

Vault Guide to the Top 40 Accounting Firms (2007 Edition) – **UPDATED!**



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About this book

If you're searching for a job in accounting, then look no further than the Vault Guide to the Top 40 Accounting Firms -- the definitive guide to the most prestigious firms in the industry. For this third edition, Vault has surveyed hundreds of accounting professionals to bring you all the information you need to land a job at one of the top firms in accounting. This year, Vault's guide includes profiles of 59 top firms and **expanded, exclusive rankings of Vault's Top 40 Accounting Firms.**

Hear what insiders have to say about pay, culture, hours and everything else you need to know about the best firms in accounting. Then learn what it takes to get a position and succeed at the top firms in the industry.

How 'bout the SOX?

Enacted in June 2002 in response to the Enron debacle, the Sarbanes-Oxley Act (called SOX for short) established a number of controls and prohibitions for firms engaged in accounting and auditing. These included the creation of a five-member Public Company Accounting Oversight Board (PCAOB), appointed by and answerable to the SEC; the prevention of accounting firms performing certain business consulting functions (note the sale of Andersen's and PwC's consulting practices); a requirement that individual audit partners must be rotated at least once every five years; and the establishment of criminal penalties for certain activities.

SOX has a number of provisions and exceptions, and would require a separate overview to explain in anything approaching full detail. Fortunately, there is no shortage of analysis and coverage of the new law; everybody from the government to CPA associations to business magazines has their own digest of the rules and their potential impact on the industry. Undergrad and grad students, especially accountants, will learn all about it in the slew of business ethics courses that have become a larger part of business school curricula.

One section of Sarbanes Oxley has meant quite a bit more work for accountants. SOX 404 compliance requires

companies to certify their internal controls and have an attestation to that effect from their outside auditor. Beginning with the fiscal year ending on or after November 15, 2004, large U.S. companies were required to be in 404 compliance. Smaller firms, those with a market cap of less than \$75 million, had to be in compliance for the first time as of the fiscal year ending on or after July 15, 2006. While verifying that firms comply meant more hours for accounting insiders, it also meant increased fees for auditors. According to Audit Analytics, audit fees for companies in Standard & Poor's 500-stock index climbed 18 percent in 2003 versus 2002. And in 2004, audit fees for these companies increased by more than 25 percent versus 2003. Fees for services other than audits, such as internal-financial-control reviews and consulting, were up 28 percent in 2004 over 2003.

The Act by the numbers

Three years after SOX was enacted, The Economist asked if the act was really worth it, citing the extremely high costs associated with being in compliance. The magazine's May 19, 2005 article entitled "A Price Worth Paying?" pointed to studies such as one conducted by a professor at the William E. Simon Graduate School of Management at the University of Rochester estimating that the net private cost to companies will amount to some \$1.4 trillion. The cost, in the study's case, referred to the "cost minus the benefits as perceived by the stock market." According to The Economist, "If this number were true, SOX would have to prevent an awful lot of unforeseen losses due to fraud before it could be judged a good buy." Another study cited in the article "found that companies paid an average of \$2.4 million more for their audits in 2004 than they anticipated." The magazine also pointed out that some firms have indicated they don't want to list on the New York Stock Exchange as a result of the cost of compliance, others have de-listed in part due to SOX, and several firms said they were thinking about going private for cost reasons.

Still, SOX does seem to be keeping some people happy, as well as honest. The Economist said "fewer larger companies are reporting problems with their internal controls than had been expected," and noted a press release from finance industry watchdog Moody's, which wrote in April 2005 that "companies are strengthening their accounting controls and investing in the infrastructure needed to support quality financial reporting."

One year later, in May 2006, a study released by research firms **Lord & Benoit LLC** and Audit Analytics suggested that SOX is indeed paying off. According to The Wall Street Journal, the study found that "shareholders benefit when companies perform checks on their internal controls: Those companies whose houses are in order enjoy market-beating gains in their share price. Conversely, the stocks of companies with weak internal controls underperform the market." Even so, the same week that the study's results were unveiled, the SEC and PCAOB agreed to slightly alter the internal-controls rules to increase their cost efficiency.

About the Author(s)

Derek Loosvelt is a graduate of the Wharton School at the University of Pennsylvania. He is a writer and editor and has worked for Brill's Content, Inside.com and blue magazine. Previously, he worked in investment banking at CIBC and Duff & Phelps.