

## Corporate fraud

In the wake of the Enron scandal, examples of corporate fraud seem to dominate the business news.

1 How serious do you consider the following practices? Compare your thoughts with a partner.

- a paying out huge bonuses to company bosses
- b making a false expenses claim
- c misrepresenting company finances to the auditors
- d making money through insider dealing
- e wining and dining key clients at an expensive restaurant
- f hiding your true earnings from the tax authorities

2 Read the following five extracts from the business news. Match each extract with one of the practices listed in 1.

(1) Parmalat's auditors PricewaterhouseCoopers now say the company owes €14.3 billion. Former managers of the Italian food firm, which declared itself bankrupt last December, had overstated the company's performance. It reported earnings of €651 million to investors, when it had only made €121 million for the nine-month period January to September.

(2) Popular French pop singer Florent Pagny has been fined €15,000 for tax fraud. He was given a six-month suspended sentence for under-reporting his earnings in 1996 and 1997 by €540,000.

(3) Martha Stewart, the American lifestyle guru, is currently on trial in New York, facing charges of acting on insider information for personal

gain on the stock market. She strenuously denies the accusations.

(4) A secretary in the UK has just been jailed for two and a half years for fraud after submitting false expense claims for foreign flights, expensive meals ... and 100 bottles of champagne! She was found guilty of forging the manager's signature and using her computer to create false receipts.

(5) In Germany, the trial of six Mannesman bosses begins. They deny breaking the law when they approved paying out an unprecedented €57 million in bonuses to recompense executives after the firm's friendly merger with Vodafone. They are accused of betraying their responsibilities to the shareholders.

1		2		3		4		5	
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3 Find words in the extracts with the following meanings:

- a declared that something is more than it actually is (Extract 1)
- b something officially stopped for a time (Extract 2)
- c claims that someone has done something illegal or wrong (Extract 3)
- d making an illegal copy of something in order to cheat people (Extract 4)
- e to pay someone who has suffered a loss (Extract 5)

Some definitions from or based on *Macmillan English Dictionary*. Text © Bloomsbury Publishing Plc 2002.

4 Discuss the following questions in small groups and report your ideas to the class.

- a Do you agree with the penalties in extracts 2 and 4 in exercise 1? If not, suggest alternatives.
- b Can you predict the outcomes for those standing accused in extracts 1, 3 and 5 in exercise 1? What penalties, if any, would you recommend?
- c Do you think that individual and corporate fraud is on the increase? Justify your answer.