

Mba applied managerial finance 615

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Introduction The enactment of the Sarbanes-Oxley Act into law on July 30, 2002 was in response to the various corporate and accounting malfeasance committed by various company such as Enron and WorldCom with the intent of restoring the public's confidence in America's businesses. There are two important sections in the Sarbanes-Oxley Act which are Section 302 which requires certification of the signing officers and Section 404 which mandates companies to publish their financial reports.

The Section 302 of Sarbanes Oxley

Section 302 of Sarbanes Oxley Act include certifications that signing officers have reviewed the report that it did not contain any false information either by omission or by misleading and that the financial statement fairly reflects the true financial condition of the company (www. soxlaw. com a, 2003). In addition, the signing officers must have also reviewed the internal controls of the company. Section 404 of Sarbanes-Oxley Act on the other hand mandates that issuers are required to publish their annual reports “ concerning the scope and adequacy of the internal control structure and procedures for financial reporting. This statement shall also assess the effectiveness of such internal controls and procedures” (www. soxlaw. com b, 2003).

In the case of Apex Printing, they have only complied with the Section 404 of Sarbanes-Oxley Act which is the requirement to publish their annual reports and its attending internal control structure but it is not yet certified by signing officers that the financial information that they will publish is materially true and accurate. In effect, it is like making known the company's financial information without ensuring its accuracy which is susceptible to misrepresentation if not downright unethical.

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The importance of being compliant in the Section 302 is not only to avoid criminal liability from regulatory agencies such as Security of Exchange Commission but also to become an ethical company. In an age of heightened public awareness against corporate malfeasance, it will not be right to skirt laws which are designed to protect the interest of the various shareholders of company from fraud. It will hurt the reputation of the company which has numerous repercussions from not being able to do an IPO to source external funding to non-patronage of its products or services in the market due to the suspicion of its customers that the company is a fraud.

Considering the various repercussion of non-compliance to Section 302 of Sarbanes Oxley Act, that ranges from a) non-launch of an initial public offering (IPO) of equity shares which will deny the company the much needed additional external funding b) potential legal ramifications for non-compliance which will have an implication of c) hurting its reputation in the market as an unethical company resulting to non-patronage of its product and services, it is therefore an imperative Apex Printing to comply with Section 302 of Sarbanes Oxley Act.

References

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Reply 1

This paper validates that my research and understanding of the Section 302
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of Sarbanes Oxley Act is correct. Especially when our interpretation is consistent that non-compliance with the Act has various repercussions such as the loss of credibility and criminal or civil prosecution from regulatory agencies. I expanded my interpretation however that the loss of credibility or the hurting of corporate reputation has an economic repercussion in the market as people will patronize the products and services of companies whom they doubt to have unethical practices such as non-compliance to regulatory agencies. This could hurt more than the criminal liability from the regulatory agencies because it undermines the viability of the business in the market.

Reply 2

In this paper, I learned that we both acknowledged that Sarbanes Oxley Act was crafted in response to the various corporate and accounting frauds that resulted in large number of people losing money and employees losing their jobs not to mention that it precipitated the global recession. In this paper, the criminal liability of the CEO and CFO for fraud is stressed. In my paper however, I did not entertain the idea of launching an IPO abroad just to avoid compliance with Section 302 of Sarbanes Oxley Act. Launching an IPO elsewhere to avoid regulations will surely be noticed by potential investors and will defeat the purpose of sourcing external funds because investors will not trust the company.