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FOR IMMEDIATE RELEASE

## **SENIOR FINANCIAL EXECUTIVES SAY ENRON DAMAGED CREDIBILITY OF ACCOUNTING FIRMS**

NEW YORK, Feb. 12 -- Only 39% of senior financial executives at America's 1000 largest companies are "very confident" in the reliability of the auditing being done for corporations today, according to a new national survey by Schulman, Ronca, & Bucuvalas, Inc. (SRBI), a financial strategy consulting firm based here.

The SRBI study interviewed by telephone a random sample of 100 senior financial executives at Fortune 1000 companies from Feb. 5 -8, in the aftermath of the Enron debacle.

These senior executives are divided over the extent to which the problems with the auditing done in the Enron bankruptcy are more widespread, with almost four in 10 (39%) believing that auditing problems go beyond just Enron.

The survey, "The Financial Officers View: The Enron/Andersen Fallout" also found that the Enron bankruptcy has badly damaged the credibility of the accounting industry in general and Arthur Andersen in particular, in the eyes of these senior executives. Moreover, they are divided over possible solutions.

Other survey findings include:

- Senior executives are divided over whether the auditing problems associated with the Enron bankruptcy are "limited to Enron." Only half (51%) say the auditing problems are limited to Enron, while four in 10 (39%) say the problems are "more widespread."

(more)

## Auditing Survey – Add 1

- Only four in 10 executives (39%) are “very confident” in the reliability of auditing, while 60% are just “somewhat confident.”
- Fully 82% of these senior executives believe that the Enron bankruptcy is a “significant problem” for the “credibility of auditing and accounting firms,” and another 17% say it is “somewhat of a problem.”
- Almost four in 10 senior executives (39%) say that they are now reviewing their own relationship with their accounting firm as result of the Enron controversy. One reason may be that accounting firms also currently provide consulting services to three in five (61%) of these companies.

## Questions about Andersen’s Survival

The Enron bankruptcy has had a strongly negative impact on the image of Arthur Andersen. Half of senior financial executives (50%) say that their companies would not consider using Arthur Andersen in the future.

Only 39% believe the accounting firm will survive in its present form. Almost four in 10 (37%) believe that Arthur Andersen will either be taken over (15%) or will merge with another accounting firm as an outgrowth of Enron (22%). The remaining 23% are unsure about Andersen’s fate.

## How to Avoid Future Problems

One proposal to reduce conflicts of interest between accounting firms and clients is to put a limit on the number of years that a firm may audit a corporation. This proposal to limit auditing terms was rejected by the vast majority (72%) of executives. Only one in five (26%) say that there should be a limit.

Executives are divided over whether the special purpose entities or partnerships created by Enron to keep debt off the company’s books should be made illegal. Over one-half (51%) say these special purpose entities should not be made illegal, 36% say they should be made illegal, and the remaining 13% were unsure whether to make these special purpose entities illegal or not.

(more)

## Auditing Survey – Add 2

A large majority of these financial executives (59%) would prohibit accounting firms from providing auditing services to their accounting clients. Only 35% feel accounting firms should be able to provide both of these services.

Most executives (60%) reject the need for new government regulations over accounting firms. Instead, most (85%) feel that the government needs to better enforce existing regulations. However, a minority (37%) did feel there was a need to create new government regulations.

### **Methodology**

This random sample survey of 100 senior financial officers in America's 1000 largest companies was conducted by Schulman, Ronca, & Bucuvalas, Inc. (SRBI), a financial strategy consultancy based in New York City. Interviewing, by telephone, was conducted February 5-February 8, 2002. The sampling error is approximately +/- 8.8 percentage points at the 95% confidence level. A complete set of interview questions can be found at [www.srbi.com](http://www.srbi.com).

### **About SRBI**

Schulman, Ronca & Bucuvalas, Inc. ([www.srbi.com](http://www.srbi.com)) is a full-service international market strategy and opinion research firm. Founded in 1981, SRBI specializes in banking and finance, public policy, media, telecommunications, transportation, utilities, and health care research. The firm's clients include many of the nation's largest financial institutions.

Headquartered in New York City, SRBI has additional offices in the Washington, D.C. area, Fort Myers, FL, West Long Branch, NJ and Chattanooga, TN. SRBI is an affiliate of Global Market Research, a worldwide association of market research companies.

SRBI's services include market strategy, branding, brand equity, customer loyalty, positioning, new product development, advertising effectiveness, distribution channel customer migration, and Internet-based research services.

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