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Introduction

Ask most people what they think about accounting and you will receive a response like “huh”, an exaggerated “borrrrrrrring”, or maybe even some kind of sleeping sound: “ZZZ”. These people must not know about the exciting world of the recent accounting scandals. From company financed, two million dollar birthday parties for the CEO’s wife, to executives fleecing money to buy showerheads that cost more than the average car, decadence and excess go hand and hand with the recent scandals.

In recent years, the multitude of accounting scandals have become the focus of reports on business ethics, taking the place of past favorites such as sweatshops and pollution. It is one thing to rally against unethical behavior overseas, but quite another when that behavior is affecting a person’s own dollars. Money, here is often more important than life there, which, while sad to say, is a topic for another paper.

As more companies were caught up in the malfeasance dragnet, it became obvious that the industry needed major reforms. In business, accounting traditionally was a profession of utmost respect. Accountants were suit and tie clad warriors, battling to find the truth in numbers and protect the number one concern, shareholders. As times changed the protection and thoroughness of the audit was replaced by the income of the consulting services. Cover up after cover up was initiated and paper after paper was shredded, until the one critical domino was knocked down and the industry fell hard.

This paper will examine the aftermath of the accounting scandals, the far reaching Sarbanes-Oxley Act, its effects on the accounting industry, its effect on global relations, the so called French version of the law, LSF, and how all those factors interact. The recent reforms to the accounting industry were a quick and drastic reaction to the trend of bad ethics but the excess work and headaches they produce are more than made up for by their protections against fraud and heightening of investor confidence.

Global Trend

Enron, Arthur Anderson, WorldCom, Tyco, Rite-Aid, Ahold, Parmalat: one by one, some of the world's biggest companies have been caught in various accounting scandals. Some of these companies have been able to pull themselves up from the ashes, while others have ceased to exist, taking with them thousands of jobs and retirement plans. The root cause of these problems is not a lack of regulations, but rather regulations that were too easy to cheat. Instead of regulations being broad principals of righteous behavior they are specific checkpoints that companies must meet; when all that is looked at are these checkpoints so companies figured out how to meet them, even while doing the wrong thing. Cheating the regulations is a problem that stems from a lack of personal ethics and accountability of senior executives and management. After these scandals hit there was a relatively quick reaction in the United States and what seems to be a slower reaction in some of the world's other major markets. Whatever the pace, the world is a changing place because of these scandals. Accounting regulations are not the only things being affected; these scandals have political ramifications which few could have predicted.

The U.S.'s reaction to this multitude of scandals was the Sarbanes-Oxley (SOX) legislation, passed on July 30, 2002. The 2nd part of this paper will focus on how the actual industry has changed because of SOX but it basically made reporting requirements much stricter and held high ranking executives responsible for what was reported on the financial statements. SOX not only affects American companies, though; the way it is structured gives it global implications.

SOX applies to any company that is trading in the U.S., on any of our markets (Day). There are 1300 non-U.S. companies trading on American markets, some of the biggest companies in the world. DaimlerChrysler, Nokia and Sony are all firmly entrenched in the American culture and our markets (Day). This is a departure from how things worked in the past, when to be listed in the U.S., foreign companies only had to follow GAAP and the rules of the New York Stock Exchange (Falencki). The U.S. offered exemptions of other laws to foreign companies who already had similar or superior laws in place (Day). Within SOX there is specific language that says there is no distinction between domestic and foreign companies, and no "lack of comity", where already in place foreign laws are deferred to (Falencki).

The rest of the world is none too thrilled about this. Europe and Japan, the worlds other most powerful economies, have been the most vocal against SOX, for which they have a laundry list of complaints. For one thing, it makes the U.S. Securities and Exchange Commission more powerful than the Japanese version, even in Japan (Day). There are parts of SOX that are not applicable in foreign lands, but have an effect anyway. In Germany there are no CEO's, no single person who is at the top of a company, who can take responsibility for what is reported in the financial statements

(Falencki). However, having the CEO sign off on the statements is a requirement of SOX. Another requirement is that loans to executives cannot be from the company, they have to be from a FDIC bank. FDIC is a feature of American banks, so officially they are the only ones who can loan money, favoring American banks over those in any other country.

Many economic leaders of Europe are anti-SOX because it focuses more on adding complicated rules than setting up principals of ethical behavior, which they prefer (Essex). David Jackman, professor of ethics at London Metropolitan University, thinks that SOX is a knee-jerk reaction that does not help the situation as a whole. "It's a clear example of the culture that sees the answer to scandals and crises as producing more box-ticking and forms. That can't be an effective solution. It's a step in the wrong direction" (Essex).

There are ways that foreign business can fight back against SOX; namely they can simply de-list from being traded in the U.S. While they would be saved the costs and hassles of compliance, they are also crippling their access to the biggest market in the world. Porsche cited SOX as one of the reasons they decided against listing their shares on the NYSE (Essex). Companies threatening to de-list include German electrical company Siemens, U.K. online travel site Lastminute.com, tobacco company Swedish Match, the Nordic telecoms group and German software company Intershop Communication (Essex).

While many companies seem to be talking big, in the last four years (SOX has only been in existence for two and a half) only six of the 1300 non-U.S. companies have de-listed from the NYSE and only ten from the NASDAQ. Only 120/14,000 U.S.

companies have de-listed (Olive). Some people are even trying to use SOX to lure companies to their markets. The chief executive of the Toronto stock exchange, Barbara Stymiest, is trying to lure disenfranchised foreign companies from the U.S. to Canada. She has said that Canada can be an attractive option for business that “isn’t quite ready for Sarbanes-Oxley, U.S. GAAP and corporate justice...” (Olive).

Some people raise questions on how ‘real’ the backlash against SOX actually is. Two and a half years of corporate lobbying has led some to believe that a lot of the negative feeling towards SOX are ‘manufactured’ (Olive). The increased costs associated with following SOX are drops in the bucket for multi-billion dollar companies (Olive). Companies not making profits have more to worry about than some extra costs associated with more accurate reporting. Companies who are on the up and up are likely already complying with SOX; most of the reporting guidelines should already be in place (Olive). Plus, most of the complaints thus far have just been possible scenarios. SOX did not become active until October of 2004 for large companies (worth over 75 million) and does not become active for smaller ones until July of this year.

SOX is a complicated piece of legislation; many American companies are having a hard time adapting to the new restrictions. Foreign companies face the same problems dealing with it, but also have the added burden of following their own country specific regulations. In response to some of the complaints against SOX, the SEC has made a few exemptions for some of the laws that fall under it, but not any that were getting the most complaints (Falencki). The already tenuous relationship between the U.S. and Europe is being tested over this. Some fear the SEC will not only have power over foreign companies, but foreign markets as well (Heffes).

The world is not only reacting to the far reaching SOX, they are making changes on their own, especially the European Union. After Parmalat, the European Commission acted quickly with their own plan to “fight boardroom excesses and corporate malfeasance” (Buck). Older, un-enforced laws were finally used to limit and investigate company’s hidden expenses, such as special purpose vehicles and off-shore activities (Buck).

Auditors in Europe were traditionally looked at as the defense against criminal activities, not the ones committing them. They had a lot of trust and are now have trouble selling themselves and their skills (Heffes). The audit industry has recognized this breach of trust and has taken some responsibility on themselves to correct infractions, not waiting for any specific laws to be passed. They are avoiding any conflict of interest problems by refraining from non-audit work for clients they already do audit work for (Hargreaves).

The EU is also proposing their own adjustments and reforms, similar to SOX, called the 8th Directive. This has not been easy; governments, parliaments, economic groups, etc. have been split on what should and what should not be implemented and there has been a lot of lobbying from the auditing profession (Hargreaves). Many financial figures want to act slower than SOX, tackling problems one by one instead of all at once. Frits Bolkestein, the EU internal market commissioner, is one of them. He thinks that SOX was an overreaction , that was proposed and enacted too fast (Buck).

The U.S. is in the unique position of being the world’s biggest economy that is governed under one set of rules and regulations. The Europe and Asian markets are made up dozens of countries that each have their own laws. Focusing again on Europe, we see a

merging of standards with the countries in the EU, but the stronger countries still fight to preserve their ways. Chairman of the International Accounting Standards Board, David Tweedie, is currently at the head of a committee to establish a single set of accounting standards in Europe. Along with the 8th Directive, these standards would be built around aspects of U.S. GAPP and SOX. Like European analysts, Tweedie thinks there needs to be broad principles to follow, rather than individual rules which can easily be broken or avoided (New World Order). The long term goals of the IASB is to implement a truly worldwide set of standards, including the U.S. Tweedie says "...if [business is accounted for in the same way] it's going to open up the capital markets. Say you are on Wall St., [reviewing] a Dutch company. You'll have other things to think about, but accounting is not going to be one of them" (New World Order).

The actual parties involved in committing the fraud are not the only ones who have to worry after the fallout of the scandals; banks providing money, loans, credit, etc. are now being targeted. After the Parmalat scandal, Citigroup, Morgan Stanley, Deutsche Bank and UBS are being questioned by prosecutors (Michaels). These banks have been accused of helping distort Parmalat's true financial position, although some claim they are the victims of the fraud (Michaels). Investors in these banks are also going after them. There are groups trying to organize class action lawsuits against some of these banks not acting in the interests of the stockholders (Michaels). Most of these banks are worldwide, so could be implemented in any other scandals that pop up anywhere on the globe.

Where ever there is business in the world there will be a need for proper regulation. The recent ethics scandals have changed the industry forever. The days of lax standards are over; too many people have been adversely affected. From the people who

lost their jobs to the people who lost their entire retirement fund. While this paper has focused on the American and European reactions to the scandals, those are not the only markets affected. As China and India become more powerful in the business world, they will encounter the same stringent regulations.

Impact on accounting

As we can see from the first section of this paper, Sarbanes-Oxley (SOX) is making a huge impact on the world. The impact that was examined was based on the politics of SOX; who should have to follow it, how far reaching it is going to be, etc. The stir it's causing in the political world pales in comparison to what it is doing in the accounting industry, how actual businesses and actual accountants are affected. We must examine what caused SOX, what it does, and who it affects to determine if the legislation is good for the accounting industry. Although very costly, SOX is integral in building back up the reputation of accountants and protecting the interests of the stockholders.

We know why SOX was created, the recent glut of accounting scandals and unethical behavior, but, what let those things happen? Accounting firms would normally offer a variety of services to their corporate clients, auditing, tax preparation, consulting etc. The real money makers are the consulting services; the auditing fees are just a drop in the bucket of revenues comparatively. The firms did not want to give a company a bad audit and risk losing the other income, so things were done, or overlooked, or shredded to make sure the reports came out clean (Bricker). As the audits became less and less important, services that were originally included with them were stripped away and

added on as 'extras'. Most companies chose not to go with these 'extras', weakening the effect of the audit (Bricker).

There was an obvious need for change, that's how SOX was proposed and fast-tracked into becoming a law. According to some people in the industry, SOX is like the extinction of the dinosaurs, with "similarly catastrophic possibilities" (Bricker). William Hayes, president of Robert Half International, a financial staffing firm, says SOX is "the single most wide-sweeping piece of legislation affecting the accounting profession in my 30 years in the business...It's affected all levels, depending on the size and internal structure of the company" (Watterson). Getting away from generalizations, SOX is a 66 page law, covering many boring, and extremely technical aspects of accounting; however it can be broken down into a few key points.

Most basically, there are changes to the rules of auditing. Firms auditing a company may not provide any non-audit services for that same company. There has to be a rotation of audit companies every 5 years, so companies cannot become too familiar in the inner workings of the company, which may make fraud easier to commit and cover up. The auditors also have to report their finding to a committee to be reviewed for authenticity and completeness (Executive Summary).

SOX gives the SEC control over the Public Company Accounting Board (PCAOB), which has its own powers in making audit laws. Public firms have to register with PCAOB and co-operate with their investigation (Bricker). Loans of company money to officers are also prohibited, unless the money is insured (Executive Summary). Newly convicted Bernie Ebbers, former CEO of Worldcom, had \$500 million of personal loans from the company, at the expense of the shareholders. Management now also has to

disclose any company stock holding changes (Executive Summary). They can no longer secretly dump the stock before reporting bad earnings.

The big change that SOX brings, the one causing all the headaches, is section 404. This is considered the most effective tool for preventing purposeful fraud (Smitherman). This section, which kicked in last year, “requires companies and their auditors to conduct in-depth reviews of the effectiveness of their internal financial checks and balances and to disclose the results of those assessments in their annual reports (Enrich). More specifically this section says two things: 1. “States the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting and 2. Contains an assessment, as of the end of the issuer’s fiscal year, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting” (Renzas). In everyday language, this means that companies have to have effective anti-fraud measures at any point where fraud can be committed and constantly review those measures; there are hundreds, if not thousands of checks and systems in place.

The overall purpose of section 404 and SOX, is to make the officers of public companies accountable to investors (Renzas). The established goal of any corporation is to maximize the wealth of their shareholders, but it seems in recent years, many corporations have forgotten that. SOX may be responsible for a loss of accountant’s self-regulation, but the way things were going, that was a much needed change (Bricker).

SOX is a reality now and its most important aspects have come into law, but how will it affect the workday of accountants? The simple, two-word answer is, more work! The amount of work needed to comply with SOX is being compared with the amount to

fix the Y2K problems. Unlike Y2K, SOX is not a one time deal, the work will have to be done year after year (Watterson). One firm, Boston based Iron Mountain, has estimated over 40,000 of extra work over the past 2 years because of SOX. This is not the exception; the work increase affects accounting companies across the board. The same company has also had to hire many extra workers, to meet the increased demand (Watterson).

More jobs are being created in all levels of accounting, from increasing the amount of new hires to adding more senior level positions. IT people are also benefiting from the increased work load. They are needed to create and maintain the computer systems that test the internal controls (Watterson). College enrollments of accountants have gone up significantly and companies are working harder than ever at recruiting more students at more schools. More of the senior staff is taking the time to go out and make in school visits (Watterson).

The demand for new accountants is high; where there is a high demand, people are willing to pay a high price. Companies are competing with each other to get experienced candidates, offering raises of up to 10% (Watterson). With the increased wages and other incentives, the accounting industry is the place to work. With all this interest and more people becoming interested in the accounting field, already established accountants have to stay on their toes. Those who are not CPA's have to get that certification under their belt and those who are, still need to get additional training.

Another side effect of SOX is the growth of the accounting industry. The big accounting companies will have much more work on their hands with their most important clients; they may have to drop some of their smaller clients. Those companies

will filter down to smaller accounting companies, giving them more business and there will be potential for new companies establishing themselves (AICPA update).

SOX has also caused some problems in the industry. This year at least 280 big (with at least \$100 million market capitalization), global companies, across every industry, have said they would be late sending in their annual reports, up from 59 last year and 54 the year before (Enrich). These companies missed the deadlines because of actual weaknesses in their reporting systems that needed to be fixed or just a need of more time. The SEC has responded by offering extensions and other like things, to make the transition to the new requirements easier (Enrich). Some companies are complaining of requirements that are too strict, more likely the delay is being caused because this is the first time these more work intensive reports are being done. Companies are upset with the lateness of their reports and in turn are frustrated with their audit companies, because they are the ones taking their time (Enrich). Auditors are liable; they are threatened with lawsuits and jail time, so they want to take their time and make sure everything is correct (Smitherman).

The average costs of implementing some aspects of SOX, namely section 404, have skyrocketed compared to the predictions; the estimate was \$91,000 while the actual is over \$3 million (Smitherman). Other complaints say that small companies are being stifled; they are spending all their time on complying rather than innovating and creating jobs (Smitherman). Since SOX only applies to public companies, some executives claim that it is like a tax on being public. The SEC is aware of these concerns and is giving corporations a chance to air their problems, through open forums and dialogs (Smitherman). Of these complaints, others in business say 'tough luck'. Joseph Streppel,

CFO at Aegon NV, says “People with integrity will admit that it was about time for new regulations....that’s life” (Smitherman).

Even with these complaints, the SOX legislation is very important and much needed; there are definite and real problems with the accounting industry. Co-author of the legislation, Sen. Paul Sarbanes, said that his law is working. Hundreds of companies have disclosed problems and were able to fix them, preventing future fraud and protecting investors (Smitherman). Even more staggering, figures show over 92% of internal auditors have identified weaknesses in their internal controls. All the internal control systems, data management systems, etc. are going to be useful for applications beyond SOX (Renzas).

As this paper stated before, a corporation has one ultimate goal, maximizing the wealth of shareholders, not earning big money through misrepresentation or making their work easier. Revenue and growth are not as important as quality, business ethics and value creation (AICPA update). Before SOX, the scandals caused \$7 trillion in losses to investors (Bricker). Before SOX, most CEO’s did not alert shareholders to internal control troubles until auditors found them; this was terribly misleading (Smitherman). Now, with SOX, there is a tremendous amount of information out there, investors can see what the fraud risk is and invest more wisely (AICPA update). This greater confidence is showing; since SOX was enacted, the S&P 500 index is up 50% (Smitherman).

As established by this paper, SOX is very extensive and wide spread legislation. It completely rebuilds some aspects of accounting law, creating much more expensive, time-consuming work. Some executives consider these laws an over-reaction, but really they are bringing the industry standards to where they should have been. Investors lost

trillions because of the lax standards; with SOX they have the protection that they should have had from the beginning. The opportunities in the industry have also greatly expanded; more work to be done means there will be more need for accountants. With the high demand comes high pay and benefits, making this a great time to be graduating with an accounting degree.

France: A case study

As we have seen in the other sections of this paper, Sarbanes-Oxley has already, redefined and is going to continue to redefine what it means to be an accountant in the United States and beyond. The U.S. is not alone in trying to re-regulate an industry that has spun out of control. The European Union as a whole has proposed their own revisions to accounting law and specific countries within the E.U. have done the same. France, specifically, passed their own reforms on July 17, 2003, a year after SOX became law. Loi sur la securite financiere (LSF), which translates into the financial security law, is stricter than SOX in some aspects; in fact, it is the strictest accounting legislation in the world. This section will explain what LSF does and show the impact it will have on French business and the French accounting industry.

Before LSF is examined it is important to look at the French history that made it possible. The late 1960's were a time of great economic expansion for France; the basics of rebuilding a war-torn country were finished and more serious economic expansion could begin (France: two overlapping). As this growth was going on there was an equal amount of reform to the French financial and legal law. These reforms were fairly strict; French officials thought to keep everything operating smoothly and to protect people,

they had to be. As the years passed, the French continued to update and modify their laws on the stricter side.

Even being on the strict side, the accounting scandals showed that all the current rules and regulations needed to be rethought; that is where the LSF comes in. Of the many changes the law makes, the reinforcement and tightening of France's audit/non-audit split that has existed for years (Major changes). The law specifically states "The auditor is prohibited from furnishing to the person whose accounts it has been employed to certify...any consulting or other type of service which is not directly linked to the audit itself" (Security and bankruptcy). While this part of the law is like something seen in SOX, the French version goes much further.

LSF is also responsible for the creation of the Autorite des Marches Financiers (AMF), a merger between two regulatory bodies: the Commission des Operations de Bourse (COB) and the Conseil des Marches Financiers (CMF) (Major changes). This is the agency responsible for enforcing and changing the new standards (French firms in reshuffle). This law also establishes the Haut Conseil des Commissaires aux Comptes (H3C). This agency is responsible for monitoring the audit profession and watching over issues of ethics and auditor independence (Major changes).

Like the much maligned SOX section 404, the LSF establishes that companies must report on their internal controls and how effective they are at preventing fraud. This is a departure from the French system. As Thierry Colatrella, partner at KPMG says, "The internal control tradition is often oral, meaning one knows what to do because one has been told what to do" (Security and bankruptcy). In these reports the chairman of a company has to list what internal controls are in place and the auditors have to issue a

report on how well the chairman did on his report (Kerrison (3)). Two other elements these reports contain are an explanation of the management board's function and a description of the limitations placed on the CEO's power by the company board (French businesses suffer).

The minimum requirement for these reports is to be descriptive, just give the details of the internal control systems. The recommended path is evaluative, which describes internal control, any problems, solutions, possible fixes, etc. and is much more work (Security and bankruptcy). More evaluative reports are seen as the ultimate goal of the law, and many people think they will be made mandatory later this year (Kerrison (3)).

The opinions of LSF, by most French accountants, have changed since its inception. Serge Castillon, partner at French accounting firm Mazars, says, "In 2003 French business considered Sarbanes-Oxley, and the French act, as new constraints with no added value. Now more companies consider that these new regulations might give an opportunity to review and improve their procedures and internal controls. Some of them even utilize the work done, with respect to these new regulations, as a communication tool to enhance their reputation in the markets" (Good governance). 77% of French companies see LSF as a positive, a way to improve internal controls and institute better policy's (Kerrison).

The aspect of LSF that is having the biggest effect on the French accounting industry is the strict audit/non-audit split. In France, accounting work is dominated by six big firms, the worldwide 'big four', RSM International and the Mazars Group. These firms get 98% of all audit fees, 99.7% of non-audit fees and 98.7 of total fees (Kerrison

(2)). The huge market share of these companies now works against them; they are providing audit services to so many companies that they are excluding themselves from providing more lucrative consulting services (Major changes). To compound this problem of market share, France traditionally has had a joint audit system. Larger companies are required to have two auditors, further reduces the amount of non-audit customers available to firms (Kerrison (3)).

Ernst and Young is a good example of a firm that is faced with changes from the split. They are giving audit services to 24 of the top 40 companies in France, leaving only 14 for all other services (Kerrison (3)). In 2002, before the strict new requirements, their fees amounted to the following: audit €17 million, audit related €5.1 million and non-audit €6.9 million. In 2003, after the law was passed, these fees amounted to: audit €13.7 million, audit related €2.6 million and non-audit €2.2 million, quite a decrease from the previous year (Kerrison (3)).

French firms are taking no chances on these new laws. Thierry Colin, director of development at Mazars France, states “If we have to ask ourselves whether a particular engagement will breach the independence requirements, we will always turn it down” (Kerrison (3)). Some firms are going even further and spinning off parts of their companies; KPMG has separated from its legal division and Deloitte France has spun off its consulting, tax and legal divisions (Kerrison (3)). This has set them apart from Ernst and Young and Price Waterhouse Coopers, who have not separated any of their business units (Major changes).

While big firms are being negatively affected by LSF, mid-sized and small firms are reaping the benefits. They do not have the presence in the audit industry to be limited

in their non-audit services, which are the real money makers. The work being offered to the smaller firms is mainly what is known as ‘channel 2’ work, services like advising and reviewing the new internal control reports (Major changes). Companies would rather take no chances and have external auditors concentrate on some key issues, rather than use their internal ones and having prior engagements with the big firms, the doors are open for the smaller ones (French firms seizing).

Ironically, the increased workload that LSF has brought has not resulted in an increase in fees that happened in the U.S. very soon after SOX kicked in (Kerrison (3)). This is not just a difference of American and European systems. The U.K. has not gone as far as France in new regulation, but accounting firms there have experienced increased fees (Kerrison (2)). The main reason for this is the downward pressure that companies have put on fees in recent years. Jean-Luc Carpentier, head of Grant Thornton France, thinks those increases may take 2 or 3 years to be realized (Major changes).

One aspect of the LSF has had only a mild effect on the French industry; the requirements of internal reporting. As we have examined earlier in this paper, it is because there is a minimum path that a company can follow, making the work load much lighter than the requirements of SOX. If the more evaluative aspects become requirements in the near future, which many predict to be the case, it may be the boost that the industry needs to increase their fees. Another possibility is that even if the more stringent requirements become law, it may not affect the industry all that much. Many French companies are traded on the NYSE and have already begun the evaluative work because they are subject to SOX (Kerrison).

Much like SOX, there are some negatives associated with this new legislation. Concerning the audit/non-audit split, auditors are worried that some work considered non-audit, may be important to the quality and completeness of the audit, but they may be disallowed from doing it (Security and bankruptcy). Aside from the thoroughness aspect of the internal reports, there are two different formats they can be filed in, making comparing them difficult. The AMF states “In general, the presentations of procedures and the principal risks differ starkly from one company to another, reflecting the diversity of organizations, but also the absence of a common reference, which renders a comparison between the reports quite difficult” (French businesses suffer). There are also problems in defining responsibility on the internal control reports. There are general guidelines on what role the auditor takes and what role the company executives takes, but the roles are hazy when it comes down to specific details (French businesses suffer). There is also not as much executive responsibility as in similar legislation (SOX). The threat of fines and even jail time is a huge deterrent from acting unethically and would make any executive think twice (French businesses suffer). While not related to the LFS, as of January 1st of this year, all countries in the E.U., which includes France, will switch to the International Financial Reporting Standards (IFRS) (French firms in reshuffle). Combined with the new regulations, there is going to be a lot of work for French accountants.

The accounting industry is changing and there is no stopping it or going back. While most of the scandals occurred at the American headquarters of companies, it is not an American problem; it is a business problem and business is worldwide. The U.S. acted quickly with the SOX legislation, but as this section shows, they were not acting alone.

The French government passed the LSF, which is even stricter than SOX in some aspects and is predicted to get even tougher. These are just two of the examples of countries re-establishing trust in their accounts; this same process is going on all over the world. These changes are being embraced by not only the shareholders of the companies, but by accountants themselves. The majority agree that these reforms were needed and realize that the extra work and time they are putting in is going a long way to give the industry its good name back.

Conclusion

As this paper has shown, the reforms of the accounting industry, while complicated and somewhat drastic, are doing many things to give the industry its good reputation back. The ball of reform started rolling from the epicenter of the scandals, the U.S., but is not limited by our borders. Every major company operating in every country is affected by these reforms. As we have seen with France, some go even further than those of Sarbanes-Oxley.

While different countries have different approaches when making law, the ultimate goals are all very similar. There needs to be accountability of those people who control the company and make decisions with the money, protection against fraud and upfront and honest disclosures of important data. These measures are being put in place not for anything unreasonable, but to reinforce the established number one goal of corporations; wealth maximization of the shareholders.

Business is worldwide. As long as there is a market for their particular goods companies will sell them anywhere they are allowed. Globalization will continue to

expand and different countries will become more inter-tangled with each others laws, standards, taxes etc. What this seems to be leading to is an international set of accounting standards. The International Financial Reporting Standards have recently gotten a huge boost when all countries of the E.U. adapted them. However, nothing can be truly international without the support of the U.S. and getting them to sign on will be a major hurdle.

Accounting is a crucial profession and there will always be a need for it. Ironically, while the recent scandals have hurt the industry, they have not hurt job opportunities within it. The increased workload that the reforms require has actually made accountants more valuable and has created new job opportunities. Whether you are a veteran of the industry or are starting your first year of college, accounting has a bright future.

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