"Sunshine is the best disinfectant."

Supreme Court Justice Louis D. Brandeis

Ethics and Financial Reporting

**Reading (Required)**

Les Livingstone (2nd edition, 2011)  [Ethics made easy](http://www.freeloadpress.com/bookDetail.aspx?bId=1102) an inexpensive paperback available at amazon.com, all chapters.

Our purpose this week: studying the ethics and the integrity of financial reporting. Show us that you have read and understood the required readings, links and attached files - quote them where appropriate.

Financial reporting includes the financial statement information that corporate owners (such as stockholders) and creditors (such as lenders and suppliers) rely upon to evaluate the performance of top management employees, who are entrusted with managing the assets and affairs of the enterprise. Those employed in top management have a fiduciary responsibility to owners to perform prudently, honestly and in the best interests of the owners, as well as to provide owners with full and fair information on their performance.

A crooked top management is tempted to falsify this information, in order to look better than it deserves, and to cover up poor or dishonest performance. This happened in such financial scandals such as Enron, WorldCom and other financial frauds. Therefore it is essential for financial reporting to have integrity. This makes the integrity of financial reporting a fiduciary duty and an ethical issue.