

Is Your Company at Risk for Financial Restatements?

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In 1997, 116 public companies went back over the accounting books and restated their financials because internal audits uncovered errors, or worse, fraud. In 2006, nearly 2,000 restated. The Sarbanes-Oxley Act, passed in the wake of accounting scandals at Enron and WorldCom, in part explains the dramatic uptick in restatements. The law strengthened the rules for corporate financial governance and required extensive (and expensive) external audits, creating new accounting challenges for big companies. Even now that the SEC has relaxed some Sarbox requirements, compliance is still tripping up CFOs, and restatements are scaring shareholders. To help your business cope, we've compiled five articles that examine the new world of financial reporting.

Restate and Main: Is Your Company Vulnerable?

Source: CFO Publishing

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This column from CFO Publishing looks at the nitty-gritty behind restatements: exactly how much they have increased and why certain types of companies are more likely to have to go back over their books.

What Triggers Financial Restatements?

Source: Penton Media

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The list of common problems that lead to faulty accounting is long. But the bigger issue may have more to do with the evolving job descriptions of finance staff. In recent years, companies have added strategy to the list of their accountants' responsibilities, leaving less time for traditional number-crunching.

Prepare for the Worst

Source: Softrax

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When a company announces a financial restatement, the fallout can be quick and brutal. This in-depth study lays out the potential consequences, including the collapse of the company's stock price, class-action lawsuits, management turnover, and lower earnings forecasts.

Uncovering the Culture Behind Fraudulent Financial Reporting

Source: The CPA Journal

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Financial restatements are bad for the credibility of the U.S. financial reporting process. They can undermine public confidence in the markets and be disastrous for the company itself. Despite the risks, certain companies have instituted policies of financial fraud. This article from *The CPA Journal* identifies what these firms have in common.

Fraud or Error? The Case of MicroStrategy

Source: hicbusiness.org

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This study by Loyola Marymount University professor Sudha Krishnan takes a detailed look at the events that led up to software vendor MicroStrategy's restatements of nearly two years of financial reports.

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