

FINANCIAL IMPLICATIONS OF SARBANES-OXLEY (SOX) COMPLIANCE

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ABSTRACT

In the early 2000's, dishonesty in financial reporting took down mega corporations like Enron and WorldCom. Amid public outcry, the 2002 Sarbanes-Oxley (SOX) Act was born. SOX legislation's purpose is to rejuvenate investors' reliance on the stock markets by ensuring that financial reports are reliable and accurate. This act forced U.S. and foreign public companies into SOX compliance and thus increased corporate spending related to this compliance. The increased spending comes from increased responsibility on both sides. Opponents of SOX's controversial Section 404 express their concerns that the exorbitant costs of compliance may be threatening the very existence of corporations, especially small ones, on the capital markets. This paper will focus on the financial implications of Sarbanes-Oxley.

Keywords: *SOX, Section 404, Enron, corporate scandals*