



## FEI Financial Reporting Blog

### Highlights from SEC, PCAOB, FASB and IASB News- Including Sarbanes-Oxley Section 404 Requirements

**Lord & Benoit** (a Sarbanes-Oxley consulting firm, whose website is [www.section404.org](http://www.section404.org)) issued the second of two reports on Sarbanes-Oxley, the one issued today entitled: "[The Lord & Benoit Report: Do the Benefits of 404 Exceed the Cost?](#)" The Executive summary in the report states: "[W]e studied the financial trends of nearly 2,500 companies to answer one timely question: Do the costs of complying with SOX 404 outweigh the benefits - not necessarily to the company - but to the investor?" The conclusion to the report explicitly states that it makes a number of "**inferences**" about trends in stock movements, and concludes, "**Perhaps this research raises more questions than it answers.**" The conclusion also states, ".One thing, however, is clear: average stock prices increased at a higher rate for companies that always had good internal controls over financial reporting compared to companies that either corrected their internal controls or remain unimproved." The earlier report issued by Lord & Benoit, "[The Lord & Benoit Report: Bridging the Sarbanes-Oxley Disclosure Control Gap,](#)" compared reporting of disclosure control weaknesses under Section 302 - including timing of such reporting - to the reporting of material weaknesses in internal control under Section 404.

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