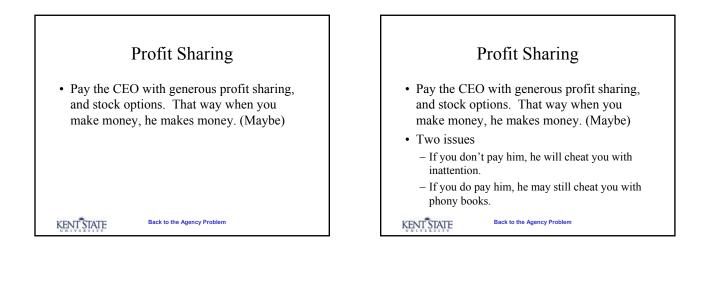
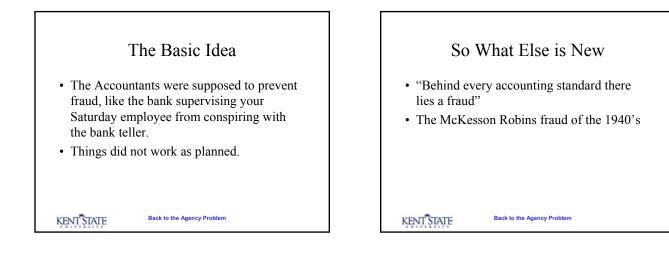
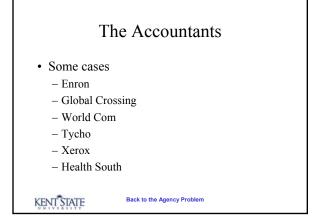


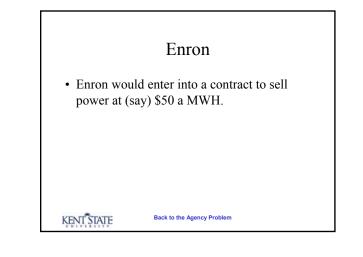
KENT STATE

Back to the Agency Problem









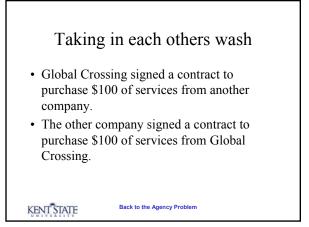
Enron

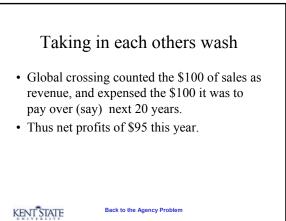
- Enron would enter into a contract to sell power at (say) \$50 a MWH.
 - If power went to \$500 a MWH, Enron stood to lose a lot of money; good accounting required disclosure.
 - But Enron had contracts with other companies to cover this risk. Someone else was "naked". No disclosure.

KENT STATE

Back to the Agency Problem

Enron Enron would enter into a contract to sell power at (say) \$50 a MWH. - If power There were secret Enron stood to l deals where Enron d accountin was responsible for – But Enrol the risk. her companies to cover this risk. Someone else was "naked". No disclosure. Back to the Agency Problem KENT STATE





Taking in each others wash

- Global crossing counted the \$100 of sales as revenue, and expensed the \$100 it was to pay over (say) next 20 years.
- Thus net profits of \$95 this year.
- So did the other company.

Back to the Agency Problem Taking in each others wash

- Global crossing counted the \$100 of sales as revenue, pay over This seems curious.
- Thus net profits of \$95 this year.
- So did the other company.

KENT STATE

Back to the Agency Problem

KENT STATE

Back to the Agency Problem

