

Sarbanes Oxley Act of 2002

Business Info System & Analytics-GBA 327 CA01

Dr. Reagan

December 1, 2015

Charlene Bharucha

Kara Ennis

Ahmed, Alghamdi

Abdullah Alsloom

Robert Snyder

### Sarbanes Oxley Act of 2002

Sarbanes Oxley Act is an act which abolishes corporate revelations and conflicts of interest difficulties that arises when corporate executives are not held accountable for their firm's financial choices and disclosures (Gitman and Zutter, 2015). In other words this act creates solid transparency standards for organizations which in turn defends investors from funding money to a firm based on fabricated financial reports.

It is known actively to review and register accounting firms with audits quality control standards and the protection of investors by promoting precise and independent audit reports (D.L.King, 2014). It was signed into law by President George W. Bush, July 30, 2002.

The Sarbanes Oxley Act was originally enacted to fight fraud, improve the reliability of financial reporting, and reestablishing investor self-assurance. For years before the Sarbanes Oxley Act was put forward, financial reporting was fast, moveable and there was immense criminal conduct imbedded in companies like WorldCom and Enron. There are also many hindrances to executing the Sarbanes Oxley Act in 2002. Many of the compliance analyses and assessments had exposed an absence of implementation, avoidable complexity, congested communications and frail compliance culture (Dittmar, 2006).

As we mentioned above, Enron is one of the most acknowledged and talked about company when it comes to the Sarbanes-Oxley Act and there is good reason for that. If you are not familiar with Enron it was a business based on the buying and selling of resources like gas and oil. In order to create greater competition in this industry a deregulation went into effect prior to Enron going bankrupt. Once this deregulation took effect, Enron was able to multiply their wholesale wages in just one. In addition, Enron was misrepresenting or falsifying its earnings reports to shareholders and employees alike. Having these "wonderful" represented earnings reports made Enron an attractive company to get in on for investors. This is the main

impact of the Sarbanes-Oxley Act which enhanced the accuracy and dependability of corporate disclosures, such as earnings reports, pursuant to securities laws and regulations (D.L.King, 2014). The Sarbanes-Oxley Act is widely considered to be the most impactful piece of legislature to protect investors in today's world.

It is unfortunate that it took a disaster of this magnitude to create a way to protect investors from companies like Enron or WorldCom which left many people with no life savings and no direction to turn. It would be hard to say if anything like this will ever happen again or not, and while history has a way of repeating itself, having the Sarbanes-Oxley Act in affect could make sure that nothing like this happens ever again.

**Works Cited**

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