Enron and ethics

The Enron case is one of the worst accounting scandals in US corporate history. After the Enron debacle the government made changes to the regulatory status of the accounting profession and created the Sarbanes and Oxley Act (SOX) of 2002. SOX was created in order to raise investor confidence after the Enron and WorldCom debacles (Techtarget, 2011). Enron had a business model that was somewhat difficult to understand, but as a public company they in theory had a CPA firm auditing all their financial statements. The company that was in charge of those audits at the time was one of the biggest five accounting firms in existence. Arthur Anderson was recognized by the industry as one of the most prestigious accounting firms in the world. Even though the accounting scam Enron was running was a bit complex, a top accounting firm such as Arthur Anderson should have been able to recognize the accounting irregularities. The accounting firm turned a blind eye and they let the accounting scam continue for years. The Securities and Exchange Commission also did not do a good job of recognizing the scam in time. The SEC failed to perform its job of protecting the investors since they had at their disposal every annual report of the company with its financial statements and they fail to notice the scam the firm was running. The ethical meltdown the firm endured occurred because the executive managerial staff of the company was greedy and extremely unethical. They envision the company as the market leader in its industry when in reality the company had a business model that was completely flawed. At the end of the debacle when things were going down and the scam was revealed the top executives sold their shares fast before they completely lost all their value. The scam was such a secret that even president George Bush was a big backer of the company (Lashinsky, 2001). 2. The statement mentioned in the question about the Enron executives mocking financial analyst when they were confronted with the irregularities prior to the demise of the company shows that these individuals had a complete disregard for the law and they did not respect at all the best interest of the shareholders or any other of their stakeholders. When the securities analyst started to question the financial numbers of the firm because they did not seem to add up the corrupt managerial staff of the decided to hide the facts further knowing well what they were doing. The executive staffs of the company starting with its CEO were corporate criminals that decided to put at risk the billions of dollars investors had invested in the company in order for them to make millions of dollars in personal wealth. 3. The corporate culture of the company to a certain extend contributed a lot to the demise of the company. There are a lot of potential measures that might have prevented what occurred at Enron. First of all the accounting department which had inside information of what was occurring could have acted as a whistleblower sooner to the SEC. Secondly the employees should not have allowed the firm to put all their retirement funds in Enron stocks. Thirdly the FASB could have created stricter rules in regard to off balance sheet financing. Fourthly the firm’s board of directors could have created better control measures to limit the power of the executive staff. Lastly the company could have hired a more honest CPA firm, but based on the realities at the time nobody could have foreseen Arthur Anderson being such a fraudulent firm based on the fact they were part of the Big five accounting firms. References Lashinsky, A. (2001). The Enron Scandal. Retrieved June 9, 2011 from http://whatreallyhappened. com/WRHARTICLES/enron. html Techtarget. com

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