



# The Business Section

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**TGIT**  
**Thursday**  
**March 21**  
**Senior Bar**  
**6-9:00pm!!!**

## Is Enron the Biggest Accounting Fraud?

By Sandhya Acharya  
 MBA Candidate 2003

*Circa 2001: Once ranked No. 7 on the Fortune 500 list of top companies, A Wall Street darling just a few months ago, Enron on Dec. 2 makes the largest bankruptcy court filing in U.S. history after a rescue takeover by rival Dynegy Inc. falls apart amid investor concerns about Enron's murky finances. Thousands of employees lose their jobs and their savings in 401(k). Investors are left cheated and shocked. Credit rating agencies and regulatory authorities, the SEC alike, are taken aback. The senate is under pressure. The accounting practices of Enron are under severe criticism. Arthur Anderson, its auditing firm has been tainted of its credibility and is still struggling in the quagmire of Enron.*

*Circa 1932: Kreuger & Toll, a multibillion-dollar Swedish match conglomerate with 400 subsidiaries comes tumbling down. Investors lose hundreds of millions of dollars, small investors being hit the most. Kreuger's statements carried a lot of intangible assets e.g. showing monopoly rights as assets. Price Waterhouse in a report later found that nearly a quarter of a billion dollars in reported assets had never existed. Congress under pressure. Accounting practices and reporting requirements questioned. The bankruptcy was the largest on record in its times.*

So is Enron truly the biggest accounting fraud in history?, "We might be too hasty in concluding that", says Prof Rueschhoff. "History often repeats itself."

He goes on to unravel the story of Kreuger and Toll from an article authored by Tonya Flesher in the Accounting review July 1986.

Ivar Krueger, the founder of the company popularly know as the "Match King" attracted small investors with regular and huge dividend payments. High dividend was necessary to ensure the continued sale of new securities. The continued sale of new securities was necessary to make the dividend payments. It was a never-ending cycle, a pyramid built on deception.

In addition to the many legitimate businesses of Krueger & Toll, many shell corporations also existed only on paper. Supposedly, some of these shell corporations were formed in small European countries for the purpose of avoiding income taxes, while others were formed only to become a part of the fraud scheme.

Many of these nonexistent companies were quite profitable at least on paper. Only through these shell corporations was Krueger able to show sufficient profits to make high dividend payments. It is said that Krueger actually himself prepared the accounting statements and then asked his accountants to pass entries that would make the books correspond to the already prepared financial statements. Krueger investment bankers, etc only emphasizing

See ....Enron, Page 2

*....Enron, Continued from Page 1*

and actually getting away with the high dividend policy.

The similarities are sinister. Krueger, attractive for its high dividends and innovative financing. Enron, giving rich returns to employees and shareholders alike and indulging in innovative swaps and derivatives financing. While Krueger deceived its investors and the public by secrecy, Enron seems to have got away with a lot of ambiguity in its statements. Both are accounting frauds significant of their times. Krueger shook the credibility of the capital markets. In the case of Enron and the debacle of Arthur Anderson aspersions are being laid on the regulatory authorities and the accounting profession as a whole.

In 1933, the accounting and financial

reporting was in infancy. The lack of monitoring by regulatory authorities and the existence of laws had led to such an event. In fact the SEC was established in 1934 as a reaction to the several frauds and deceits in the aftermath of the 1929 stock market crash and the Great Depression.

Much is talked about the reasons that lead to the Enron issue, be it SPE's, sophistication of transaction, the question of independence, off-balance sheet transactions etc. The point is even after experiences as Ivar Krueger's and vigilant rules and regulatory bodies of today, such cases as Enron still occur.

One has to understand the case of Enron or of Ivar Krueger in the right perspective. Ultimately such events happen in business cycles. Driven first

by blind investor faith in good times and downward plummeting confidence during depression or recessions. There was some good that came out of the likes Ivar Krueger debacle with the establishment of SEC (largely attributed to after the scams and the stock market crash) and stringent reporting requirements. Today, once again, the role and scope of accounting and regulatory authorities is being questioned and there is pressure for the system to improve further. We have to do our best to fill in gaps and lacunae. Events like these put us on the guard. With better measures, more disclosure and more transparent reporting, one can only hope that such events do not happen again.

History does often repeat itself.

## Meeting Expectations in The World Economy: The United Nations Global Compact

The United Nations Global Compact is a new initiative intended to increase and diffuse the benefits of global economic development through voluntary corporate policies and actions. Kofi Annan, secretary-general of the United Nations, addressing the Davos World Economic Forum in January 1999, challenged business leaders to join a "global compact of shared values and principles" and give globalization a human face. Annan argued that shared values provide a stable environment for a world market and that without these explicit values business could expect backlashes from protectionism, populism, fanaticism and terrorism. Following the 1999 Davos meeting, Annan and a group of business leaders formulated nine principles, which have come to be known as the UN Global Compact.

The purpose of this conference is to advance knowledge about the Compact and its implementation among US corporations and academics. Firms already involved with issues of the

Compact will present case studies dealing with their experiences, which will then be discussed and analyzed by experts representing various perspectives, followed by open discussion. A special focus of the meeting will be the development of an ethical culture within the corporation. This conference is sponsored by the Center for Ethics and Religious Values in Business, University of Notre Dame, and by the United Nations.

It begins with dinner and an introductory program on Sunday evening, April 21, and continues through lunch on Tuesday, April 23. The nine Principles of the Global Compact focus on human rights, labor rights, and concern for the environment.

(See: [www.unglobalcompact.org](http://www.unglobalcompact.org))

The Principles were designed as a voluntary initiative. Companies subscribing to the principles are invited to make a clear statement of support and to submit an annual report describing

some concrete examples, "good practices," for others to emulate. Leading by the power of good example, member companies are currently operating throughout the world.

### Confirmed Company Presenters\*

British Telecommunications (BT)  
Deloitte Touche Tohmatsu  
Freeport-McMoRan Copper and Gold, Inc.  
Hewlett-Packard Co.  
Mattel  
Merck and Company, Inc.  
Motorola, Inc.  
Nike, Inc.  
Novartis Corporation  
Shell Oil Company

*\*Additional companies presenting cases will be included in the final program.*

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# THE BENGAL BOUTS

By Sean Iverson  
MBA Candidate 2003

Each Spring, for the past 72 years, male ND students have the chance to enter a contest that demands focus, commitment, and, albeit to a limited amount in most instances, skill. The name of the contest is Bengal Bouts. It's a boxing tournament. The altruistic reason for its existence is to raise funds for Catholic missions throughout Bangladesh. The real reason for its longevity is that people like to see others get beat up. Last year they raised \$75,000. The goal this year was \$100,000. I along with three other MBAs joined the boxing club after the X'mas break in mid January. There were slightly over 200 boxers who signed up. Practices were from 4-6pm, Monday through Saturday. Attendance was not mandatory, but you did have to get to the majority of practices to be eligible for the main tournament.

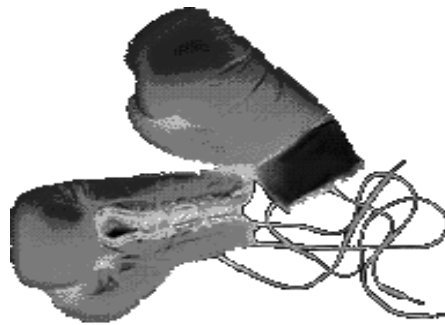
Practices consisted of about one hour of calisthenics and an hour learning the basics: foot-work, combinations, taking punches and so on. I can honestly say that I cannot remember sweating so much. The practices were grueling, and more than a few guys quit before they even came close to seeing the ring.

Physicals and weigh-ins took place the Tuesday before the opening fight night, which was on a Friday. For those of you that never wrestled, of which I am one, the term "weigh-in" means drop as much weight as quickly as possible. Now, what is the primary component of the human body (and one of the heaviest)? That's right. Water.

Basically, you starve yourself and then for the final two days or so, you deprive yourself of the one luxury you still possessed – water. I made it down to 172 ¼ lbs. For those of you interested, I was about 198 when I started school. Normally, I now weigh about 182. Anyhow, that meant that I was

in the 170-175 weight class. I forgot to mention that part of the practices included sparring. This is like a practice fight. We were told that you, along with your opponent, were supposed to use sparing as an opportunity to fine tune those specific areas that needed work.

I'm here to tell you that's a bunch of bull. Basically you and the other guy try to see how many haymakers you can squeeze into two 3 minute rounds. I sucked at sparring. I just couldn't get in the right frame of mind. The two most common things that the refs commented to me after my sparing sessions were: "you sure can take a punch," and "you gotta throw the power more". I learned early on that the lighter the opponent the lighter his punches; thus you can see my motivation to lose as much weight as possible. Besides, after weigh-in you had three days to get out of your emaciated state and back into normal shape.



Fight night. I have not been that nervous in a long time. My heart rate had to be over 160. You put on your cup and some shiny shorts (blue or gold) and then about three fights before your own, you are led into the arena. Not up to the ring, but rather to a room in the rear to await your fate. I did not fight till around 11pm so I spent a few hours watching the earlier fights. Likely not a good idea, seeing others get rocked. The crowd was into it, and I was bloody amazed at the number of classmates who

came out to support me and my fellow pugilists. Though pretty much everyone is an undergrad, some have 2-3 or even more years of boxing experience. Wyatt and myself were novices, and that accounted for some of the whoopings we took.

When the fight immediately preceding your own ends, they cover you in a robe that matches your shorts and a couple of undergrad girls escort you up to the ring. Supporters for both fighters go nuts, screaming the guys fight nickname.

My name was "the Saskatchewan Sasquatch". Wyatt's was "Mongoose". Wyatt definitely had the cooler moniker. You crawl through the ropes and go to your respective corners. Alumni volunteers work the corners, and experienced refs go over the rules.

The arena is dark except for the lights immediately above the ring. I don't know when the last time any of you put on a pair of tight silky shorts and running shoes, and then stood half naked in front of a crowd of a few thousand people, but it sure makes you feel fat. Oh yeah, you're still really nervous at this point. Thinking thoughts like "If I get knocked out, will I lose control of my bodily functions", pass through the old noggin'. I was fighting a second year law student. I don't know how he got under 175, cause he sure didn't look that light. The nervousness goes away when the bell rings.

As I mentioned above, when I was sparring, the primary complaints that I would receive after the 2 rounds of being pummeled were that one, I was not aggressive enough, and two, that I failed to throw enough power punches (as opposed to the weaker jabs). I assured my personal trainer, an ex-special forces officer, after a particularly embarrassing sparring match, that come the night of the actual fights, I would come out screaming mad, throwing lefts and rights as fast as my brain and deltoids

*Bengal Bouts continued on page 5*

# Why Should You Be a Marxist ?

By Benjamin Fleck,  
MBA Candidate 2003

Locked in a team room, the fourth hour passes of my marathon session to complete a 15-page research paper, with supporting data. It's due date? 5 PM, the same evening. A combination of laziness and an Operations midterm has caused me to put off starting the paper until 9 AM that same morning.

There I sit, 30 pages of Census Bureau data beside me, a copy of 'Das Kapital', the 'Marx Engels reader', and a piece of political rantings that calls itself 'Knowledge and Class'.

My "econ brethren" having failed to provide me with any inspiration for the paper, I decide to compare the predictions made by Marx and Engels in the Communist Manifesto on income inequality and real income growth to what has occurred in the US during the past 50 years.

The response of a classmate when I pulled out Das Kapital from my bag "Ben, what on earth are you reading?" echoes through my head as I read the Communist Manifesto: What on earth am I reading?!?

I plough through the 50-page pamphlet, half in a daze, from hours of reading. Marx spews forth his rhetoric, on capitalists, the working class oppression, exploitation, and I begin to realize, 'Hey!', being a capitalist sounds like a sweet deal. Paragraphs such as the one below catch my eye.'

*The leaders of the whole industrial armies, the modernbourgeois.*

Ahh, this is the stuff dreams are made of. Forget the current dismal labor market, or fretting about exactly when this year things will pick back up. Instead, imagine yourself with an army of industrial workers, obeying your every command. You are an industrial millionaire. Or the following:

*You are horrified at our intending to do away with private property. But in your existing society, private property*

*is already done away with for nine-tenths of the population; its existence for the few is solely due to its non-existence in the hands of those nine-tenths.*

Not only do we get armies of workers to do our bidding, but private property will be ours alone. The wealth of a nation of 275 million will be condescending, and distributed to a select and fortunate few. It seems we are that few.



*It (capitalism) has drowned out the most heavenly ecstacies of religious fervor, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom — Free Trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.*

Wow, MBA students are evil beyond words. The statement above is intimidating in English; imagine it in spoken in the harsh German from Marx himself. You are the cause of free trade. You have caused the growth of cities, the decline of the rural way of life, the expansion of greed, and the spread of exploitation. People's oceans away toil to help provide you with the obscene pay you will soon

be receiving.

Its unlikely you were even aware you had accomplished so much. Had you known, you would have no doubt put this as an accomplishment on your resume, or at least worked it into an admissions essay. Be proud, these are no small accomplishments. How many other resumes state that you participated in the subjugation of the working class to maintain capitalist dominance. Corporate America can't afford not having you around. In your next interview, don't hesitate to explain that you are all that stands between them and a communist revolution.

Time continues to pass. I drift in and out of a Marxist daze, interrupted only by the occasional classmate asking me what I'm up to, and my responding with my tale of woe, 21 credits and a 5 PM deadline.

As 4 PM rolls around, pressure becomes a palatable thing, and it hangs it the air. One hour remains, 4 pages yet unwritten. A knock is heard at the door, Is it help? Alas, it is not. A second year's head pops through the door as it opens, and he inquires as to where my team is, as his team is looking for a room for their meeting...

I freeze. Maybe if I don't move he won't see me. My long held theory that second years vision is based on motion is put to the test. Yet it doesn't seem to work, and his eyes are fixed upon me. My backup theory that if I close my eyes, stay still, and put my finger in my belly button I will become invisible also fails. I frantically look about for an excuse, a weapon, anything to save me. Luckily, a team member of mine walks past the room. "Pod! I have a room, are we ready to meet?" He doesn't miss a beat, and moves past the second year into the room. Disaster is averted, and the second year moves back into the dark shadows of the hall from whence he came. (Thankfully, the second year hasn't caught on, or I'd get in a bit of trouble.) Other than making occasional fun of the

..... *Marxist?, continued from pg. 4*

chapter of my paper I have titled 'sex', pod provides little distraction, and work continues.

Minutes pass, the hour drains away, and the paper is finished as words, some of them English, some of them my usual form of babble, quickly fill the page. The paper flies from the printer, and is stapled and paper clipped. I rush from the room, asking the time as I depart. 7 minutes. Plenty of time.

Settling into my seat in DeBartlo, I wonder what on earth I think I'm doing being on campus at 5 PM for a 2 and a half hour class. This condition is further aggravated when I discover the due date of the paper has been pushed to next week. "Argghh!" All that work! I could have procrastinated another week! I despise doing papers ahead of time.

You might think this is nothing more than a wild rant. You are right to think so. However, I can pull a moral from this story.

Of all the prophets and crystal ball gazers, trying to glimpse into the future, for us, no one holds a more optimistic outlook for our future than Marx and Engels. So rest easy, my budding capitalists. Wealth and power await. The only threat to your soon to be created empire apparently lies in rebellion among the working class. But as long as the communist manifesto is over 50 pages of complex language, we are safe. After all, who else but me actually reads this stuff?

And yet for all his relevance, Marx is nowhere to be seen in the MBA curriculum. The feeble arguments put to me by the administration when I inquire as to why seem to focus only on the fact that Marxism has been discredited. This may be so. But during this time of labor market difficulties, the bottomless optimism of what is in store for us as capitalists is a welcome beam of light in a dreary world.

Marx, a scruffy and troublesome German guy. Nobody likes him, nobody reads his books. Yet for us, he foretells of wealth, power, greed and ambition. With all that Marx has to offer the average MBA, we should all, with pride, be able to claim, that we are Marxists.

*.Bengal Bouts, continued from pg. 3*

could coordinate such action. I'd like to think that I did not disappoint.

After about 15 seconds I got my first warning. Apparently they don't like it when you put your opponent in a semi-headlock and then start throwing the haymakers (kind of like "jerseying" a guy in a hockey fight). I knew it was wrong, but there was no chance that I was going to pass up the opportunity to get a few shots in.

Anyhow, no points were deducted. The second round was all mine. First, I got him with a low blow. I swear that I had no intention to do so, but hey it is fighting. Again no points were deducted. Then he got a standing 8 count after being on the receiving end of one of my patented, Tyson-like, granite crushing, left-handers. By the way, I fought south-paw but I switched back and forth throughout the match. The third round was uneventful. I lost the match by one point in a split decision. When the announcement was made, I threw my head back and looked up at the lights.

Many commented afterwards,

assuming that this was in disappointment over the result. Truth be told I was overjoyed. One, I was a crowd pleaser and could hold my head up. Two, the next round was scheduled for Sunday afternoon, same time as the gold medal Olympic hockey game. I wished my opponent luck and told him that it felt good to punch a lawyer without fear of reprisal. Anyhow, me and my classmates partied like it was 1999 that night, and I just thought I'd share the experience with you.

In closing I think it is important to realize the commitment of those who enable Bengal Bouts to be the success that it continues to be: non-student coaches, doctors, nurses, paramedics, scorers, ring personnel, Zimmy (who crowned Wyatt the "Mongoose"), the girls' boxing club, the boxers themselves, and most importantly, those of you who supported a truly worthy cause. The Bengal Bouts are one more example of what makes Notre Dame a special place.



# The Business Section

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Rebecca Funk**

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Benjamin Fleck**

*The Business Section is a publication of the MBA Association serving the Notre Dame MBA Community. Its goal is to provide timely news, information, and commentary about events and activities of the MBA program. Contact the editor at [bsection@nd.edu](mailto:bsection@nd.edu) for additional information. The Business Section is not an official publication of the University of Notre Dame.*

# MBA and Campus Activities

## Award ceremony and lectures "Take the Money EnRon"

Hesburgh Award in Business. Talks included by Caron and Robert Jackall, professor, sociology and social thought, Williams College

March 21, 2002 04:00 PM

Speaker **John Caron '45, life trustee, CEO, Caron International**  
Admission Fee **free**  
Location **Mendoza College of Business**  
Room **Jordan Auditorium**

## "A Night on Broadway"

**Musical Revue 2002**

March 21, 2002 07:30 PM to 10:00 PM  
Admission Fee **\$5 Student Tickets**  
Location **LaFortune Ballroom**  
Sponsor **Pasquerilla East Musical Company**

## Maris Stäblein, piano

March 24, 2002 02:00 PM  
Location **Annenberg Auditorium**  
Sponsor **Department of Music**  
Contact Ph # **219-631-6201**

## Anne Thompson Presentation

National Coresponedtn at NBC News, will speak on Diversity and the Media

Place: Jordan Auditorium  
Date March 22  
Time: 1045-12-15 PM

## Notre Dame Symphony Orchestra

April 02, 2002 08:00 PM

Admission Fee **free**  
Location **Washington Hall**  
Sponsor **Department of Music**  
Contact Ph # **574-631-6201**

## Basketball Tournament

3-on-3 basketball tournament hosted this Saturday (March 23rd) by the Society of Hispanic MBA's.

## Men's Lacrosse vs. Hofstra

March 23, 2002 01:00 PM  
Location **Moose Krause Field**

## Women's Lacrosse vs. Delaware

March 26, 2002 04:00 PM  
Location **Moose Krause Stadium/Loftus**

## Women's Tennis vs Illinois

March 27, 2002 03:30 PM  
Location **Campus Courts**

## Women's Lacrosse vs. Virginia Tech

March 30, 2002 01:00 PM to 01:30 PM  
Location **Moose Krause Field**

## Baseball vs. Brigham Young

April 01, 2002 01:00 PM

## Women's Lacrosse vs. Syracuse

April 03, 2002 04:00 PM  
Location **Moose Krause Field**

## ND Cinema

Hesburgh Library Auditorim  
Admission Free

## George Washington

April 11, 7 PM

## Apocalypse Now

April 18, 7 PM

## The Aniversary Party

April 25, 7 PM