Why has this Happened
• A real decline of accounting standards
• Greed
• Limited Liability
• Tax Laws

Taxes
• Acme Widgets pays 35% in corporate income taxes.
• If it can shelter $100,000,000 it saves $35,000,000
• The easiest way is to engage in a complicated strategy to move the profits offshore.

Moving Offshore
• Set up a Bahamian Subsidiary
• Earn the profits in the Bahamas
• Escape the US taxes

Moving Offshore (2)
• For the purposes of tax law, the emphasis is – and should be – on making the deal work
• If it meets the letter of the law, it is ok.
• For auditing purposes, the question is whether, in the opinion of the auditors, it is accurate, not just whether it is technically correct.

Solutions
• Eliminate Auditing Requirements
• Shoot all Auditors
• Shoot all CEO’s
• Accept the Status Quo
• Begin to Change Auditing Standards
Conclusion

• This too will pass.
• There will eventually be another round of fraud.

End

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