Sarbanes-Oxley

Your Name (First M. Last)

School or Institution Name (University at Place or Town, State)

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**Impacts of Sarbanes-Oxley on the company's internal control**

Sarbanes Oxley is an Act that was signed by President Bush in 2002. This Act was specially designed for having a look over the financial reports of the finance professionals. This Act was made for reviewing the requirements of the audit. Its purpose was protection of investors as well. By taking a look over the working of this act, it could be seen that there are various impacts that it cast on the internal working of a company.

There are many changes that are being made in the internal control of a company because of Sarbanes-Oxley, such as, the impact on the governance of the U.S that has a direct effect on the internal control of all the companies. Internal control of a company is greatly affected as the company has to strengthen its system of financing; especially it has to take more care of its audit committees.

There is another major impact that Sarbanes-Oxley cast on the internal control of many companies and that is, these companies have to ensure that their directors and other officers would give accurate statements about the financial reports (Ge,et,al,2005). Companies had to make changes for taking their directors in confidence as companies would be liable, if there would be any conflict or difference between the statement given by the official figures of a company and real stats.

This Act made the companies more conscious, in choosing members who are going to personally certify the accuracy of the financial reports of a company. The top managers who are going to certify these reports, if knowingly makes any false report or approve any wrong finance report, then they may have to go to the prison for 10 to 20 years. Strengthening of the disclosure requirement is another major impact of Sarbanes-Oxley on the internal control of the company.

References:

Ge, W., & McVay, S. (2005). The disclosure of material weaknesses in internal control after the Sarbanes-Oxley Act. *Accounting Horizons*, *19*(3), 137-158.