General Guidelines of the Sarbanes-Oxley Act

Sarbanes-Oxley Act has permanently changed the way the American CPA prepare the statement showing financial information about any company or the manner in which the corporate present their financial data to the public.
After the failure of WorldCom and Enron, which shook the confidence of the investing public in corporate America, the government enacted the Sarbanes-Oxley Act which was authored by Paul Sarbanes and Mike Oxley. The way all public companies were required to do business and how they reported what they did was changed for ever by the Sarbanes-Oxley Act.

The law requires that all companies in which public have invested their money to meet the stringent reporting requirements as laid down in the Act.

The Act is a framework within which all financially critical processes of any business are to be reported. The Sarbanes-Oxley Act aims at protecting the investing public by improvement in the transparency, in the accuracy and in the reliability of disclosure of financial information which are made as per the requirements of the securities law and for any other purposes.

The Sarbanes-Oxley Act has sought to introduce new standards in corporate reporting and accountability as well as prescription of very heavy penalties for frauds which even include a jail term for those committing the frauds. The Sarbanes-Oxley Act has put much stress on the requirement of reliability and accuracy factor governing the financial reporting by public companies.

The executives in charge of the management have been made personally liable for ensuring the reliability and accuracy of financial statements. The companies are now forced by law to implement appropriate internal controls for ensuring the correctness of financial data and the reporting thereon.

Heavy penalties await those who do not comply. CEO and CFOs responsible for fraudulent statements in relations to accounting and financial information can look forward to spending upto 10 years in main and a fine which may go upto one million dollars. The financial penalty can go upto five million dollars in case the wrongful statements have been submitted willfully.

About the Author

Jodie Stein also writes for System Disc examples of her work are What is the iPod Shuffle and What is the DHCP Relay Agent Visit General Guidelines of the Sarbanes-Oxley Act.

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