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MATRIC NO; 17/SMS02/049

DEPARTMENT; ACCOUNTING

ASSIGNMENT; WHAT ARE THE MAIN GOVERNANCE ASPECTS OF THE SARBANES-OXLEY ACT

GIVE A SUMMARY.

Sarbane-oxley act

This is the primary federal law governing corporate and accountability across multiple aspects of corporate business practice.. Its primary emphases were to enhance the quality and transparency of corporate disclosure and force changes in the auditing of publicly traded companies. These objectives were achieved in a number of ways by the passing of the Sarbanes-Oxley Act.

SOX corporate governance guidelines include:

1. An increase in the direct responsibility of senior corporate managers for the quality of their company’s financial reports and disclosures.

2. An increase in the audit committee’s independence from the company and its responsibility regarding the company’s auditors.

3. Limitations on the types and nature of services that auditors can provide to a publicly traded, audit client.
4. The creation of an independent Board to oversee auditing practices regarding publicly traded companies.

While there was an initial corporate outcry, particularly about the expense of compliance which is proving valid, corporate attitudes generally have shifted. As corporations investigated and implemented responses to the Sarbox Act, they are recognizing that compliance can result in improved processes, both financial and operational, increased efficiency better and more timely planning information and that more transparency enhance access to capital and capital at lower cost.

The following is intended as brief overview of the Sarbanes-Oxley Act and not as a detailed summary or commentary on the Act or its intentions. Specifically, the items selected are intended for consideration by those involved with and responsible for a public company’s internal governance and generally ignore the Sox’s efforts at limiting the actions of analysts and investment bankers.

Among other things, the Sarbanes-Oxley Act Also;

1. Requires the Chief Executive Officer and the Chief Financial Officer to certify that the company’s financials fairly present the company’s financial condition.

2. Requires forfeiture and return to the company of any bonus, stock or option compensation received in the twelve months following a misleading financial statement that subsequently results in a restatement.

3. Requires accelerated reporting by insiders – such transactions must now be reported by the second day following the transaction

4. Requires the company to report all off-balance sheet transactions.

5. Requires that if the financials contain any pro forma disclosures they must be more straight-forward.

6. Requires that all annual reports filed with the SEC include a statement by management asserting that it is responsible for creating and maintaining adequate internal controls and assessing the effectiveness of these controls