Unit 6: Enron to the Future

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Enron was a company created after a corporate merger of two smaller energy companies, Houston Natural Gas, and InterNorth. This new company used Mark to Market accounting in order to over-estimate the company’s actual worth with overvalued assets. This would in turn hide the massive debt that Enron had accrued over its business lifetime. After a healthy valuation of its stock, numerous CEO departures among other suspicious business activities prompted the U.S. Securities and Exchange Commission to investigate the aforementioned accounting that Enron had been practicing. It was then revealed that Enron had hid nearly $630 million in debt from the public and investors. This caused both a failure of contract for an interested company to merge with Enron, and also investors to pursue a $40 billion lawsuit. With this now public, Enron was forced to file for Bankruptcy (Smith, 2018).

The size of this fraud scandal did prompt some changes to accounting heuristics. The huge amount of fraud exposed by malpractice risks created a precedent. It showed that any company, no matter the value or standing, is susceptible to bankruptcy and law. Enron had previously been touted as the most innovative company in America, and it had a thriving market behind it (Smith, 2018). This scandal had completely toppled the company in one consolidated swing. Because of this event, companies sized from local businesses to even giants such as Microsoft must adhere to professional practices put forth by the SEC (Flatt, 2021), and will have consultation experts to help manage this endeavor. The landscape of technology, and markets of the nation have little room for corporate fraud, no matter the company scale.

# **References**

Flatt, V. B. (2021, December 27). *Enron’s Collapse 20 Years Later—Lessons Not Learned*. Retrieved from Bloomberg Law: https://news.bloomberglaw.com/environment-and-energy/enrons-collapse-20-years-later-lessons-not-learned

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