

Management



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MANAGEMENT Introduction One of the frequent reasons of business failure is poor management and insufficient and poor management of financing comes second. For starting or relocating or expanding a business sufficient capital is required¹. Having good financing is not enough in attaining profits; proper knowledge and planning are required to manage it well. These help in strengthening the management of financing and avoid common mistakes like miscalculating or underestimating the cost.

1. Fall of Enron

Enron Corp. was the result of merger between Houston Natural Gas and Internorth. There was a shift to unregulated energy trading markets from regulated transportation of natural gas. Enron was a Fortune 500 company and was in #7 in 2001 was deleted from New York Stock Exchange.

According to the managers of Enron who reviewed the accounts of the company, during California energy crisis Enron has kept undisclosed reserves of up to \$1.5 billion in trading profits.

Enron came under fire from politicians of price gouging. The hidden reserves would have doubled the Enron's reported profits. It is also reported that Enron manipulated reports on reserves to have steady profit growth to Wall Street and credit rating agencies. The executives also claimed that the reserves were held back and used to fulfil the political and financial ends.

In 1990 Enron reported its total revenue as \$10 billion and in the next subsequent ten years it grew by \$101 billion. It emerged as one of the fast growing companies in the United States. The main reasons for its collapse is not due to the core energy operations but the company's new ventures in dot com sector and investments Internet and communication business.

2. Preventive Steps

According to investigators of the security of exchange commission gone into investigate the case, have interviewed witnesses to come to a conclusion that the methods or practices violated the laws for doctoring quarterly earning refers to start cookie jar reserves. The existence of Enron reserves puts strange twist to it. Having a fool proof monitoring system could have controlled this type of manipulating and doctoring.

The executives of Enron inflated profits and concealed losses with official balance sheet. Partnership in this scenario of reports that Enron has shown wrong accounts in December 2000, the company filed for bankruptcy protection but interviews with more than a dozen ex-Managers and Executives revealed that the Enron many a time paid the profits on trading to meet the needs of politicians and financiers.

Conclusion

It's the research and analysis done by the economists in investments (FDI) yielded fruitful results in the development of different industrial sectors². The main purpose of these industries is to develop products that could be used in everyday life and produce more and more employment opportunities. Any misconduct by them will result in heavy losses.

References

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