Finance, Accounting and Business

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Long-term debt issued amounted to $11 billion in bonds. The contributors of capital authorized from these bonds. However, the go-ahead decision made to sell $11 billion bonds and issue $50 billion long-term debt without involving the investors contributes to integrity and unethical issues (Alban, 2002, March 25). Therefore, the decision would influence the investor’s decision and have a negative say towards the activities of GE.

In a free economy, and where there is efficient flow of information, prices of securities will reflect a fair pricing. The case reflects on the bond values of GE that was issued before WorldCom bond. The issued bonds by WorldCom make the bond values of GE to decrease. Speculations precede the issue of the bonds and this lays the foundation of the ethics question. In this case, ethics is despaired hence, a general question posed by Bill Gross. Therefore, GE knew all about the issues covering the investors due to the Enron, and Tyco international. After realizing that the company was aware, then there was no need of pretending to make a bold step 3 months later. This was unethical in the line of GE. This is evident when the American express Asser Management team expressed an opinion regarding the activities of the companies.

In my own opinion, it was unethical for GE to sell $11 billion of long-term bonds without informing the investors. Investors are the providers of capital that would be in form of equity or debt. The action would be that of usurping the rights of the investors and would place the company in a dangerous position. Issuing of the new $59 billion long-term would jeopardize the decisions of the investors. The decision of acquiring debt finance would be a decision befalling the owners or contributors. Despite the issue of debt, there is a threat on the USA economy.

References

Alban, J. (2002, March 25). Gross shakes the bond market; GE calms it, a bit. Barron’s. Retrieved from https://www.barrons.com/articles/SB1016842424691772160