

- 1.) Why was Arthur Andersen Consulting the top consulting firm among the Big Eight of the book by Mark Stevens?

Arthur Andersen Consulting is one of the most prominent auditing firms in America ever since it grew bigger in the 1920s. With the further increase in their clients, they slowly opened different offices around the country after being licensed. The firm holds an honest and reliable reputation which is why it is trusted by a lot of businesses as well as large industrial corporations in the country on handling their audits. During Mr. Arthur Andersen's time as the head of the firm, he was hands-on and involved in every aspect and movement of the firm. He implemented his principles and committed that the company serve the public role as industry policeman which was carried out by his successor, Mr. Leonard Spacek. With their monumental growth throughout the years, they became the top consulting firm among the Big Eight of the book by Mark Stevens.

- 2.) What happened to Enron and why AC was included in this scandal?

Enron was an energy-trading and utilities company located in Houston, Texas following a merger between Houston Natural Company and Omaha-based InterNorth Incorporated. Enron, which was named by Forbes magazine as "America's Most Innovative Company" for 6 consecutive years became the 7th largest among US companies in revenue reporting over \$110 billion back in 2000. The Securities and Exchange Commission (SEC) launched an investigation on the financial workings of Enron. It was found out that the company used off-balance-sheet special purpose vehicles (SPV) to hide its piling debt and make it appear that the company is doing well. As of 2001, Enron filed for bankruptcy. Andersen Consulting got involved with Enron's scandal because they act as the company's accounting firm. The accounting firm stamped the approval for Enron's documents despite having poor accounting practices, an event that lasted for years. AC was convicted of obstruction of justice in 2002 for shredding Enron's files to cover them up from the SEC.

- 3.) What happened to the CPA license of Arthur Andersen? Do you think this is fair considering so many people worldwide lost their jobs?

Arthur Andersen's CPA license was surrendered in 2002 resulting in 85,000 employees losing their jobs. When we look at it, they lost their license not because of the declining quality of auditing but because of Enron's unlawful practice. I honestly believe that it is unfair for an auditing firm that took so many years to build their position and reputation at the top of the chain just to be destroyed in a span of 90 days. However, Enron's scandal was a big case during its time and the amount of damage that Andersen Consulting received caused a great decline to their reputation. Even if they did not stop operating, they may suffer over a big loss as an aftermath of the event.

- 4.) How is Accenture related to AC? Can you provide details on how AC transitioned to Accenture?

Before Accenture got its current name, it used to be called Andersen Consulting. This was after Duane Kullberg agreed to split the company into two parts, one for accounting and the other for consulting, basically having Andersen Consulting and Arthur Andersen & Co. under Andersen Worldwide Société Coopérative (AWSC). As years went by, the tension between the separate units gradually increased until it reached the point where Andersen Consulting filed a breach of contract against Arthur Andersen & Co. and Andersen Worldwide Société Coopérative. As a result, Andersen Consulting cut ties with AWSC and Arthur Andersen & Co. and they became a separate entity. They were required to change their name in return and they came up with Accenture which was derived from "Accent on the future".

- 5.) What is the lesson of this story and how is this related to your course in IT Audit?

Upon reading the story of The Decline and Fall of Arthur Andersen, I realized that just because you are currently at the top does not mean that you would be there forever. A company such as Arthur Andersen has built a great reputation for more than 80 years

but all those efforts were destroyed in just a short period of time. Threats and risks cannot be avoided and are always linked with a successful business and a lot of competitors will grab the chance once you fall down. We must always think ahead and create a plan on what we should do incase we reach the point of experiencing this, we must have better judgment and decision in order to not make matters worse. I can relate this story to my course in IT Audit since IT Audit focuses on making sure that the IT infrastructure is in line with the goals of the company and its vision for the future. IT Audit is important because through this, we can make sure that we could avoid unfortunate events such as what happened with Arthur Andersen.

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