

# Ethics and compliance team paper

[Finance](#)



Give me a “ W”, give me an “ A”, give me an “ L”, give me a squiggly, give me an “ M”, give me an “ A”, give me and ‘ R”, give me a “ T”. What’s that spell? Wal-Mart. Whose Wal-Mart is it? It’s my Wal-Mart! Who’s number one? The customer! Always! (“ Wal-Mart China”, n. d. ). This is the motto and cheers that Wal-Mart lives by. Don’t be surprised if you hear the associates shouting this loudly and proudly at your local Wal-Mart store. It is one way they show pride in the company and how much they value their customers.

In 1962, Sam Walton opened his first store, he implanted many principles and values within the company; respect for the individual, service to the customer and striving for excellence were his 3 basic beliefs. Ethics plays a huge role on why Wal-Mart has been successful and as Sam Walton would say, “ Just because we work hard, we don’t have to go around with long faces. It’s sort of a ‘ whistle while you work’ philosophy and we work better because of it”. “ Personal and moral integrity is one of our basic fundamentals and it has to start with each one of us” spoken from Sam Walton talking to his associates about ethics.

About 50 years ago Wal-Mart started out as a discount store and has grown into the world’s largest retailer. “ The CEO and all Senior Financial Officers are responsible for full, accurate, fair, timely, and understandable disclosure in the periodic reports required to be filed by the Company with the Securities and Exchange Commission” (Walmart Corporate-Governance Documents, 2013). The CEO and Financial Officer have to report any untrue statements or any omission of information pertaining to associates and all areas that affect disclosures made by Wal-Mart in its company findings.

The CEO and SFO have to report any deficiencies that could affect associates, financial data or any fraud that is material to internal controls. The CEO and SFO have to report any information in violation with Wal-Mart's code of ethics. These can be significant roles in financial reporting, disclosures of internal controls, personal, or professional conflicts of interest. The procedures that Wal-Mart has in place to ensure its ethical behavior are a strict code of ethics policy. Wal-Mart is a global company so its global policies and local laws are expected to be followed.

In another country, if the local law is different from the code of ethics it is Wal-Mart's policy that local law be upheld. Wal-Mart has a Global Ethics Office and an in country legal department to ensure that policies are adhered to. Some local laws may be more relaxed than Wal-Mart's Statement of Ethics, so it is important to adhere to the Code of Ethics in those situations. There is also an audit committee that can take appropriate actions if the Code of Ethics has been violated. Wal-Mart believes that their code of ethics should be upheld because it is the right way to do business.

Suppliers have entrusted Wal-Mart to be an equitable player and so have their customers. Wal-Mart trusts its associates to maintain the highest standards of conduct each day. Financial markets are necessary in the United States. In order for the financial markets to work there are “ three principle sets of players: Borrowers, Savers (Investors), and Financial Institutions (intermediaries)” (Titman, Keown, & Martin, 2011, p. 20). Borrowers are “ those who need money to finance their purchases including businesses. (Titman, Keown, & Martin, 2011, p. 20). Savers are people that “ have money to invest” (Titman, Keown, & Martin, 2011, p. 0). Financial

Institutions “ help bring borrows and savers together” (Titman, Keown, & Martin, 2011, p. 20). Financial institutions create loans for individuals so they can get the things they need or want. For example, a house or a car. Financial institutions also lend to business. Businesses tend to use their loans to expand their businesses or to buy new or much needed equipment. Borrowing money is how the United States functions, and this is why financial markets are needed. Borrowers create the need for loans. Savers (Investors) save their money or invest in companies and make money.

The financial institutions loan money so individuals and businesses can get the things they need. Banks charge interest on their loans and make money off the money borrowed. Eventually individuals and businesses that borrow the money pay off the loan(s). Sometimes the borrowers will have a need for something else and will finance that purchase as well. This keeps the financial markets moving in the United States, and this is how the financial markets work. The Securities and Exchange Commission was created to “ protect investors, maintain fair, orderly, and efficient markets, and to facilitate capital formation” (The Role of the SEC).

There was an act created to make sure the investors are protected. It was called the Securities Act of 1933. This act “ requires that investors receive financial and other significant information concerning securities being offered for public sale; and prohibit deceit, misrepresentations, and other fraud in the sale of securities” (The Laws That Govern the Securities Industry: Securities Act of 1933). Walmart, Inc. complies with these regulations by supplying the required information to the Securities Exchange Commission. All the reports that Walmart, Inc. submits to the Securities

Exchange Commission are on their website. One report from the Walmart, Inc. website is the “ An annual report of employee stock purchase, savings and similar plans” (SEC Filings). In this report it reflects report of independent registered public accounting firm, statements of net assets available for benefits, and statements of change in net assets available for benefits” (An Annual Report of Employee Stock Purchase, Savings, and Similar Plans,” 2012, para). These items are all required to be reported on so that Walmart, Inc. s in compliance with the Securities Exchange Commission. Walmart, Inc. also submits reports titled “ Statement of changes in beneficial ownership securities” (SEC Filings). This report shows the changes in “ Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned” (Statement of Changes in Beneficial Ownership of Securities,” 2013, para). All the information in these reports is required information to comply with the Securities Exchange Commission. Analyzing the financial ratios for Wal-Mart helps evaluate the organizations performance, and current financial position.

Financial ratios are useful indicators of a firm’s performance and financial situation (NetMBA Business Knowledge Center, 2010). Wal-Mart’s financial position is evaluated by calculating the current ratio. Wal-Mart’s 2013 current ratio is 47. 29%, and 45. 03% for 2012; therefore, shows Wal-Mart has an increase in profits of about 2. 26%. The debt ratio is determined by comparing the debt by the total assets. Determining the debt ratio, it can guide shareholders finding out what a company’s financial risk is. The debt ratio for 2013 is 62. 41%, and for 2012 it was 63. 13%.

This shows that Wal-Mart was 7% more in debt the previous year than this year. Return on equity ratio measures the income earned on the shareholder's investment in the business (Ratios and Formulas in Customer Financial Analysis, 1999). The return on equity ratio for 2013 is 23.02%, and for 2012 was 11.23%. There is an increase 11.79% from the previous year; therefore, indicates that Wal-Mart is generating 11 cents more for each dollar initially provided by shareholders. The day's receivable ration establishes how successful a business is in giving credit as well as collecting debts owed by customers.

Wal-Mart's days' receivable turnover ratio for 2013 is 2.51%, and for 2012 was 2.64%. A high turnover indicates credit is granted effectively and payment receiving from customers is effective (Ratios and Formulas in Customer Financial Analysis, 1999). There is a decrease of .13%, indicating that Wal-Mart is managing their accounts receivable less efficiently than the year before. Once the financial ratios are analyzed, a company can make any decisions. Throughout this paper you have read about Wal-Mart's ethical compliance and the results of operating in such a manner.

Treating their employees well and focusing on what customers want and need has brought their business much prosperity. Although the economy isn't as strong as it once was, Wal-Mart posted a positive return on stockholders equity in 2012! At first, one would be confused as to why Wal-Mart had such a low current ratio, but after further study of their financials; it was learned that they have a high inventory turnover rate. The day's receivable ratio was also quite low which tells us the company doesn't lend

money for long. All in all, we believe Wal-Mart is a solid investment if you have the necessary capital to invest in them.