

CAT Purchase In China Gets Huge Price Cut

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The Associated Press

PEORIA, Ill. (AP) — Caterpillar will pay \$135 million less for a Chinese mining equipment company after uncovering dodgy accounting practices that inflated its value.

Caterpillar announced a non-cash \$580 million charge earlier this year related to the sale after uncovering "accounting misconduct" during an internal investigation of ERA Mining Machinery Ltd. and its subsidiary Zhengzhou Siwei Mechanical & Electrical Manufacturing Co. Ltd.

Late Thursday, the company said its obligations were reduced to \$29.5 million, from \$164.5 million, under an agreement with former directors of the company.

Caterpillar acquired ERA and Siwei last year and then determined that several Siwei senior managers were involved in accounting misconduct for several years.

Caterpillar put a new leadership team in place and moved manufacturing to another division led by a long-time Caterpillar employee.

Shares of Caterpillar Inc., based in Peoria, Ill., climbed 56 cents to \$87.34 at the start of trading Friday, but the stock is still down more than 2 percent since the start of the year.

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