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Revision in accounting has various effects on the company and the economy. Salix Shares showed a revision in accounting which stated that the sale of drugs produced by the company was not as strong as expected by the Wall Street. Due to this announcement, the shares of the company fell by 38% bringing down the stock market. After the issue was raised, the financial officer resigned from the company. There were talks of a potential takeover of the company earlier in the year. But there were few obstacles in the deal due to which the takeover could not be finalized. The main issue was the inventory. The company has stocked up on more inventories than required. Its top selling model had nine months' supply. This led to the revision of the accounts because the sales of the drug was not going as predicted by the company.

It clearly shows that the demand of Salix drugs are not as high as expected by the company. The retailers are not able to clear the stock for a long period of time. The company said that they have employed outside lawyers to look into the matter and the audit committee is reviewing the issue with inventory levels. The review will be independent of the management committee. The company is looking into agreements with wholesalers who could improve the sales and visibility. The effect of accounting review can be clearly seen here. Any revision is going to show a long term effect on the company as well as investigations will be followed. To steer clear of such an issue, the company is required to take help of auditors who will give a true and fair opinion of the issue and will provide with the correct guideline on reporting them. The shares of the company immediately fell with the announcement of revision in accounting due to weak sales.

Bibliography

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