

THE IMPACT OF SARBANES-OXLEY ACT ON NON-U. S. ACCOUNTING FIRMS

Kathy H. Y. Hsu, University of Louisiana at Lafayette
kathy@louisiana.edu

Ronald G. Cheek, University of Louisiana at Lafayette
Cheek@louisiana.edu

Harlan L. Etheridge, University of Louisiana at Lafayette
Harlan@louisiana.edu

ABSTRACT

The Sarbanes-Oxley (Public Company Accounting Reform and Investor Protection) Act of 2002 is the most far reaching legislation to reform American business practices in recent time. This legislation changes the business landscape in the U.S. by creating a new oversight body, the Public Company Accounting Oversight Board, to oversee the corporate governance, accounting and auditing practices of all publicly held companies in the U.S. and to implement regulatory requirements for better corporate governance, accounting, and auditing practices.

Many of these new regulatory changes affect not only U.S. corporations and the U.S. accounting and auditing professions, but also have a far reaching impact on all of the non-U.S. corporations that seek capital in the U.S. security markets as well as those non-U. S. accounting/auditing firms that service these foreign entities. While the intention of the Sarbanes-Oxley Act is to protect U.S. investors in general and the legitimacy of an U.S. oversight body to regulate publicly held companies in the U.S. is not being challenged, some of the specific requirements within the Act pose challenges for non-U. S. companies that are also subject to their home country's regulatory requirements that may be substantially different or in conflict with the requirements of this new act. Strong opposition also has been expressed by non-U.S. accounting firms that are fearful that implementation of this new Act may place them in a disadvantageous position compared to their U.S. counterparts and change the international market for auditing services. This study reviews the specific requirements of the Sarbanes-Oxley Act that are applicable to non-U. S. accounting firms and provides insight on how these requirements affect the global accounting and audit market.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.