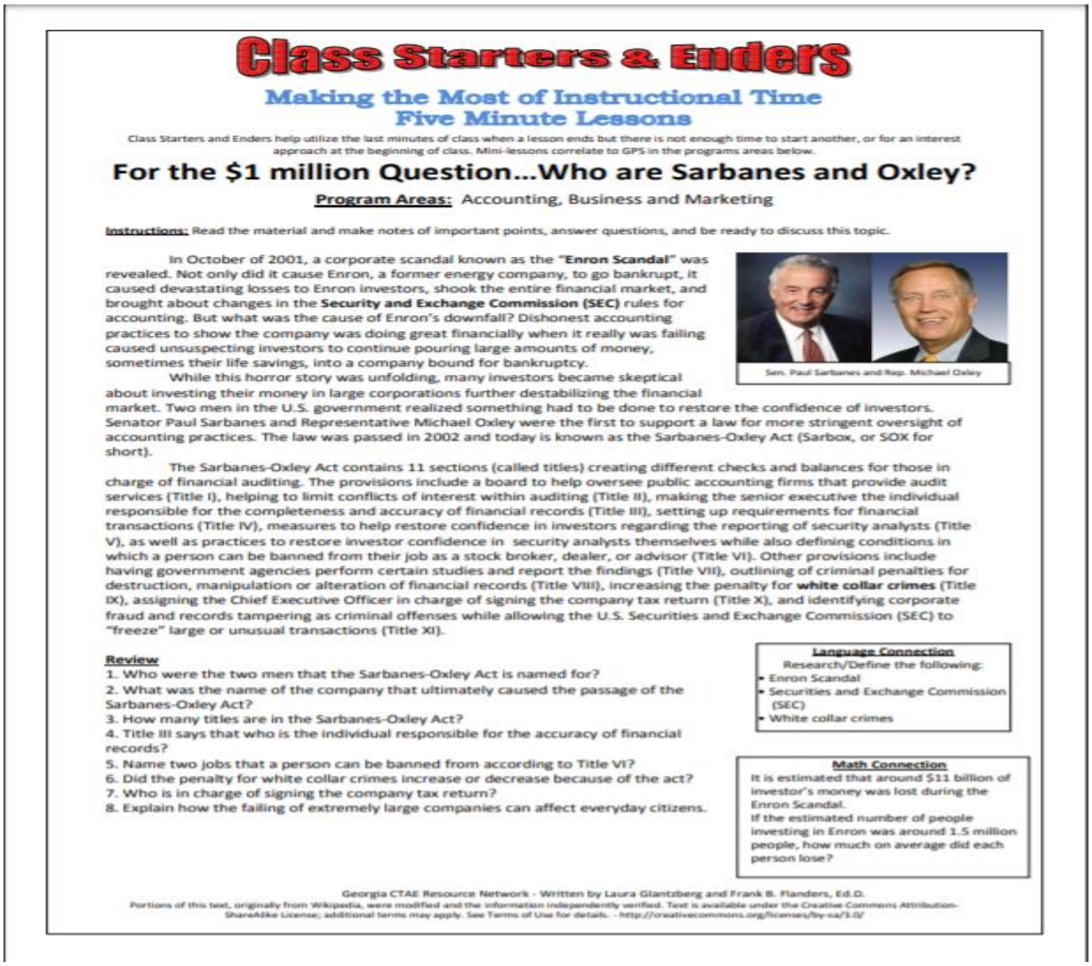
Adolphus Foster

Program Areas: Accounting, Business and Marketing
BMT-BC-1

Instructions: Read the material and make notes of important points, answer questions, and be ready to discuss this topic.



Class Starters & Enders

Making the Most of Instructional Time
Five Minute Lessons

Class Starters and Enders help utilize the last minutes of class when a lesson ends but there is not enough time to start another, or for an interest approach at the beginning of class. Mini-lessons correlate to GPS in the programs areas below.

For the $1 million Question...Who are Sarbanes and Oxley?

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In October of 2001, a corporate scandal known as the **"Enron Scandal"** was revealed. Not only did it cause Enron, a former energy company, to go bankrupt, it caused devastating losses to Enron investors, shook the entire financial market, and brought about changes in the **Security and Exchange Commission (SEC)** rules for accounting. But what was the cause of Enron's downfall? Dishonest accounting practices to show the company was doing great financially when it really was failing caused unsuspecting investors to continue pouring large amounts of money, sometimes their life savings, into a company bound for bankruptcy.

Sen. Paul Sarbanes and Rep. Michael Oxley

While this horror story was unfolding, many investors became skeptical about investing their money in large corporations further destabilizing the financial market. Two men in the U.S. government realized something had to be done to restore the confidence of investors. Senator Paul Sarbanes and Representative Michael Oxley were the first to support a law for more stringent oversight of accounting practices. The law was passed in 2002 and today is known as the Sarbanes-Oxley Act (Sarbox, or SOX for short).

The Sarbanes-Oxley Act contains 11 sections (called titles) creating different checks and balances for those in charge of financial auditing. The provisions include a board to help oversee public accounting firms that provide audit services (Title I), helping to limit conflicts of interest within auditing (Title II), making the senior executive the individual responsible for the completeness and accuracy of financial records (Title III), setting up requirements for financial transactions (Title IV), measures to help restore confidence in investors regarding the reporting of security analysts (Title V), as well as practices to restore investor confidence in security analysts themselves while also defining conditions in which a person can be banned from their job as a stock broker, dealer, or advisor (Title VI). Other provisions include having government agencies perform certain studies and report the findings (Title VII), outlining of criminal penalties for destruction, manipulation or alteration of financial records (Title VIII), increasing the penalty for **white collar crimes** (Title IX), assigning the Chief Executive Officer in charge of signing the company tax return (Title X), and identifying corporate fraud and records tampering as criminal offenses while allowing the U.S. Securities and Exchange Commission (SEC) to "freeze" large or unusual transactions (Title XI).

Review
1. Who were the two men that the Sarbanes-Oxley Act is named for?
2. What was the name of the company that ultimately caused the passage of the Sarbanes-Oxley Act?
3. How many titles are in the Sarbanes-Oxley Act?
4. Title III says that who is the individual responsible for the accuracy of financial records?
5. Name two jobs that a person can be banned from according to Title VI?
6. Did the penalty for white collar crimes increase or decrease because of the act?
7. Who is in charge of signing the company tax return?
8. Explain how the failing of extremely large companies can affect everyday citizens.

Language Connection
Research/Define the following:
- Enron Scandal
- Securities and Exchange Commission (SEC)
- White collar crimes

Math Connection
It is estimated that around $11 billion of investor's money was lost during the Enron Scandal.
If the estimated number of people investing in Enron was around 1.5 million people, how much on average did each person lose?

Georgia CTAE Resource Network - Written by Laura Glantzberg and Frank B. Flanders, Ed.D.

For the $1 million Question...Who are Sarbanes and Oxley?

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Instructions: Read the material with the teacher aloud and make notes of important points, answer questions, and be ready to discuss this topic. Business Reading

Review

1. Who were the two men that the Sarbanes- Oxley Act is named for?
Senator Paul Sarbanes and Representative Michael Oxley

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2. What was the name of the company that ultimately caused the passage of the Sarbanes- Oxley Act?
Security and Exchange Commission (SEC)
3. How many titles are in the Sarbanes- Oxley Act?
11 Titles
4. Title III says that who is the individual responsible for the accuracy of financial Records?
Senior Executive, the individual responsible for the completeness and accuracy of financial records

5. Name two jobs that a person can be banned from according to Title VI?
can be banned from their job as a stock broker, dealer, or advisor
6. Did the penalty for white collar crimes increase or decrease because of the act?
increase
7. Who is in charge of signing the company tax return?
the Chief Executive Officer
8. Explain how the failing of extremely large companies can affect everyday citizens.
It could take your private information and other stuff if you have in connection with a big company.