

Enron bankruptcy and work ethics assignment

[Art & Culture](#)



**ASSIGN
BUSTER**

From the documentary called "Smartest man in the room" I will elaborate my thoughts about the causes of Enron's downfall below. Encouragement of dishonesty. Kenneth Lay was informed by the auditor in the board meeting that his two oil traders, Louis Forget and Tom Minestrone were manipulating Enron's earnings, destroying records, gambling the earnings and presented falsified bank records to Enron. Kenneth Lay ignored it and did nothing. In fact Kenneth Lay sent a telex to Louis Forget saying "Please keep making us millions".

This shows that Kenneth Lay instead of reducing Enron's risk he encouraged his traders to gamble more which increases the risks of the company.

Managing by risk. When Jeff Killing appeared to be the new CEO of Enron, instead of relying on the production of natural gas to get profit, Jeff Killing introduced a new way to get profit, by transforming energy to be traded for stock market, he said "we like making risk, because we make money by taking risk" They keep losing billions of dollars by making questionable risk but the way Enron covers up losses are by applying mark-to-market.

Mark-to-Market accounting allowed Enron to book potential future profits. In Mark-to-Market accounting the company used projected figures for their profit rather than using actual figures, this may cause to misleading investors as they only see the profits as what the company said. The lack of untruthfulness. If the management was truthful, there could be no dubious accounting techniques such as mark-to-market which covered the corporate losses and huge debts.

If there could be truthfulness, Enron's officials would not be involved in the corrupt and fraudulent financial deals which led to collapse of business. If there could be truthfulness, the management would have hired transparent auditors. The low level employees could prevent the bankruptcy by asking why. They never understand Enron's motto of " ASK WHY? " Employees never ask why it generates money effectively with such unethical practices. Why mark to market concept was introduced. Employees knew it was wrong but they carried on with it anyway.