporation, its sustenance would be ensured. The job was considered very challenging. This means that most employees looked at the job as being very involving. They had to give it their all in order to meet the demands set before them. Concentration was mandatory and experience gave one an edge over others.

Heeding to the instructions that were given was also necessary in order not to have issues with the manager in terms of the job standards that one produced (Richmond, 2010). Most jobs are always challenging depending with the task at hand. They call for one to fully involve him or herself in order to realize the desired results, failure to which one may lose his or her job. Stress came in as a slight issue affecting the employees. They did not find great problems at the place of work. However, stress never lacks (Robbins, 2003).

The kind of work that one is involved in definitely brings in stress. The managers should ensure that they give their employees some time out to ensure that they do not fall victims to stress (Richmond, 2010). Key internal accounting controls In a bid to avert and eventually do away with the happenings in the New Century Financial Corporation, the firm should have taken bold steps and invested in all risk and also mitigation measures extremely fast and also early. First of all, this Corporation should have fought out its way to employ another group of qualified auditors and analysts as its main full time employees in order to work with the existing KPMG group. This step would have eventually provided better and amicable auditing techniques, and then different and varied results that would come up to show whether the existing financial status of that Corporation did well or never met its goals. Besides this step, the Corporation would have eventually ensured that the KPMG would not do any of its audits in a given shoddy way since the latter would automatically know that its existing results would eventually undergo many checks and balances in order to ascertain whether those results that were posted actually carried the correct information.

A new auditing firm would have been employed to concurrently carry out audits on the company with the KPMG in case it would come out as extremely difficult to do away with the latter, and even the former could be taken in on a permanent basis. This, however, should be carried out on an irregular basis. In case the Corporation would adopt this method, it would assist it to decipher whether all its financial records and also financial statements clearly reflected information that it sought to achieve. This would have been essential and beneficial to this Corporation since rather than

getting varied results, the sought procedure would in turn cost cheaply than if they would employ other methods (Hill, 43). Secondly, all the management team and also other stakeholders in this New Century Financial Corporation would deem it necessary to make sure that all its financial records and statements remained up to date and relevant at all times.

The results from the survey, of employees, clearly showed the gap that exists between employees and their managers, in terms of relations at work and also at managerial level. The employees considered their work as extremely important. This means that they valued the kind of work that they were involved in. The economic times were also responsible for all that as one could not afford to operate without a job. They had no option rather than accepting what they had at that moment.

However, in case they could get anything better, and more satisfactory, they would not think twice about it. The economic downturn that had hit all countries worldwide affected sales and also the rate of job creation. They had fear that in case they would show or even come out as having problems with their current job, they would eventually be laid off. This scenario is common in all jobs. Employees fear expressing their real state and what they stand for.

Most employees fear losing their jobs in case they express their feelings even to surveys. Confidentiality is always ensured whenever surveys are carried out but most employees are never assured of it. The results that they issue out may be bias due to the fear that they have. There is hope, however, in that with the loosening of the barriers against trade among

countries, it will be easier for global trade and hence more jobs will be created. This will make opportunities available for everyone. The job was considered very challenging.

This means that most employees looked at the job as being very involving. They had to give it their all in order to meet the demands set before them. Concentration was mandatory and experience gave one an edge over others. Heeding to the instructions that were given was also necessary in order not to have issues with the manager in terms of the job standards that one produced (Richmond, 2010). Most jobs are always challenging depending with the task at hand. They call for one to fully involve him or herself in order to realize the desired results, failure to which one may lose his or her job.

Stress came in as a slight issue affecting the employees. They did not find great problems at the place of work. However, stress never lacks (Robbins, 2003). The kind of work that one is involved in definitely brings in stress. The managers should ensure that they give their employees some time out to ensure that they do not fall victims to stress (Richmond).

Most employees felt that the package they were offered did not meet their skills and the hard work which they put out to the work. They felt that their package should be more considerate than it was at that moment. The kind of work that one participates in should be directly proportionate and equal to his or her pay. The experience that one possesses or even one that he brings to the place of work should also be realized in the package offered to him or her (Tompkins, 2005). Being realistic with the set goals makes them achievable.

A manager that is extremely realistic when setting goals and objectives will give the employees and ample time in working towards meeting the set goals and objectives. The employees felt that their employer was moderately realistic with the goals that he or she set. This may hinder the employees' progress in line with achieving the set goals. They have to be achievable by everyone at the place of work. A manager should ensure that his or her employees grow at the place of work. This can be done through constant training them or offering services that positively contribute to the positive growth of the employees.

The conditions set should also be amicable for the development of employees. The employees in the survey felt that they grew at a mild level and therefore called out for more resources and services to ensure that they grew professionally. This would also make them perform better at the place of work (Jones, 2008). Motivation is also key to success of a business. It gives the employees morale to work harder in their quest to achieve results. Those employees felt that their rewards were not satisfactory.

They were asking for more in order to offer their level best. They were not motivated as they deserved. This could eventually affect their services and hence the Reasons for failure of accounting errors detection The first reason that greatly led to this was the governance. Employee satisfaction calls for heeding to the desires, needs, or wants of all the employees in order to realize the goals of the organization. An organization will not succeed if the employees feel that their personal needs are not satisfied. The contracts and rules outlined should be followed to the latter in order to ensure that each

and every person that is involved in the organization is at peace and comfortable.

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That is a major area in management and cannot be neglected by any instance. For example, the elicited comparison of all budgeted and also actual revenues that the expenditure had were not looked into. It also went on to record failure in carrying out all validated comparisons that were necessary, of current and also previous year's dealings and activities. This was another main reason to the mishaps that befell the Corporation. If the management could have given this priority and put all the necessary mechanisms towards ensuring the survival of the Corporation, its sustenance

would be ensured. Another reason is the accounting errors in all the financial statements.

First of all, this Corporation should have fought out its way to employ another group of qualified auditors and analysts as its main full time employees in order to work with the existing KPMG group. This step would have eventually provided better and amicable auditing techniques, and then different and varied results that would come up to show whether the existing financial status of that Corporation did well or never met its goals. Besides this step, the Corporation would have eventually ensured that the KPMG would not do any of its audits in a given shoddy way since the latter would automatically know that its existing results would eventually undergo many checks and balances in order to ascertain whether those results that were posted actually carried the correct information. A new auditing firm would have been employed to concurrently carry out audits on the company with the KPMG in case it would come out as extremely difficult to do away with the latter, and even the former could be taken in on a permanent basis. This, however, should be carried out on an irregular basis.

In case the Corporation would adopt this method, it would assist it to decipher whether all its financial records and also financial statements clearly reflected information that it sought to achieve. This would have been essential and beneficial to this Corporation since rather than getting varied results, the sought procedure would in turn cost cheaply than if they would employ other methods (Hill, 43). Conclusion Success in any organization calls for support from all sectors and stakeholders in the organization. It also calls for proper management and observation of all the set goals and targets in <https://assignbuster.com/the-new-century-financial-corporation/>

the Corporation. The carelessness exhibited in the management of the Corporation and also the accounting and control systems department, as seen in the New Century Financial Corporation greatly contributed to the eventual downfall of the company.

This Corporation never adopted and also tried to put in place measures and mechanism that could end up helping it to detect any errors that could occur in all its accounting systems. Errors always exist in any organization.

Preparedness and planning are necessary to ensure that any organization remains in the market and always commands the industry. The fact is stands out as one of the most renowned Corporations in the USA, and also globally, brings out the necessity and also mandate that it always puts in place the principles that all major organizations apply. The incident acted as a blow to other upcoming organizations that looked up to New Century. The corporation in turn realized its errors and mistakes in its dealings way too late to counter them.

The eventual result was bankruptcy and final closure after realizing that the needs of all its customers, investors, and also creditors would not be met. In case the Corporation had taken a bold step earlier on towards mitigation and risk analyses, all the errors that came about could not have turned out to affect it and eventually its demise would not be experienced. Despite the fact that a new and fresh governance team was hired, the company could still not detect the errors that led to its demise because of existence of similar practices and also procedures of working. This should act as a lesson and warning to other Corporations which fail to embrace the necessary management practices in their operations.

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