## New Business Rules Will Improve Accounting, Investment Integrity

**By Bill Chidester – The Argus – Sept 12, 2002**

(Article Summary)

Economic decline from the wild 1990s has brought significant changes in accounting practices and investment strategy, two financial advisors told the Greater Hillsboro Area Chamber of Commerce Forum Tuesday.

Stricter regulations of the Sarbannes-Oxley bill will hold corporate executives more accountable, said Shirley Braunstein, director of assurance services with a local CPA firm.

Stockholders have learned to demand more truthfulness from corporate financial officers, said Dan Sharp, president of Sharp Investments and an investment portfolio adviser.

Together the speakers addressed the issue of "Restoring the Public Trust: Corporate Credibility and Accounting Practices."

The collapse of over-valued high-tech stocks and the bankruptcies of Enron, WorldCom and other large corporations "changed the playing field," and brought political pressure to enact the bill, said Braunstein. Noting there are 340,000 CPAs in the U.S., Braunstein said new laws won't rid the industry of all fraud. But they will separate auditing from financial advisory roles of accountants and place the onus on corporate executives for certifying the accuracy and legality of financial reports. "It is essential that we re-establish integrity in corporate dealings," she said.

The wild ride of public corporations and their eventual collapse in the 1990s could, in part, be attributed to the spread of ownership by millions of stockholders, said Sharp. "Stockholders --- many of them individuals like you and me --- really didn't know what the companies were doing. And board of directors rubber-stamped executives' decisions. There was no accountability," he said.

As a result, salaries and investments in company stocks by executives increased 1,000 percent over the past five years while employees' wages remained fairly constant over the same period.

Lack of accounting regulations and pressure on mutual fund managers to show improved stock values in the short run also contributed to the investment frenzy of the 1990s, he said. The rise in stock values in the 1990s by 25% or more annually was unrealistic, said Sharp. Historically, stock values rise each year by about 8% plus inflation.

He advised chamber members to take a “Get Rich Slow” approach. Beware of hot stocks in new companies and diversify one’s portfolio, he said. Sharp also urged investors to study carefully the companies in which they own stock. Learn what they do, who their competitors are, their debts and profitability.