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A PREVIEW ON SARBANES-OXLEY ACTS.

This is an act named after its sponsors, Senator Paul Sarbanes, and Congressman Michael Oxley. It became a law on July 30th 2002 also called ‘’Sarbox’’ or ‘’sox’’ which was enforced by the Securities and Exchange Commission. Many thought that Sarbanes-Oxley was too punitive and costly to put in place. They worried it would make the United States a less attractive place to do business. The Sarbanes-Oxley law enacted to the accounting and corporate scandals of 2001-2002 including Enron’s collapse.

The law established the duties of a firm’s board of directors, as well as advising on auditing and other business requirements including to protect investors by improving the accuracy and reliability financial statements .The sox is generally considered the single most important piece of legislation affecting corporate governance, financial disclosure, and public accounting since the US securities laws enacted in 1930s.There are two key provisions of sox act of 2002 which include; section 303 and section 404. The act in general was shows reform in the following areas;

1. Corporate responsibility
2. Increased criminal punishment
3. Accounting regulation
4. New protections.

Section 302 of sox act of 2002 is a mandate that requires senior management to certify the accuracy of reported financial statements while section 404 is a requirement that management and auditors establish internal control and reporting methods. On the accuracy of this, section 404 is very expensive to establish to and maintain the required internal controls Section 808 of the sox act of 2002 contains three rules that affects record keeping. The first deals with destruction and falsification of records. The second strictly defines the retention period for storing records. The third rule outlines the specific business records that companies need to store which includes electronic communications which basically means that beside the financial side of a business, such as audits and internal controls, the sox act of 2002 requires information technology departments regarding electronic records, this act does not necessarily set any business practice in this regard but clearly states which company records should be stored on files and how long, the act also doesn’t state how entities should store their record only that it in the information’s technology department duties to store them.

IN CONCLUSION: The Sarbanes-Oxley act is a law that ensures for financial accuracy, corporate governance (internal management) of a firm and rules guiding the presentation and storage of financial statements of every firm including auditing to check against financial fraud.