Unit 1 Assessment

[Name of the Writer]

[Name of the institution]

[Date]

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**Question no. 1**

**Roles and Responsibilities of the Board of Directors**

Board of directors is considered as the top management of the organizations as they make the rules, what type of policies to be followed, important market decisions to be taken and many more crucial matters that are in the interest of the organization. They are entitled to high power and authority with respect to the operations of the company which is why they have a huge responsibility to perform. Board of directors has many roles to perform for the betterment of the company but the primary one is to upgrade and improve the long term stockholder value by the following actions.

* They select and maintain a succession plan for the post of Chief Executive Officer and also other key managerial staff which they will execute and implement for the coming years.
* They establish and review all the strategies and main goals of the organization.
* They control the business and internal matters of the company by keeping into consideration all the potential risks and opportunities.
* They shall participate in all the annual meetings and session that plans out for the performance of the company for the whole year. In these meetings, they critically observe the financial, competitive and transformational performance made by the company till that date.

Board of directors consists of the directors, chairman and Chief Executive Officer who are independent and have a managerial team to lead according to the objectives of the company. The board also decides about the level of authority and power needed to be given to all the key members of management (Pomykalski, 2015). The board has a key purpose to pursue related to the company’s prosperity, expansion and success by working together to direct the company’s affairs and meeting the appropriate interests of all the stakeholders involved.

**Real life Example**

There is one such example in the recent past related to the board of directors that failed to meet its responsibilities to the company. Dealing in energy, goods and services, Enron corporation was an American organization that was based in Houston, Texas. The company was founded as a merger in 1985 between Houston Natural Gas and InterNorth both of which are quite small regional companies. Enron had a very powerful board of directors who had legal, political, ethical and economic expertise. All the directors were quite influential and had extraordinary experience in this field. But, Enron ceased operations in 2007 because Enron chiefs were found guilty of fraud and conspiracy. One of the directors was condemned of 18 accounts of conspiracy and fraud alone with one count of insider trading. There were cases of bank frauds as well due to which the company eventually stopped its operations. Despite the huge power possession of the Board of Directors, they were unable to save the company and failed to perform the responsibilities efficiently. The company had to pay the price of their malpractices.

**Question no. 2**

Top management of any organization is considered as a driving force towards the road of success. They have enormous responsibility towards the achievement of the organization because they set a system of such rules, policies, and practices through which the company will be controlled. This system of controlling the structure of the company with a position of authority, responsibility, and accountability is called corporate governance. Corporate governance is necessary in the modern world for the organization so that the company does not face legal, ethical, cultural or business problem regarding its discipline and management. Corporate governance also takes into account the interests of all the stakeholders and maintain a perfect balance in them so that no issue arises for the company to the way to success. Leaders and top management are reliable to every change that occurs in the company which also includes a change in strategic planning. Apart from designing a system in the form of corporate governance, they face another challenge in leading the company i.e. strategic planning (Wheelen & Hunger, 1987). Strategic management comes in to play in every aspect of the company's operations. It comes under the planning done by the top management for the achievement of certain goals which are difficult to achieve otherwise. Similarly, strategic management is also very useful for the company as it saves the company from incurring any expected losses and enhances the competitiveness of the company. Strategic management also sets the right direction for the company, understand the changes in the environment and makes the adjustments in the company accordingly.

**Question no. 3**

**Sarbanes-Oxley Act**

Sarbanes-Oxley Act was passed by the U.S. Congress in 2002 in response to the malpractices found in the corporate sector. Many big organizations were revealed to be a part of huge frauds and scams (Sarbanes, 2002). The act was designed for the protection of investors from the chances of fraudulent accounting actions undertaken by certain corporations (Silverstein, 2015). The SOX act that was introduced in 2002 is also known as corporate responsibility act of 2002 because many companies were involved in accounting malpractices in 2000 to 2002-time period and this is why charges were held against them (Tacket et al.,2004). One of the famous examples is Enron cooperation as this organization had to cease its operations in 2007 due to its own illegal and unethical actions and involvement in frauds (Damianides, 2005). The SOX supported strict reforms to improve the corporate governance in the organizations and the financial disclosures from cooperation to prevent future cases in fraud. Organizations need to work on corporate governance and should make their system of controlling and directing policies, laws, and practices strong so that they do not face any charge from the government for their practices. The law has become an integral part for the public companies during the last thirteen years. SOX has significantly improved reporting, auditing, and the overall management of public companies. Financial reporting is much better after the implementation of this law. Investors and public derived with the applications of this law as they needed to put their trusts in the stock markets after the major scandals of Worldcom and Enron. However, there are certain challenges in terms of compliance with this law. According to Protiviti consulting organization, the audit fees and compliance expenditures are on the rise. Furthermore, there are some shortcomings as far as internal controls are concerned. The companies under Sarbanes-Oxley are required to give out details about their annual assessments and internal record mechanism. Also, management is subject to accountability according to this law. Overall, the law has enabled companies to improve their accountability process.

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