

## Ethics Assignment on Corporate Scandals

*The primary objective of financial reporting is to provide useful information for decision-making. Furthermore, the objective of financial statements is to communicate information that is useful to investors, creditors, and other users in making investment and lending decisions and in assessing management's performance. Financial statements provide information about economic resources (assets), obligations (liabilities), and equity, as well as economic performance (revenues and expenses).*

*The accounting profession has established a set of standards and rules, Generally Accepted Accounting Principles (GAAP), which are recognized as a general guide for financial reporting. However, "financial misdeeds" or "managerial mischief" over the past several years have left investors, creditors and the general public skeptical about the performance of big business, accounting irregularities, and allegations of improper dealings. But not every "scandal" is the same.*

### Tasks:

- Investigate a recent corporate scandal that involved improper accounting practices.
- Write a business article for the editor of CA magazine or a business report for the managing partner of PriceWaterhouseCoopers
- Design a presentation utilizing the material in the report

1 Parmalat	2 Fannie Mae
3 Tyco	4 Nortel Networks
5 Livent	6 AIG – American International Group
7 Adephia Communications	8 Corel
9 WorldCom	10 Qwest Communications
11 Enron	12 Global Crossing
13 Xerox	14 Halliburton
15 Merck	

### Step 1: Research

#### Possible Resources

- Company Corporate Websites
- Yahoo Quotes and Stock Profiles, [Globeinvestor.com](http://Globeinvestor.com)
- CBC News, CNN News
- Ebscohost and other Magazines:
  - CFO Magazine, CA Magazine
  - Economist, Business Week
  - Forbes Magazine
  - Globe and Mail, Toronto Star, National Post
  - CNN Money
  - Canoe Magazine, Computer World
- <http://www.corporatenarc.com/accountingscandals.php>

**Inquiry Questions**

Describe the company? type of business, location of the business, size of the business, etc.

Describe, in as much detail as possible how they carried out the violation.

- What was the scandal?
- How did they do it?
- Why did they do it?
- Who was involved?
- When did it take place?
- Who are the stakeholders in this situation? (both inside and outside the firm, including stockbrokers, creditors, customers, and the economy at large.)
- What is the impact of this violation on the stakeholders?

Describe what accounting principle(s) they violated.

- What GAAPS were violated?
- New concept covered? – if it was one you did not know.
- Full disclosure – how did they handle it in the notes after discovering?

How did the misdeed affect the stock price and the corporation overall?

- Dollar value of the scandal?
- Stock price and stock activity – before, during after
- How were the financial statements affected by the scandal?

Who investigated?

- What was the role of the auditor in this situation?
- How did the auditor's involvement impact the situation?

What are the latest developments or current status? – prison sentence, charges,

What were the lessons learned?

**Other questions you have:**

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**Step 2: Business Article/Business Report**

The business article or business report should be 800 – 1000 words (or 3-5 pages in length). It should be formatted properly given your choice of medium, article or report. Regardless, it should include an introduction, conclusion, appropriate headings, and diagrams/graphs where appropriate.

The business report/article should be typed using double-spacing, using Times New Roman 12 or Arial 11 or another font approved by your teacher. All material must be sourced appropriately.

**Due Date:** \_\_\_\_\_

**Step 3: Presentation**

Use your report to prepare a presentation on the accounting scandal you investigated. While your report is a written presentation of your scandal, you must extract the material that is most relevant and useful for a presentation.

Your presentation must be 15-20 minutes in length and must highlight the significant factors relative to your recommendation. The final 2 minutes of each presentation will be for questions from the class. You must use PowerPoint *effectively* as a part of your presentation.

Your presentation must have a specific outline including an introduction (where you tell us what you are going to tell us), the content/details (where you tell us what you want to tell us), and a conclusion (where you tell us what you told us).

**Due Date :** \_\_\_\_\_

Presentation dates:

	1. _____ 2. _____ 3. _____
	1. _____ 2. _____ 3. _____
	1. _____ 2. _____ 3. _____
	1. _____ 2. _____ 3. _____