Documentary Review: Alex Gibney’s American Documentary Film Entitled As Enron: The Smartest Guy In The Room

As I watched Alex Gibney’s American documentary film entitled as “Enron: The smartest guy in the room”, it was definitely a shocking story that caused me a lot of emotions since it is mainly focused on one of the biggest corporate scandal in American history. It is based on the best-selling 2003 book of the same name by fortune reporters Bethany McLean and Peter Elkind. The rise and fall of infamous America’s 5th largest corporation of energy which is Enron are straightforwardly and clearly shown in the film. The entire story flows through the documented stories and testimonies of the young traders corrupted by the practices, the greediness of the executives and the investors who were left with nothing. Although the key players behind the downfall refused to be interrogated, Gibney sufficiently provided the news footage, corporate audio and videotapes, and a comedy skit performed in front of employees, C-Span clips, and much more to uncover the massive selfishness of the Enron hierarchy and the utter moral vacuum that posed as corporate philosophy. The documentary film was primarily focused at the top executives who were examined for fraud after it was exposed in November 2001 that the company’s earned had been overstated by several hundred million dollars. At the moment, Enron was ranked as 6th largest energy company in the world and was named as “America’s Most Innovative Company” by Fortune for six consecutive years between 1996 and 2001. And suddenly they became as the largest bankruptcy in U.S. history at that time. The so-called “smart guys” in the film which are the top executives sold their company stock prior to the company’s collapse. The U.S. Department of Justice subsequently opened a criminal investigation into Enron’s downfall in January 2002. Jeffrey Skilling moved Enron from traditional cost accounting to Market to Market (M2M) accounting methods, used special purposive entities and poor financial reporting that enabled them to hide the financial losses from the operations of the company. Furthermore, it drives him to

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six consecutive years between 1996 and 2001. And suddenly they became as the largest bankruptcy in U.S. history at that time. The so called “smart guys” in the film which are the top executives sold their company stock prior to the company’s collapse. The U.S. Department of Justice subsequently opened a criminal investigation into Enron’s downfall in January 2002.

Jeffrey Skilling moved Enron from traditional cost accounting to Market to Market (M2M) accounting methods, used special purposive entities and poor financial reporting that enabled them to hide the financial losses from the operations of the company. Furthermore, it drives him to believe that everything is possible in Enron since they were the smartest guys in the room. The documentary alludes to the suicide of Enron executive Cliff Baxter; escapades of Lou Pai, a right-hand man for Skilling, a mysterious figure with a penchant for strippers as well as the magic trick of Andrew Fastow, who was promoted to CFO in 1998 and came up with a deliberate plan in which they will use off-balance-sheet special purpose vehicles (SPVs) that misled Enron’s board of directors and audit committee on high-risk accounting practices and also pressured their audit and accounting firm to ignore the issues. Eventually, Enron paid the top 140 executives $680 million in 2001 before the collapse. Enron shares were worth $90.75 at their peak but dropped to $0.67 immediately after the scandal was revealed and the company collapsed. The interviews of the whistleblower Sherron Watkins elucidate the internal operations of Enron’s corporate practices. Owing to the fact that the ruthlessness and callousness of these smart guys are exposed throughout the documentary as they took away a several hundreds of millions without considering the billions that their investors and employees loss has caused me nothing but pure anger to the directors of Enron and absolute sympathy to the adversely affected people. Moreover, the most upsetting part is that a large number of accountants, traders, investment bank analyst, lawyers and government regulators enabled Enron to prosper by being oblivious for a long time to the wrong doings of these so called “smart guys”. As a result, millions of investors were scammed royally as well as the thousands of employees who lost their life savings. However, on the latter part of the documentary, Congressional hearings are held into the scandal, where Enron’s founder and former CEO Kenneth Lay was convicted of six counts of fraud and conspiracy and four counts of bank fraud. Enron’s former star CFO Andrew Fastow plead guilty to two counts of wire fraud and securities fraud for facilitating Enron’s corrupt business practices. He ultimately cut a deal for cooperating with federal authorities and served a four-year sentence, which ended in 2011. And lastly, Jeffrey Skilling who received a 24-year sentence, but it was reduced by 10 years as a part of the new deal. Skilling was required to give $42 million to the victims of the Enron fraud and to cease challenging his conviction.

In assessing the documentary film, the accounting scandals including the collapse of Enron were served as a warning and an indication that we must have more improved and firm conceptual framework for financial accounting and reporting. Since then, increased regulation and oversight have been enacted to help prevent corporate scandals of Enron’s magnitude. I understand that Enron failed to present their financial statements in a faithful representation which is one of the fundamental characteristics of Conceptual framework, since it states that the financial statements must reflect the condition of a business accurately. Additionally, numbers of analyst questioned the lack of transparency of Enron’s disclosure and the Top executives replied in an arrogant way that leads the market to perceive that company with greater and greater skepticism, thus crumbled its trust and the company’s reputation. And as Enron incorporated market to market accounting method that enables them to record their estimated profits as the actual one to attract investors and to write off unprofitable activities without hurting its bottom line, as a response to the use of SPE as a subsidiary, FASB guidelines require that

only 3% of the SPE be owned by an outside investor.

This documentary film makes me realize and understand that there is a dark side of corporate world wherein there are leaders who are doing some unethical practices like manipulating information and deceiving people to earn tons of money for the satisfaction of their greedy desires without considering how it can adversely affect a lot a people. As a future Certified Public Accountant, It is not enough to be competitive in the field; I must be responsible to exercise honesty with all my doings regardless of personal interest.