

# Accuracy in financial reporting

Finance



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ACCURACY IN FINANCIAL REPORTING Very recently, there were reports of how Saytam Computer Services engaged in unethical financial reporting, which eventually led to the breakdown in an acquisition the company was embarking on. This acquisition was described by experts as a lifetime opportunity that would have changed the fortunes of the company. However, in its previous year's financial statement, the company had already made fictitious assumptions of how much it was going to be worth, as well as its profits if the acquisition was completed. These new values were recorded as present values, making the financial stand of the company appear lucrative when in essence, that were not the real situation. After the proposed buyers found out the situation, they withdrew from the deal. This was because there were intensive debts that the company was trying to hide through that inaccurate financial reporting.

Should I be found in such as situation where indebtedness makes my company unattractive for an acquisition, I would rather put in place medium and long term debt recovery solutions that will buy the company out of debt, rather than reporting false financial statements. This recovery solution would be taken in association with whichever companies are interested in the deal so that the most workable solutions can be worked out in a very transparent manner. As a manager, would always ensure that accurate financial information is reflected in the organization's financial statements by ensuring the use of third party and independent auditing service persons. Very often, companies over rely on internal auditors, who are easily influenced by accountants and other people responsible for the accounting of the company (Zimmerman, 2014). It is for this reason that Sherman & Young (2001) recommend the use of external auditors and other independent

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accounting services to verify authenticity of financial statements.

#### References

Sherman, H. D., & Young, S. D. (2001). Tread lightly through these accounting minefields. *Harvard Business Review*, 79(7), 129–135. Retrieved from the Walden Library databases.

Zimmerman, J. L. (2014). *Accounting for decision making and control* (8th ed.). New York, NY: McGraw-Hill.