

**THE STUDENT PERCEPTIONS ABOUT THE IMPACT OF
THE SARBANES OXLEY ACT: AN EMPIRICAL
ANALYSIS**

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Abstract

This study analyzes business and non-business students' perceptions of the impact and importance of the Sarbanes Oxley Act of 2002 (SOX). A survey containing 18 SOX-related items and 8 demographic items was distributed to upper division undergraduate students in business and sociology and graduate business students at an AACSB and SACS accredited Southeastern business school during fall of 2008. T-tests for equality of means were used to compare the responses by student type (graduate or undergraduate) and by major (business or non-business, accounting or management, etc.). Business majors perceived SOX as one of the most important pieces of legislation for the accounting profession and generally revealed a positive perception of SOX's impact. Graduate business students perceived SOX as one of the most important pieces of legislation for the financial markets and generally revealed a more positive perception of SOX's impact than undergraduate business students. Business majors felt SOX had increased corporate transparency, transformed corporate governance for the better, restored investor confidence and financially impacted companies. Business majors also felt that SOX had increased management and auditor liabilities and implemented harsher punishment for CEOs. Non-

business majors exhibited less positive perceptions of SOX perhaps due to their non-familiarity with SOX. An important implication of this study is that all business students need to appreciate business processes more and understand the importance of internal controls better.

INTRODUCTION

The effects of SOX on corporations have been examined by several researchers and interest groups. Stephens and Schwartz (2006) report that the average annual cost of being a public company almost doubled after the enactment of SOX. The annual cost for companies with revenues under \$1 billion increased from \$1.3 million to \$2.9 million; these costs do not include first year costs of compliance such as evaluation of internal controls. Although such studies are useful for the basic information they provide, many times they look no further than the measurable costs and benefits of the legislation. Although research studies are providing newer, perhaps more insightful information, it is not clear that this information is being communicated to future accountants and investors. If not, we may want to provide these future leaders with the necessary information for making informed decisions. To measure the breadth of knowledge of future business persons, we survey 261 business and sociology students at a large University in Florida. The survey asks several key questions about students' perceptions of SOX impact.

Academic concerns have focused on the practical problems encountered in integrating SOX into the business curriculum. Many business programs have 120 credit hour limitations imposed by the university or the applicable state, and as a result, professors are forced to delete existing material in favor of including SOX in their courses. Similarly, authors are grappling with the choice of including SOX into a revised version of their current text, or starting from scratch with a fresh perspective. Lastly, because the impact of SOX is so far reaching on the business curriculum, professors have faced a steep learning curve to understand and

convey its importance to their students throughout the business program. For example, since accounting and finance professors are directly impacted, they are generally more knowledgeable about the law and are able to relay its significance to their students; however, management, marketing and information systems professors who are less directly impacted by the law may have a more difficult time teaching the nuances of the law as it affects their fields (Reed et al, 2007). The next section provides a short description of prior research in this area. We briefly describe the research methodology in section 3 and the results are discussed in section 4. A brief summary and research implications are provided in the final section.

PRIOR RESEARCH AND OVERVIEW

The US has suffered from egregious financial scandals and corporate abuses, such as Worldcom, Enron, Tyco, and Adelphia in the past decade. As a result, “Congress passed Sarbanes-Oxley, which was intended to make corporate governance more rigorous, financial practices more transparent, and management potentially criminally liable for lapses.” (Wagner and Dittmar, 2008)

Compliance allows for “...valuable insights into operations, which management has translated into improved efficiencies and cost savings. The areas of improvement go well beyond technical statutory compliance. They include a strengthened control environment; more reliable documentation; increased audit committee involvement; better, less burdensome compliance with other statutory regimes; more standardized processes for IT and other functions; reduced complexity of organizational processes; better internal controls over business relationships with other entities; and more effective use of both automated and manual controls.” (Wagner and Dittmar, 2008)

SOX was intended to address many of the significant concerns relating to the scandals and the fraudulent financial reporting that took place within prominent corporations. Its scope

is intentionally broad – the eleven titles address aspects of financial reporting and fraud transcending oversight processes within organizations, and criminal penalties. (Kelderman et al, 2008).

[Appendix A provides a concise summary of the highlights of SOX.]

Since SOX has transformed and redefined the playing field for businesses and CPA firms, business schools started modifying curricula to incorporate these regulatory changes. “All business majors at both undergraduate and graduate levels who enter the business world will be impacted by SOX and need to have a basic understanding of the new law.” (Reed et al, 2007). The wisdom and effectiveness of SOX have been questioned by the business community and academia. Among the criticisms of SOX is that the cost of compliance has proven to be astronomical. Businesses generally believe that the costs of complying with SOX greatly outweigh the benefits of the law. Publicly traded firms incur a substantial increase in technology costs, audit fees, and legal fees to comply with SOX. These costs are exceptionally burdensome to small firms and foreign firms. Some believe the law is unclear, which serves to magnify the cost of compliance. Many believe some of these firms will withdraw from the market in response to SOX. (Kelderman et al, 2008). Moreover, “Large firms’ financial officers, surveyed in 2007, said their companies spent an average of 1.7 million each to comply with SOX (compared with an initial SEC estimate of five hours per report!)” (Ribstein and Butler, 2008).

Other recent research has focused on how accounting scandals have impacted student perceptions of the accounting profession. “With the increase in corporate scandals and accounting improprieties, the viability of the accounting profession is being questioned.” (Theuri et al, 2008). One such study determined that student maturity, such as age, class standing and number of accounting classes taken was found to be a critical factor in analyzing and differentiating student perceptions of the accounting field.

“[I]t is interesting to note that more mature students perceive the accounting profession as being more viable than less mature students; however, less mature students purport to have a better understanding of the ethical scandals. While those already in the profession may be concerned about mechanism to control damage and/or strategies to fix the problem, those who are preparing to enter the profession (e.g. students), may be more concerned that the qualities that attracted them to the profession may be eroding.” (Theuri et al, 2008).

Rittenberg and Miller (2005) surveyed chief audit executives (CAEs) of public corporations impacted by SOX and received responses from 171 CAEs. They found that the expected costs increased from \$1.93 million per company in January 2004 to \$3.14 million per company in July 2004. Rittenberg and Miller (2005) report that 72 percent of the respondents indicated that costs were greater or significantly greater than benefits. Only 14 percent of the responding CAEs thought that the benefits of SOX 404 compliance exceed the costs. Many factors contributed to the increased costs including the learning curve needed for documentation and testing of controls, time pressure, increased need for auditing and consulting services, extra consulting and audit fees and costs associated with management attestation. Another negative impact of SOX is the decision by some US companies to go dark or go private. Others have delisted from the US exchanges and have gone to the London stock exchange. Stephens and Schwartz (2006) report that insurance costs for directors and corporate officers have skyrocketed because of their increased liability due to SOX attestation exposure.

RESEARCH METHODOLOGY

We asked three academic experts to review a preliminary version of the survey instrument. The experts were asked to review the form and content of all of the questions in the survey instruments. Based on their input, the survey instrument was revised. The final survey instrument consisted of 18 Likert-scaled statements regarding SOX and eight demographic questions. The

Likert-scale ranged from 1 to 5 with the lowest score (1) indicating strong disagreement with the statement and the highest score (5) denoting strong agreement with the statement. We used t-tests for mean differences to examine if any significant differences existed in the perceptions of different student groups.

The student groups analyzed in this study include: business undergraduates, such as accounting majors, finance majors, and management majors, graduate business students, and non-business students. Levene's test for equality of variances, at significance levels of .05 and .10, was used to determine the appropriate T-statistic value. To gauge the existing level of students understanding and familiarity with SOX, we surveyed business and sociology students at a south eastern business school during the fall semester of 2008. The participants included (49) accounting majors, (2) economics majors, (91) management majors, (39) finance majors, (15) marketing majors, and (63) other (this includes sociology and other non-business majors). Some students did not answer all of the questions and hence, the responses may not always add up to 261. The instrument contained questions pertaining to demographic data and required students to respond to general statements on a Likert- scaled ranging from 1 to 5.

RESULTS AND DISCUSSION

The survey was administered to 203 business students across all majors offered at the Business School in a large, urban University located in Florida. It was also administered to 58 non-business majors in a sociology class. Since some of the respondents did not answer every question, it led to a slight disparity in the number of responses to various questions. A detailed description of the students and the seven classes where the survey was administered is provided in Appendix B. We present some demographic information in Table 1. Of the relevant respondents, 101 (38.8%) identified themselves as males and 159 (61.2%) identified themselves as females. Ages ranging from 18-24 (128 – 49%) and from 25-30 (88 – 33.7%) constituted the vast majority of respondents. The population of students' hometowns

ranged from less than 10,000 (3.4%) to over 100,000 (78.8%). Students were also asked to classify themselves as traditional (71.3%) or non-traditional (28.7%) and competitive (55.8%) or relaxed and easy-going (44.2%). Many of the above results quite fairly represent the overall make-up of the Florida University. Accounting majors (49) represented 18.9 percent of the respondents, finance majors (39) constituted 15.1 percent and the management majors comprised 35.1 percent of the sample. Some respondents did not answer some of the questions and hence the numbers will not always add up to 261.

Table 1:

Respondent Profile	<u>Number</u>	<u>Percent</u>
Male	101	38.8%
Female	159	61.2%
	<u>260</u>	<u>100.0%</u>
18-24	128	49.0%
25-30	88	33.7%
31-36	25	9.6%
37-42	12	4.6%
Over 43	8	3.1%
	<u>261</u>	<u>100.0%</u>
Accounting	49	18.9%
Economics	2	.8%
Management	91	35.1%
Finance	39	15.1%
Marketing	15	5.8%
Other	63	24.3%
	<u>259</u>	<u>100.0%</u>
Less than 10,000	8	3.3%
10,001-50,000	16	6.7%
50,001-100,000	27	11.3%
Over 100,000	189	78.8%

	240	100.0%
Traditional	181	71.3%
Non-traditional	73	28.7%
	254	100.0%
Competitive	144	55.8%
Relaxed and easy-going	114	44.2%
	258	100.0%

Perceptions of undergraduate students vis-à-vis graduate students

The results for the comparison of perceptions between undergraduate business and graduate business students are reported in Table 2. Six t-tests exhibit statistically significant differences at the $p < .05$ testing level. First, for the statement about the increase in liability for auditors and management due to SOX, graduate students are in greater agreement (mean of 4.08 vs. 3.77, T-statistic=2.619) than undergraduate students.

Second, a statistically significant difference exists between graduate and undergraduate students for the statement concerning changes in corporate governance practices in U.S. companies; graduate students indicate greater agreement with the statement than undergraduates (mean of 3.92 vs. 3.66, T-statistic=2.341). Third, a substantive difference is evident between undergraduate and graduate students regarding the audit rotation requirements and its impact on independence (mean of 3.48 vs. 3.20, T-statistic=2.235).

Fourth, a statistically significant difference exists between graduate and undergraduate students for the statement concerning changes in accounting practices in U.S. companies; graduate students indicate greater agreement with the statement than undergraduates (mean of 3.97 vs. 3.71, T-statistic=2.043). This response is interesting as it may indicate a certain naivety among undergraduate students about the impact SOX has had on accounting practices for US corporations. Fifth, a substantive difference is evident between undergraduate and graduate students

regarding the conservative tilt in corporate accounting (mean of 3.70 vs. 3.33, T-statistic=2.763).

These findings may indicate a heightened awareness of SOX among graduate student since business professors stress the importance of SOX in many graduate level business courses. Graduate students are more supportive of a required corporate code of ethics than undergraduates (mean of 4.54 vs. 4.29, T-statistic=2.114). It may be that the graduate students are more acutely aware of the need for a strong corporate code of ethics since they have been more exposed to corporate fraud disclosures.

**Table 2: Equality of Means
 Graduates Business Majors vs. Undergraduate Business
 Majors**

	Grad	UG	T-Statistic
Sarbanes-Oxley has benefited investors by increasing corporate transparency.	3.87	3.64	1.814*
Investors have responded positively to Sarbanes-Oxley implementation and reforms.	3.43	3.32	.959
Sarbanes-Oxley has had a large financial impact on public companies.	3.87	3.65	1.725*
Compliance with Section 404 of Sarbanes-Oxley has benefited companies beyond ensuring continued access to public capital.	3.57	3.40	1.412
The liability of auditors and management has been increased by Sarbanes-Oxley.	4.08	3.77	2.619**
Sarbanes-Oxley has resulted in large changes to corporate governance.	3.92	3.66	2.341**
The audit rotation requirements in Sarbanes-Oxley have made auditors more independent.	3.48	3.20	2.235**
Sarbanes-Oxley has changed accounting practices in U.S. companies.	3.97	3.71	2.043**

Corporate accounting has become more conservative because of Sarbanes-Oxley.	3.70	3.33	2.763**
The compliance costs associated with Sarbanes-Oxley have been greater than estimated.	3.62	3.41	1.764*
The harsh punishments that CEOs face under Sarbanes-Oxley are a good deterrent to falsifying financial disclosures.	3.94	3.68	1.864*
Sarbanes-Oxley has greatly increased the fee revenues for accounting firms.	3.45	3.27	1.612
The implementation costs of SOX will be reduced in the future.	3.03	3.14	-.923
The lack of significant financial failures since 2002 is a key result of Sarbanes-Oxley.	3.24	3.22	.103
The Sarbanes-Oxley Act is the most important legislation for the accounting profession since the 1930s.	3.52	3.37	1.105
Sarbanes-Oxley has transformed corporate governance for the better.	3.79	3.61	1.485
SOX restored investor confidence in financial statements.	3.65	3.40	1.882*
All business corporations need a strong code of ethics.	4.54	4.29	2.114**
* denotes significance at p<0.10			
** denotes significance at p<0.05			
Legend: SD = 1 D = 2 N = 3 A = 4			
SA = 5			

Five statistically significant mean differences in respondent perceptions are found at the p<.10 testing level. Graduate students agreed more with the statement that SOX had a large financial impact on public companies (mean of 3.87 vs. 3.65, T-statistic = 1.725). Graduate students also felt that SOX had benefited investors by increasing corporate transparency (3.87 vs. 3.64, T-statistic = 1.814). These two items imply that graduate students view SOX impacts in a positive light. Graduate students indicated greater agreement with the statement that the compliance costs of SOX has been underestimated (mean of 3.62 vs. 3.41, T-statistic=1.764) and believe more strongly that SOX penalties are a

deterrent to falsifying financial statements (mean of 3.94 vs. 3.68, T-statistic=1.864). These findings would seem to indicate that graduate students have faith in the positive impact of SOX. Lastly, graduate students have more belief than undergraduates in SOX restoring investor confidence in financial statements (mean of 3.65 vs. 3.40, T-statistic=1.882).

Perceptions of Business vis-à-vis Non-business majors

The results for the comparison of perceptions between business and non-business (mostly sociology majors) students are reported in Table 3. Ten t-tests exhibit statistically significant differences in mean perceptions at the $p < .05$ testing level. First, for the statement about the increase in liability for auditors and management due to SOX, business majors are in greater agreement (mean of 3.96 vs. 3.49, T-statistic=3.454) than non-business majors. Second, a statistically significant difference exists between business and non-business majors for the statement concerning changes in corporate governance practices in U.S. companies, with business majors indicating greater agreement with the statement (mean of 3.79 vs. 3.61, T-statistic=2.280).

A statistically significant difference exists between business and non-business majors for the statement concerning changes in accounting practices in U.S. companies, with business majors indicating greater agreement with the statement (mean of 3.89 vs. 3.40, T-statistic=3.731). This response is interesting as it may indicate a certain naivety among non-business majors about the impact SOX has had on accounting practices for US corporations. Fourth, business majors believe more strongly that SOX penalties are a deterrent to falsifying financial statements (mean of 3.82 vs. 3.49, T-statistic=2.334). Fifth, business majors agree more with the statement that SOX has benefited investors by increasing corporate transparency (mean of 3.83 vs. 3.29, T-statistic=4.220). Sixth, business majors more strongly believe that SOX has had a larger financial impact on public companies (mean of 3.80 vs. 3.40, T-statistic=3.003). There are statistically significant differences in mean perceptions in the following three areas as well: SOX is the

most important legislation since 1930s, SOX has transformed corporate governance and SOX has restored investor confidence. In all three cases, business majors are more in agreement with these statements.

Increased confidence in SOX by business students augurs well for how the legislation has impacted the business community, its perceptions of corporate financial disclosure, and U.S. capital markets. Finally, business majors are more supportive of a required corporate code of ethics than non-business majors (mean of 4.44 vs. 4.09, T-statistic=2.480). It may be that the business students are more acutely aware of the need for a strong corporate code of ethics since they have been more exposed to corporate fraud disclosures.

	Business	Non-business	T-Statistic
Sarbanes-Oxley has benefited investors by increasing corporate transparency.	3.83	3.29	4.220**
Investors have responded positively to Sarbanes-Oxley implementation and reforms.	3.38	3.24	1.355
Sarbanes-Oxley has had a large financial impact on public companies.	3.80	3.40	3.003**
Compliance with Section 404 of Sarbanes-Oxley has benefited companies beyond ensuring continued access to public capital.	3.49	3.29	1.870*
The liability of auditors and management has been increased by Sarbanes-Oxley.	3.96	3.49	3.454**
Sarbanes-Oxley has resulted in large changes to corporate governance.	3.79	3.51	2.280**

The audit rotation requirements in Sarbanes-Oxley have made auditors more independent.	3.31	3.15	1.546
Sarbanes-Oxley has changed accounting practices in U.S. companies.	3.89	3.40	3.731**
Corporate accounting has become more conservative because of Sarbanes-Oxley.	3.46	3.31	1.238
The compliance costs associated with Sarbanes-Oxley have been greater than estimated.	3.50	3.35	1.362
The harsh punishments that CEOs face under Sarbanes-Oxley are a good deterrent to falsifying financial disclosures.	3.82	3.49	2.334**
Sarbanes-Oxley has greatly increased the fee revenues for accounting firms.	3.35	3.22	1.127
The implementation costs of Sarbanes-Oxley will be reduced in the future.	3.15	3.00	1.343
The lack of significant financial failures since 2002 is a key result of Sarbanes-Oxley.	3.25	3.16	0.669
The Sarbanes-Oxley Act is the most important legislation for the accounting profession since the 1930s.	3.49	3.15	2.749**
Sarbanes-Oxley has transformed corporate governance for the better.	3.75	3.33	3.278**
Sarbanes-Oxley has restored investor confidence in financial statements.	3.54	3.20	3.476**
All business corporations need a strong code of ethics.	4.44	4.09	2.480**
* denotes significance at p<0.10;			
** denotes significance at p<0.05			

Legend: SD = 1 D = 2 N = 3 A = 4 SA = 5
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Only one statistically significant differences in mean perceptions exists at the $p < .10$ testing level. Business majors indicate stronger agreement with the statement that SOX had benefitted public companies beyond ensuring access to capital (mean of 3.49 vs. 3.29, T-statistic=1.870). This result is not surprising in that business majors seem more knowledgeable than non-business majors about costs and benefits associated with SOX implementation.

Other statistical tests

We also examined the effects of student gender on their perceptions about Sarbanes-Oxley. We found only one difference at the $p < .05$ level and no statistically significant difference for the other 17 items. The only difference is in regards to the statement that the compliance with SOX has benefitted companies beyond ensuring access to public capital. The averages show that the males, with a mean of 3.59 (t-statistics: 2.29), agree more with the statement than females, who had a mean of 3.35. This may indicate that males have a more optimistic view than females about the benefits of SOX and females may be a bit more professionally skeptical.

We also examined the data for significant differences of means between different business majors: accounting versus management, finance versus management and accounting versus finance. We found that for all 18 questions on the survey the mean for accounting majors were slightly higher than management majors. This may indicate that accounting majors are more familiar with the provisions of SOX and also have, in general, a slightly more positive view of SOX. We found one significant difference at the $p < .05$ level and one difference at the $p < .10$ level between accounting and management majors. The difference at the $p < .05$ level is in regards to the statement that the auditor rotation requirement in SOX has made the auditors more independent.

Accounting majors agree more with this statement (mean of 3.65) than the management majors (mean of 3.33). The difference at the $p < .10$ level is in regards to the statement that the liability of the auditors and management has increased because of SOX. Accounting majors agree more with this statement (mean of 4.20) than the management majors (mean of 3.89). This significant difference is perhaps because of the accounting majors' heightened exposure to SOX-related auditor liability issues in their junior-senior accounting classes.

We found that for 16 of the 18 questions on the survey the mean for accounting majors were slightly higher than finance majors. This may indicate that accounting majors are more familiar with the provisions of SOX and finance majors have a slightly less positive view of SOX. We found two significant differences at the $p < .05$ level and one difference at the $p < .10$ level between accounting and finance majors.

The first difference at the $p < .05$ level is in regards to the statement that the auditor rotation requirement in SOX has made the auditors more independent. Accounting majors agree more with this statement (mean of 3.65) than finance majors (mean of 3.08). The second difference at the $p < .05$ level is with respect to the statement that SOX has had a large financial impact on public companies.

Accounting majors agree more with this statement (mean of 4.02) than finance majors (mean of 3.56). Next, at the $p < .10$ level of significance, accounting majors agree more that Sarbanes-Oxley has benefited investors by increasing corporate transparency (mean of 4.06 vs. 3.72). When we examined the data for significant differences of means between finance and management majors, we found no difference in mean perceptions about SOX at the 5 percent or the 10 percent level.

SUMMARY AND IMPLICATIONS

The impact of Sarbanes-Oxley Act is significant on most of the U.S. financial market stakeholders: public companies, investors, management, and external auditors. The effects of this

legislation are of great concern to many within the business community. In addition, perceptions of business students are also important because they provide some perspective on how future business people will likely react to a SOX-type legislation. A limited survey was distributed to 261 students at an accredited southeastern University during the fall semester of 2008. T-tests for equality of means were used to compare the responses by student type (graduate or undergraduate) and by major (business or non-business).

Business majors perceived SOX as one of the most important pieces of legislation for the accounting profession and generally revealed a positive perception of SOX's impact. Business majors felt SOX had increased corporate transparency, transformed corporate governance for the better, restored investor confidence and financially impacted companies. Business majors also felt that SOX had increased management and auditor liabilities and implemented harsher punishment for CEOs. Non-business majors exhibited less positive perceptions of SOX perhaps due to their non-familiarity with SOX. Graduate business students perceived SOX as one of the most important pieces of legislation for the financial markets and generally revealed a more positive perception of SOX's impact than undergraduate business students. Several statistically significant differences were found between the two majors and between student levels. We found that for most questions on the survey the mean for accounting majors were slightly higher than either management or finance majors.

We have quantified the students' perceptions about SOX through our survey. This data can assist educators in designing teaching material that may provide the students with an understanding of the history and context of legislative interventions such as SOX. All business students need to develop a better appreciation for business processes and understand the importance of controls. A few potential areas with respect to business curriculum changes need future exploration. Our findings suggest that we need to strengthen the SOX coverage for all business students. This is in agreement with the AACSB's suggestion that

it is essential for all business majors to know SOX. Business faculty members have several options available to increase SOX coverage. They can add a chapter or two on SOX to the legal environment of business class, which is a required course in the undergraduate curriculum. Additionally, they could place increased emphasis on SOX concepts in principles of accounting. Faculty may consider adding a real-life case study on SOX in principles of accounting or principles of finance. SOX concepts could also be included in the senior-level business policy class (which is also required of all business majors).

As Bisoux (2005) stated:

“This new order means that all business students — not just accounting majors — will need some knowledge of Section 404-based internal controls and financial reporting. Whether they are CEOs or CFOs, IT specialists or department managers, accountants or auditors, workers in the post-SOX world must make diligent surveillance, operational awareness, and understanding of internal controls absolute priorities. Sarbanes Oxley and Section 404 have made that a new fact of business.” (Bisoux, 2005, p.28-29)

This study has several limitations that are generally associated with survey research. Specifically, the survey data used in this study came from a single, large Florida University. As such, caution must be exercised in generalizing the results. Whether these results will apply to small universities located in rural settings is an empirical question. We can enhance external validity by administering the same survey at other universities of varying sizes and in varying locations. Surveying professional practitioners and industry experts who had SOX exposure would be another option.

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Appendix A

Summary of SOX

<p>Title I: Public Company Accounting Oversight Board</p> <ul style="list-style-type: none"> • Establishes a five member Public Company Accounting Oversight Board (with general oversight by the SEC). • Requires public accounting firms that participate in any audit report with respect to any issuer to register with the Board. Directs the Board to establish (or modify) the auditing and related attestation standards, quality control and the ethics standards used by registered public accounting firms to prepare and issue audit reports. • Establishes auditing standards. • Mandates continuing inspections of public accounting firms for compliance and empowers the Board to impose disciplinary or remedial sanctions. 	<p>Title II: Auditor Independence</p> <ul style="list-style-type: none"> • Prohibits an auditor from performing specified non-audit services contemporaneously with an audit. • Prohibits an audit partner from being the lead or reviewing auditor for more than five consecutive years (auditor rotation). Requires that auditors report to the audit committee: • Places a one year prohibition on auditor performing audit services if the issuer's senior executives had been employed by that auditor and had participated in the audit of the issuer during the one year period preceding the audit initiation date.
<p>Title III: Corporate Responsibility</p> <ul style="list-style-type: none"> • Requires each member of the audit committee to be a member of the board of directors, but otherwise independent (no other compensatory fees or affiliations with the issuer). Gives audit committee authority to hire independent counsel and other advisors and requires issuer to fund them. • Instructs the SEC to 	<p>Title IV: Enhanced Financial Disclosures</p> <ul style="list-style-type: none"> • Requires financial reports filed with the SEC to reflect all material correcting adjustments that have been identified. Requires disclosure of all material off-balance sheet transactions and relationships that may have a material effect upon the financial status of an issue • Prohibits personal loans extended by a corporation to its

<p>promulgate rules requiring the CEO and CFO to certify in periodic financial reports.</p> <ul style="list-style-type: none"> • Deems it to be unlawful for corporate personnel to exert improper influence upon an audit for the purpose of rendering financial statements materially misleading • The CEO and CFO must forfeit certain bonuses and compensation received if the company is required to make an accounting restatement due to the material non compliance of an issuer. (bonuses and compensation one year from the original issuance or filing that needed restating) • Amends the Securities and Exchange Act of 1933 to authorize a violator of certain SEC rules from serving as an officer or director if the person's conduct demonstrates unfitness to serve...the previous rule required "substantial unfitness" • Provides a ban on trading by directors and executive officers in a public company's stock during pension fund blackout periods • Imposes obligations on attorneys appearing before the SEC to report violations of securities laws and breaches of fiduciary duty by a public company or its agents to the chief legal counsel or CEO of the company. • Allows civil penalties to be added to a disgorgement fund for the benefit of victims of securities violations. 	<p>executives and directors with some exceptions including loans made by an insured depository institution if they are subject to the insider lending restrictions of the Federal Reserve Act (Reg. O).</p> <ul style="list-style-type: none"> • Requires senior management, directors, and principal stockholders to disclose changes in securities ownership or securities based swap agreements within two business days (formerly ten days after the close of the calendar month). Mandates electronic filing and availability of such disclosures one year after the date of enactment. • Annual reports are to include an internal control report which states that the management is responsible for the internal control structure and procedures for financial reporting and assesses the effectiveness of the internal controls for the previous fiscal year • Requires issuer to disclose whether it has adopted a code of ethics for its senior financial officers and whether its audit committee consists of at least one member who is a financial expert • Mandates regular, systematic SEC review of periodic disclosures by issuers, including review of an issuer's financial statement
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<p>Title V: Analyst Conflicts of Interest</p> <ul style="list-style-type: none">• Restricts the ability of investment bankers to pre-approve research reports• Ensures research analysts are not supervised by persons involved in investment banking activities• Prevents retaliation against analysts by employers in return for writing negative reports• Establishes blackout periods for brokers or dealers participating in a public offering during which they may not distribute reports related to such offering• Enhances structural separation in registered brokers or dealers between analyst and investment banking activities• Requires specific conflict of interest disclosures by research analysts making public appearances and by brokers or dealers in research reports.	<p>Title VI: Commission Resources and Authority</p> <ul style="list-style-type: none">• Establishes government resources to administer the Act.• Authorizes the SEC to censure persons appearing or practicing before the Commission if it finds, among other things, a person to have engaged in unethical or improper professional conduct• Authorizes Federal courts to prohibit persons from participating in penny stock offerings if the persons are subject proceedings instituted for alleged violations of securities laws.
<p>Title VII: Studies and Reports</p> <ul style="list-style-type: none">• Sets up various reports and studies	<p>Title VIII: Corporate and Criminal Fraud Accountability</p> <ul style="list-style-type: none">• Imposes criminal penalties for knowingly destroying, altering, concealing, or falsifying records with intent to obstruct or influence either a Federal investigation or a matter in bankruptcy and for failure of an auditor to maintain for a five year period all audit or review work papers pertaining to an issuer of securities (ten years in prison)

	<ul style="list-style-type: none"> • Makes non-dischargeable in bankruptcy certain debts incurred in violation of securities fraud laws • Extends the statute of limitations to permit a private right of action for a securities fraud violation to not later than two years after its discovery or five years after the date of the violation • Provides whistleblower protection to prohibit a publicly traded company from retaliating against an employee because of any lawful act by the employee to assist in an investigation of fraud or other conduct by Federal regulators, Congress or supervisors, or to file or participate in a proceeding relating to fraud against shareholders. • Subjects to fine or imprisonment (up to 25 years) any person who knowingly defrauds shareholders of publicly traded companies
<p>Title IX: White Collar Crime Penalty Enhancements</p> <ul style="list-style-type: none"> • Increases penalties for mail and wire fraud from five to twenty years in prison • Increases penalties for violations of the Employee Retirement Income Security Act of 1974 (up to \$500,000 and 10 years in prison) • Establishes criminal liability for failure of corporate officers to certify financial reports, including maximum imprisonment of ten years for knowing that the periodic report does not comply with the act or for twenty years for willfully 	<p>Title X: Corporate Tax Returns</p> <ul style="list-style-type: none"> • Expresses the sense of the Senate that the Federal income tax return of a corporation should be signed by its chief executive officer.

certifying a statement knowing it does not comply with this act.	
<p>Title XI: Corporate Fraud Accountability Amends Federal criminal law to establish a maximum 20 year prison term for tampering with a record or otherwise impeding an official proceeding</p> <ul style="list-style-type: none">• Authorizes the SEC to seek a temporary injunction to freeze extraordinary payments earmarked for designated persons or corporate staff under investigation for possible violations of Federal securities law• Authorizes the SEC to prohibit a violator of rules governing manipulative, deceptive devices, and fraudulent interstate transactions, from serving as officer or director of a publicly traded corporation if the persons conduct demonstrates unfitness to serve• Increases penalties for violations of the Securities Exchange Act of 1934 to up to \$25 million dollars and up to 20 years in prison	

Source: Conference of State Bank Supervisors
<http://www.csbs.org/AM/Template.cfm?Section=Summaries&Template=/CM/ContentDisplay.cfm&ContentID=7063>.

Appendix B: Collection of data for the SOX Survey

Class	Title	Course Description	Semester
BUL 4310	Legal Environment of Business	The course includes issues such as: Contracts, Torts, Legal/Political/Economic aspects of Ethics and the Law, U.C.C., Antitrust Law, Employment Law, Securities Law, and International Business Law topics. Prerequisite: Students must be fully admitted to College of Business.	Fall 2008
MAN 4701	Business in Society	A conceptual and practical overview of the role of Business in contemporary society. Explores the social context of economic systems, examines the concept of business legitimacy, and looks at responsible management in a global, hi-tech economy. Prerequisite: MAN 3025	Fall 2008
TAX 4001	Income Tax Accounting	A survey of federal income taxation with emphasis on taxation of individuals and corporations, and the ethics of income tax accounting. Prerequisites: ACG 3301 with a grade of 'C' or higher and junior standing	Fall 2008
SYG 2010	Social Problems	An introduction to the concept of a social problem and the approaches used to	Fall 2008

		understand more fully the total dimensions of some specific problems. Special emphasis is given to clarifying one's understanding of the underlying nature of selected social problems, an analysis of those aspects amenable to remedy, and an inventory of the knowledge and skills available.	
SYG 3002	Basic Ideas	The course introduces the student to the ideas of community, authority, status, alienation, and the sacred, as used in sociological literature.	Fall 2008
BUL 6810	Legal Environment of Business	Examines current legal, regulatory, ethical, and political issues within the context of public law. Topics include employment, antitrust, administrative, cyber law, and contracts, and torts.	Fall 2008
BUL 6810	Legal Environment of Business	Examines current legal, regulatory, ethical, and political issues within the context of public law. Topics include employment, antitrust, administrative, cyber law, and contracts, and torts.	Fall 2008