

Professionalization of Sudarshan Chemical Industries

Paul Sarbanes D-MD

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Section 302
Reports to investors and the public
All significant financial events

Section 401
Reports on state of affairs, solvency and transactions
Creditors' commission to report on the state of affairs

Section 404
Information must be published that states the scope and design of internal control

Section 409
Officers must disclose information on securities changes or financial operations

Section 802
Up to 10 years in prison for anyone who falsifies or destroys records or files the intent of obstructing legal investigation
Up to 5 years in prison for willful violation

Section 906
Financial statements filed by an SEC officer must be filed by the CEO and CFO of the issuing company
Any CEO or CFO that knowingly violates regulation shall be fined up to \$1,000,000 and/or 10 years imprisonment
Any CEO or CFO that partially violates regulation shall be fined up to \$500,000 and/or 5 years in prison

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Fun with Dick and Jane



The movie is a parody of these investment scandals, citing a "Special thanks to:" Kenneth Lay (Enron CEO), Arthur Andersen (Enron auditor), Bernie Ibbers (Worldcom CEO), Tyco, and others.

Source:
Sudarshan Chemical Industries Ltd.
<http://www.sudarshan.com>
Sudarshan Chemical Industries Ltd. is a listed company in India.
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Section 302

Report has no false/misleading information
All signing officers have reviewed the report

Section 401

Reports contain all off balance sheet obligations and transactions
Created a commission to report on the viability of balance sheets

Section 404

Information must be published that states the scope and adequacy of internal control

Section 409

Issuers must disclose urgent information on material changes on financial operations

Section 802

Up to 20 years in prison for anyone who falsifies or destroys records or has the intent of obstructing legal investigations
Up to 5 years in prison for willfully violates requirements

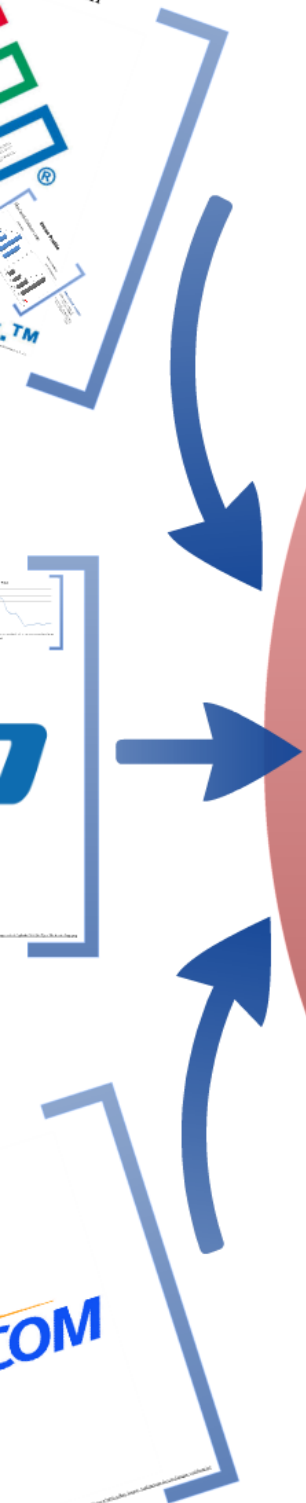
Section 906

Financial statements filed by an SEC officer must also be filed by the CEO and CFO of the issuing company
Any CEO or CFO that knowingly violates regulation shall be fined up to \$1,000,000 and/or 10 years in prison
Any CEO or CFO that periodically violate regulation shall be fined up to \$5,000,000 and/or 20 years in prison

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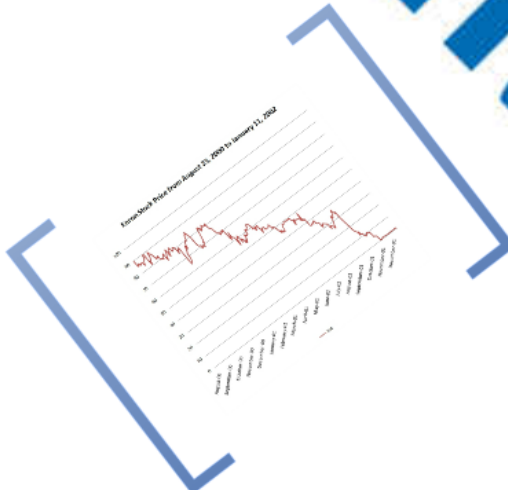




Account for demand
Enron's demand response program is a key component of its energy trading strategy. The program allows Enron to reduce its demand during peak periods, which helps to balance the grid and reduce the need for expensive peaking plants. This program is a key component of Enron's energy trading strategy.

Download
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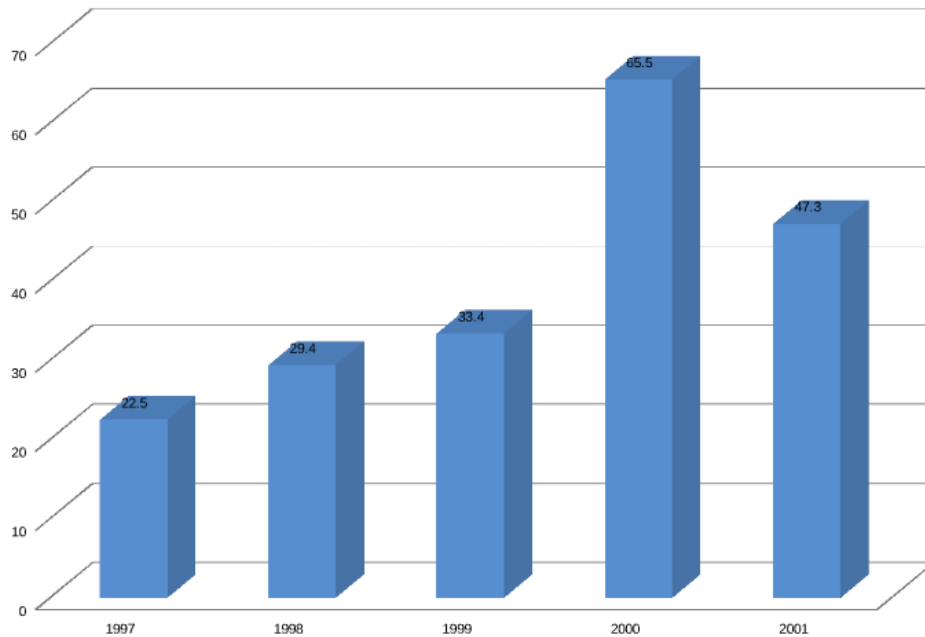


Endless possibilities.™

Enron Profile

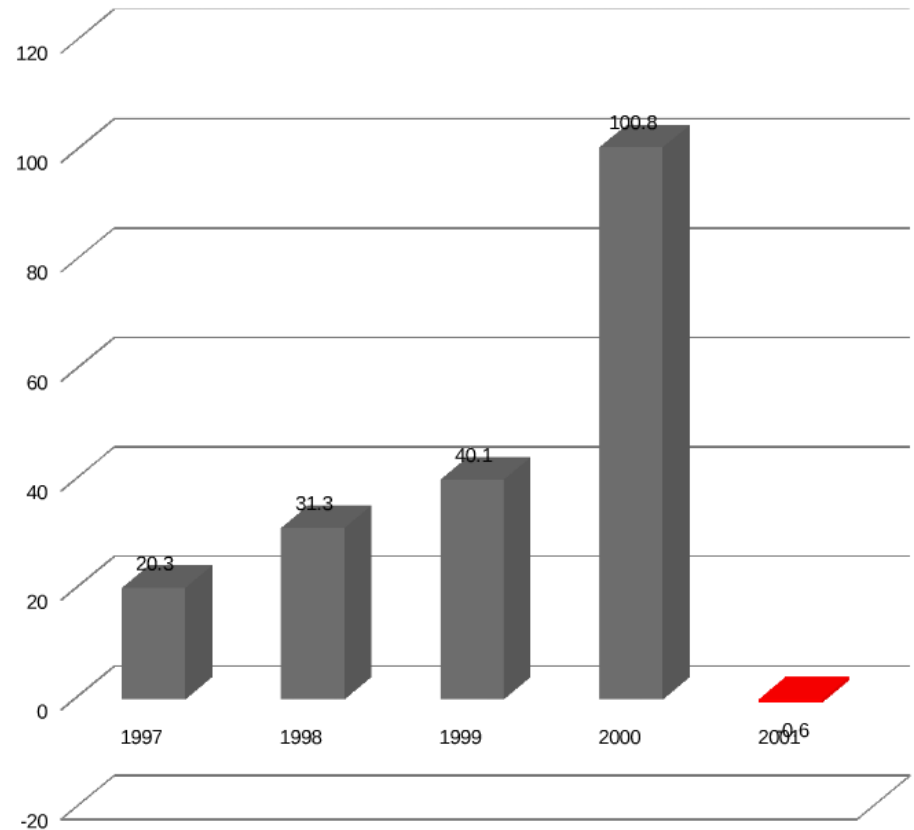
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Assets (\$ Billions)



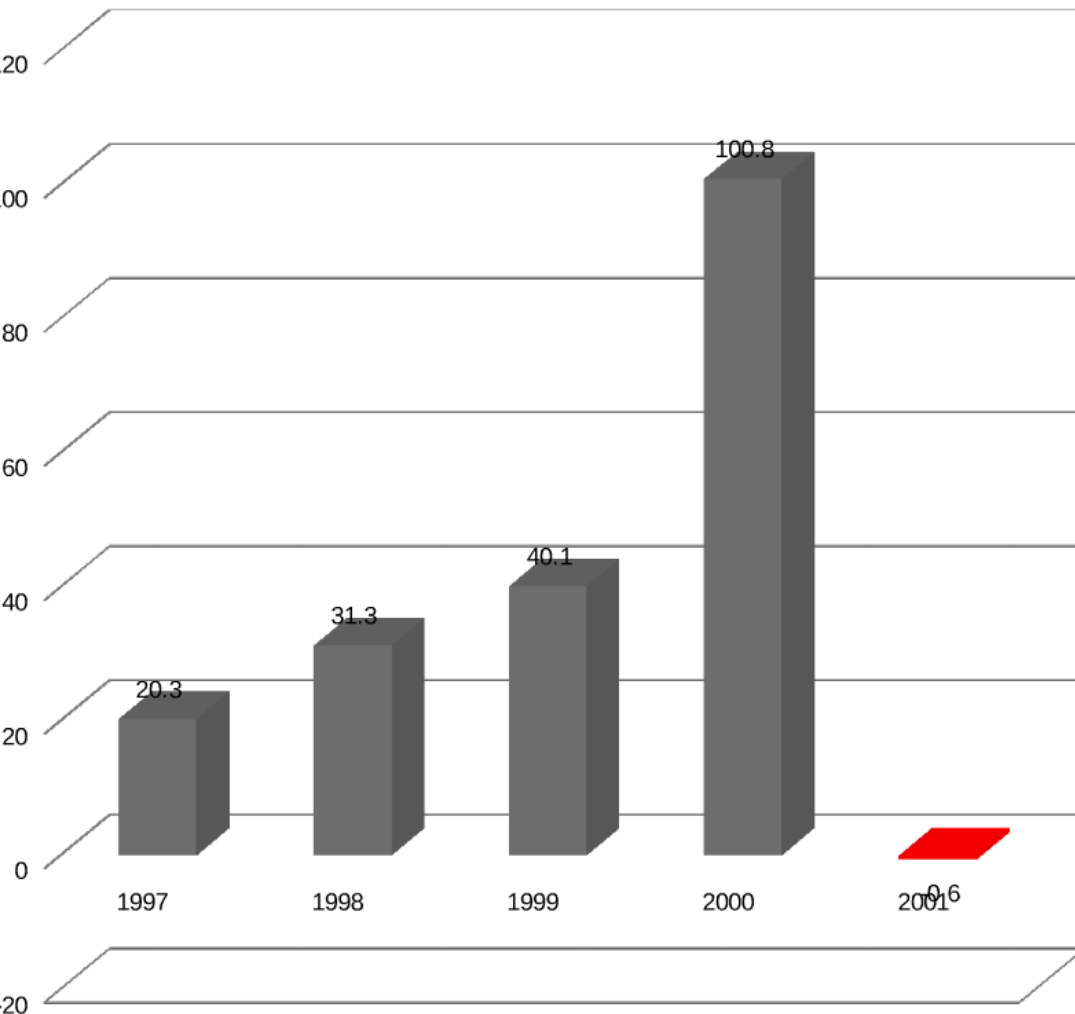
Revenues (\$ Billions)

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Revenues (\$ Billions)

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Merchant model

Entire value of each trade is recorded as revenue

As apposed to the "agent model" where only brokerage fees are reported as revenue

Reasons for downfall

Mark-to-market accounting

Mark-to-market accounting requires future income to be estimated at current market value once a long-term contract is signed. Accounts' net cash flows are hard to estimate, so estimates were often unreliable. Investors were given misleading information to account for the discrepancy between profits and cash.

Special purpose entities

JEDI

In 1993 Enron and CalPERS entered a joint venture called Joint Energy Development Investments. In 1997 COO, Jeffrey Skilling, asked CalPERS to enter another investment venture with Enron. CalPERS agreed on the condition that it would terminate as partner in JEDI. In order to hide the debt created in this business transaction CFO, Andrew Fastow, created Chewco LP, which raised debt gained by Enron and acquired CalPERS's joint venture stake; this kept JEDI's losses off of Enron's balanced earnings report.

Chewco

Whitewing

In 1997 Enron created Whitewing, an investment vehicle that was funded 50% by Enron (50% by private investors) to buy Enron's assets. The entity's charter was then altered so it could no longer be included on Enron balance sheets. Whitewing then purchased Enron's assets using Enron's stocks as collateral. By 2001 Whitewing owned \$2 billion in Enron assets.

LJM

In 1999 CFO, Fastow, created LJM1 and LJM2 as private equity investors to invest in Enron's special purpose entities. Enron invested in LJM1 itself while investment firms, like: Merrill Lynch, Wachovia, and J.P. Morgan Chase provided nearly \$420 million in investments to LJM2.

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