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# Introduction to the company

Enron is basically a gas and oil handling company which is proving the services to handle the assets of businesses. Jeff Skilling is the new CEO appointed and this year the company revenue increased by 40%, with $13.2b. But Enron stock market price did not reflect.

# Statement of the problem

Enron is following the traditional accounting system which did not reflect the perspective revenue rather than mark-to-market which anticipate the long term revenue whenever any contract is signed. The problem is about the adopting of accounting system due to which Enron market value did not reflect.

# Statement of my viewpoint

The picture behind the accounting system adopting is completely different because the intentions are different. Enron’s begins to use accounting techniques to show the high prices of their shares, they use the special purpose entity (SPE) to keep the debt away from the parent company Enron financial statements. The adopting of this accounting system is actually the motive to manipulation of the prices of their shares in the market. According to the current accounting system, this partnership between ENRON and SPE is illegal but unlucky these rules start applying later the scandal of Enron.

# Keep the accounting system

There were flaws in the old accounting system which allow the Enron to manipulate its share price if I would be the CEO of Enron I will keep the accounting system to provide the clear picture of Enron rather than to change the same accounting system.

# Justification with ethics

Maintaining the auditor's independence is very important to provide a clear and unbiased picture of the financial statement to shareholders for their better decision making. Unlucky Arthur Anderson did not prove themselves, investors believe blindly on auditors and their all investment or on stake just a simple report of their decision. Ethically and professionally was wrong whatever the management of Enron did.

Part B

Enron’s motive behind the creation of SPE is actually wrong that is why they offer to keep their investment to the bank in SPE and control it. Actually, a special purpose entity provides help to the parent company.

# Decision Choice

For a bank, the primary purpose might be to earn money and increase the wealth of its shareholders, but the earning should come from legal and ethical ways. If I was the investment bank with Enron and I know that Enron is dealing the way which is illegal and unethical I will withdraw my contact from the bank with a clear opinion with my stakeholder the reason of with drawl of contract. It might be create and impose a serious impact on my company financial statements for the year but my act will appreciate due to of the correct decision. SPE which is not actually doing any business and is an only way to support another company to provide a manipulated figures to the shareholder is illegal.

# References

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