

BBC NEWS

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WorldCom reveals new \$3.3bn error

WorldCom's latest admission may not be the last
The scale of accounting errors at bankrupt telecommunications firm WorldCom is almost double the level previously reported.

An internal audit has revealed an additional \$3.3bn (£2.2bn) of improperly reported earnings - taking the total to more than \$7bn.

As a result of the discovery, WorldCom said that its financial statements for the year 2000 will have to be reissued.

The company also said it may now write off \$50.6bn in intangible assets - a figure equivalent to last year's gross domestic product for the Czech Republic and Hungary combined.

A WorldCom spokesman added that the \$3.3bn was money from the company's reserves, which was misrepresented as operating income.

The company has already disclosed the new figure to the US financial watchdog, the Securities and Exchange Commission.

The latest irregularity was found during a review by WorldCom's new team of executives.

Profit to loss

The company revealed "accounting irregularities" in June, which resulted in WorldCom declaring profits for 2001 and the first quarter of 2002, when it should have reported net losses.

WorldCom warned that Wednesday's revelations might not be the last.

"Investors and creditors should be aware that additional amounts of improperly reported... income may be discovered and announced," the company said.

One independent financial analyst called the latest turn of events "beyond comprehension".

"The damage to WorldCom's brand is severe and it's getting to the point where it may be irreparable," said expert Jeffrey Kagan.

WorldCom said it may be forced to write off more money - up to \$50.5bn - after it had re-evaluated its assets.

"The company will also re-evaluate the carrying value of existing property, plant and equipment as to possible impairment of historic values previously reported," it said.

Additional amounts of improperly reported... income may be discovered

WorldCom

This is just beyond comprehension

Jeffrey Kagan, analyst



SEC officials allege David Myers committed fraud

Arrested

Former chief financial officer Scott Sullivan and ex-controller David Myers were arrested a week ago, and face seven counts of securities fraud and filing false statements with the SEC.

The two men face prison terms of up to 65 years if convicted, according to US Attorney General John Ashcroft.

WorldCom co-founder Bernie Ebbers, who resigned as chief executive in April, has not yet been charged with any crime.

The company filed for Chapter 11 bankruptcy protection on 22 July, a process that protects it from its creditors while it tries to restructure.

It became the largest bankruptcy in US history, listing \$107bn in total assets and \$41bn in debts.

The company also claims to carry more than half of the world's internet traffic.