

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## ETHICS IN ACTION



### Accounting Scandals Rock the Financial World

Entering the 21st century, Enron, WorldCom, Tyco, Adelphia, and Arthur Andersen were celebrated names in corporate America. But the actions of a few individuals forced Enron, WorldCom, and Adelphi into bankruptcy. Tyco survived despite significant damage to its operations and reputation. Arthur Andersen, once one of the prestigious "Big 5" accounting firms, was forced out of business. These accounting scandals caused hundreds of thousands of employees to lose their jobs. Millions of individuals lost billions of dollars in investment and retirement accounts. Congress reacted by passing the Sarbanes-Oxley Act of 2002, requiring greater oversight of publicly traded companies.

These new rules proved to be no match for preventing the financial chaos that was brewing.

Liberal housing loan policies were causing an unsustainable rise in housing prices. When housing values began to decline, many homeowners defaulted on their loans. The ensuing crash in the housing market and the frauds of Freddie Mac, Lehman Brothers, and American International Group contributed to the Great Recession of 2008–2009. Congress once again reacted by passing the Dodd-Frank Act of 2010 to curb the risky business practices of banks and other financial institutions.

#### INSTRUCTIONS

Search the Internet to obtain an article that describes a recent accounting scandal. Write a one-paragraph summary that describes what happened and the individuals involved.

Your one paragraph summary: