

Financial reporting

Business



When it comes to the financial arena, the executives and others are often paid a percentage of the firm's profits, therefore, no matter how risky their investments are, assured of some compensation. The view of the American corporate executive used to be filled with suspicion because of the corruption allegations, as well as misappropriation of resources. This combined with big examples of fraud in American companies, led congress to create the Sarbanes-Oxley act in 2002.

This was aimed at reducing instances of fraud coupled with unethical management decisions. Among other issues, the act calls for a great degree of government oversight over public accounting and various practices. This led to the founding of the renowned Public Company Accounting Oversight Board. This falls in with business ethics and the law, whereby, legal compliance is considered a minimum moral standard for ethical business behavior. However, just by doing things in accordance with the law, does not fulfill all of one's business ethics obligations.

On the other hand, for the sake of people's freedom, as well as for reasons of practicality, the law cannot codify all ethical obligations. No one can say that it is illegal to tell lies to a person; however, it is unethical to do so. Case Details The Exello case was one of the scandals that led to the creation of the Sarbanes-Oxley act in 2002 (Justia US Law 2012). In 1992, a Chicago lawyer by the name of Daniel Zazove filed a complaint on behalf of Exello to claim three allegedly preferential payments that the former made to Associated Agencies Incorporated. These payments were made for insurance coverage in the first place.

All of the payments were for the coverage that associated had already provided to Excello. This included payment of finance charges, due to the delinquency, of which Associated responded to the complaint by filing a motion of summary judgment contending that the payments were made in the ordinary course of business, and therefore, not recoverable as preferential transfer under the statutes. Excello's attorney Daniel advanced two reasons in favor of his employer's claim that the two-one month insurance coverage payments made to Associated were not in the regular course of business (Justia US Law 2012). He firstly stated that they were late, and thus, outside the normal course of business. The court ruled in favor of Associated in the matter of the first two payments, but not the third. In response to the first motion for summary judgment and relying on the minority approach, Zazove argued that the information, regarding the ordinary insurance terms was in the control of the plaintiff, and thus unavailable when he wanted to file the complaint.

Based on the law of the circuit, it would seem that Zazove had an argument that he did not have access to the information necessary to show in a court of law that all of the transactions were made, following ethical and legal standards of business (Justia US Law 2012). Most of the ethical obligation in this scheme falls on the record keepers of this information, which is usually the company's set of accountants. The ethical rules of auditors and accountants are best understood in context of the professional responsibilities. These include one's actions, as far as the corporate system is concerned. Thus, the audit function, legal liabilities and the requirements of financial reporting are almost guaranteed. This is meant to guide the

accountants of the current day past the controversial age of ethics of mixed value.