# Final exam case study – marryside

Business

Even though this misreporting and backdating contributed to higher quarterly revenues and earnings, this misreporting was not hurting anyone in the process. Yes, investors may have had a skewed value for the company because of their incorrect financial statements, but these revenues were not unearned, they were Just earned in a different fiscal quarter. I believe that Richards stated the severity of his actions perfectly by saying “ there was an important difference between Computer Associates and other well-publicized corporate scandals: World,

Enron, Delphic all bankrupt.

There were no shell companies where liabilities were hidden or converted to assets. This was simply a timing Issue of a deal coming In and being recognized two or three days earner than It should”. Since the Computer Associates scandal was directly related to the titling of their reporting and not the sneaky, and ill intended actions like other well publicized corporate scandals involved, the severity of this case is minimal. Also, Richards is only liable for not being aware of the situation and making a change to it.

As the head of global sales, it was Richards’ responsibility to make sure the company’s revenues on licensed software was reported correctly.

2) If Computer Associates achieved the same positive financial results through GAP flexibility, I would still consider Stephen Richards at fault, but again not in a sever way. As a leader of the company, it is Richards’ responsibly to be truthful and report sales, revenues, and earnings in good faith. Again, I do not see Richards’ Involvement with the scandal as being severe.

However, even with GAP flexibility, reporting avenues on contracts before the revenue-recognition of those contracts Is met Is unethical and cheating. As a leader in the company and even the industry, it is Richards' job to set a good example and represent the software industry well. Even though this case is not as severe as most other publicized corporate scandals, it still brings up some doubt for other companies in the industry.

All in all I believe that with GAP flexibility, the timing of recognizing revenues is more lenient but that does not mean that firms should take advantage of the flexibility and misrepresent uncial performance. ) If I were under pressure to " extend the fiscal quarter" like Stephen Richards' was at Computer Associates I would handle the situation in a number of ways. My first approach would be In regard to meeting analyst expectations and forecasts. Instead of " misrepresenting" the revenue-recognition of contracts to meet forecasted earnings, I would " misrepresent" the forecast of the analysts. Although this would mean setting smaller goals, they would be more achievable and the pressure to cheat would essentially De Lassoed.

Gun tens Is unethical Ana most Kelly unrealistic to implement, a large reason why Richards' got in trouble was because of the pressure put on him and other managers by the analysts. My second approach would be to inform the analysts, managers, and executives of the consequences of extending the fiscal quarter. I would basically provide Computer Associates with a complete " cost-benefit analysis" of the consequences and potential people affected by our actions. Although I would basically be losing money doing this, I would not be tinting in Jail.

I would make it clear that scandals and allegations against companies, ruin companies.

While our revenues would not be as large and we wouldn’t earn as much as we would by misrepresenting our revenues, we would be an ethically sound company. All in all, I find it hard to come up with alternative actions for this case. I would be greatly influenced by the expectations of investors, analysts, and other executives, but I would make sure that I was not doing anything to land me in Jail.