

Good example of accounting: barings bank essay

[Business](#), [Company](#)



The collapse of both Barings Bank and Enron brought some insight and worthy lesson that can be adapted in accounting in its various capacities. Their failures among other big corporations have indeed brought the need of the proper understanding accounting in its qualitative, independent and objective aspects. As it was noted in Brown's " Making sense of the collapse of Barings Bank, Human Relations" contributions, accounting and the various practices involved in it produces various texts that include; press releases, annual reports and even security regulator documents. They give a company's story over a specific period of time.

Taking consideration of the quantitative nature of accounting that depicts the usage of the existing monetary possessions or values in order to derive other values. For instance, with the Barings' Leeson was supposed to be aware of the malpractices that contributed to the manner in which deals were going down. What resulted was conceding of losses hence, touching in the quantitative aspect of accounting. In this, responsibilities characteristic come into play as they wanted to utilize their monetary capabilities in deriving other important values.

The major objectives of accounting are; to keep systematic records, offer protection to the businesses' property, to ascertain and facilitate rational decisions making among others. It is very clear that Barings failed in the objective aspects of the business. On this note, soon after Leeson arrived to Barings, he obstructed the systematic record keeping of the internal activities of Barings. Through this, he instructed one of the systems consultant to make alterations to the computer software to make it refer to account number, ' 88888', which did was never featured in reports that

happened to be taken to London. It is through this where the accounting objective was not achieved; hence, posing a learning subject as far as accounting is concerned.

Still on this particular aspect, Leeson evidently failed to protect the corporations' property immediately the time he opened a secret account. It is in this degree that he failed to provide a rational decision making that would have interested the business profit wise. There were some warning signs, however, they were often ignored and undervalued by the key participants. It is important to identify the signs so that one can understand the value of inquiring reports and making recommendations is like. As it was noted that Leeson and his boss enjoyed excessive high bonuses, a lesson can be picked. Something to learn from this it that, the high bonuses that were being enjoyed, encouraged high risk behaviors that have no guarantee of harboring favorable outcome.

In reference to whether the stories involving Barings and Enron will have an impact on the future reading of accounting texts, it is important to identify the influence enacted by the accounting texts in reference to the two companies. Taking into consideration that the outcome of the financial text might vary as each individual has their own perspective. It is quite evident that proper consideration and keenness will be required when going through accounting texts. A vivid example, can be picked from the story and particularly when the introduction of other new legislation, and codes of conduct, let the board level to informed.

It is possible that the lack of understanding accounting texts, might have greatly contributed to the fall of these two business entities. The

departmental heads may have overlooked some other important facts that might have maintained the two companies afloat. But due to negligence and not taking into consideration the important facts of accounting texts, the businesses went on a downfall. So it's very important to explore the accounting texts presented to an individual and employ comparability into it if need be.