

Reflection Summary Assignment

Name

ACC 291 / Principles of Accounting II

Date

Instructor Name

Identify situations that might lead to unethical accounting practices.

Unethical accounting practices are considered as a type of unethical behavior. There are certain situations that might lead an accountant or CFO to perform unethical accounting practices. There are several reasons for such unethical reasons to occur. The main reason that might top all other reasons is personal self-interest greed. An accountant might resort to funds embezzlement from his or her employer as a quick way to produce financial gain. Sometimes an accountant prefers to take shortcuts when preparing a company's financial information which means it does not produce the correct in depth analysis the same as if the correct steps had been performed. A CFO might perform such an unethical accounting practice for the sole reason of making the company look as though it is performing much better than it really is. A CFO might also perform such act as a way to get company stock to increase. An accountant might be forced by the CFO to perform an unethical accounting practice due to being under corporate pressure and might be in fear of losing his or her job.

Examine the effects of unethical behavior and the Sarbanes-Oxley Act on financial statements.

The Sarbanes-Oxley Act was created to set new standards for corporate accountability and also to set standards for unethical behavior within company's financial statements. The act ensures that company's and its corporate auditors are held accountable for the accuracy of the company's financial statements. The Sarbanes-Oxley Act specifies the financial responsibilities of corporate accounting such as adhering to internal controls, formalizing an internal checks and balances,

ensuring that the financial statements provide full disclosure and other procedures that ensure the validity of the financial records. Companies such as Enron, Tyco and several others committed fraud and other unethical behaviors involving their financial statements causing major financial losses for investors and mistrust among future investors and ultimately causing the implementation of the Sarbanes-Oxley Act. The Act has also made it possible for corporations to not only to be more diligent and ethical in their financial reporting but it also has the potential to make them fearful to commit unethical or fraudulent financial reporting due to legal punishment.

Reference Page

Weygandt, J.J., Kimmel, P.D., & Kieso, D.E. (2010). *Financial accounting (7th ed.)*. Hoboken, NJ: John Wiley & Sons.