Honors Accounting Thesis

David Falkenheiner

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HONORS ACCOUNTING THESIS

by
David Grant Falkenheiner

A thesis submitted to the faculty of the University of Mississippi in partial fulfillment of the requirements of the Sally McDonnell Barksdale Honors College

Oxford
May 2021

Approved by

Advisor: Dr. Victoria Dickinson

Reader: Dean W. Mark Wilder
ABSTRACT
DAVID GRANT FALKENHEINER: Honors Accounting Thesis
(Under the direction of Vicki Dickinson)

During the fall and spring semesters of the 2019-2020 University of Mississippi school year, I had the privilege of taking Dr. Vicki Dickinson’s Honors Accounting class and benefit from it greatly. This course was based around challenging its participants throughout various aspects of not only accounting coursework but real scenarios that arise as an accounting professional. Dr. Dickinson did an outstanding job at preparing her students not only for their internship experience in the spring of their senior year but also for interviewing for those positions. This class gives its participants a drastic advantage over the normal accounting undergraduate through the networking opportunities provided during the class. Even in the face of the COVID-19 pandemic, accounting 420 provided ways for its students to meet virtually with professionals in the industry. This thesis will take its reader through the stages of the course and all of the opportunities and knowledge that were provided along the way.
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CASE 1: City Selection Case

MEMPHIS, TN vs. HOUSTON, TX

By: David G. Falkenheiner

September 24, 2019
City Selection Case Study

In this first case study of Accounting 420 we will be looking into two potential cities in which to do our accounting internships during our senior year. More importantly though, we are tasked with finding a city that we can see ourselves living in for years after college. That is no easy task by any stretch of the imagination, but this case study will open our eyes to the next few years of our lives.

In making this decision, it is extremely important for me to think about living in a place that not only suits my personality but also pushes me and gives me the opportunity to experience new things. The two cities I will be comparing in this case are Memphis, TN and Houston, TX. From my research it is apparent that both cities have a lot to offer. More importantly though, my extensive research has shown me that there is a lot more to each of these cities that meets the eye. Also, this case has forced me to begin thinking in a financially-minded manner. This will be very beneficial to me as I edge closer to adulthood. It is also interesting not only researching things like affordable places to rent with my potential salary, but also things like healthcare and schools for my children. Cities’ recreational activities and popular places to eat are easy to realize, but what makes this case so beneficial is the research done on tax rates and commute times, the facts that really matter and the statistics that truly make an impact on where you see yourself living for the rest of your life.
The population of Memphis as of 2018 was 654,659. Along with its overall culture and attractiveness, the size of the city and its proximity to Oxford and the south in general is what originally drew me to Memphis. Memphis, along with most places in the southeast, has long, hot, and muggy summers. Its winters are short, very cold, wet, and windy. Over the course of the year, the temperature typically varies from 34°F to 91°F and is rarely below 20°F or above 97°F. Although this seems manageable for most people who are accustomed to living in the south, it is not the high temperatures themselves that makes summers unbearable it is the humidity levels that can average around 90 percent. This may seem hot for most people but when you have lived in hotter, more humid temperatures your whole life, Memphis temperatures do not intimidate me. The topography within 2 miles of the city of Memphis contains only a few variations in elevation, with a maximum elevation change of 121 feet and an average elevation above sea level of 238 feet. The area within 2 miles of Memphis is covered by artificial surfaces (68%) and water (29%).
Figure I: Geography of Tennessee

Figure II: Memphis Skyline
In the city of Memphis and the surrounding county there are a few different tax rates to consider. In Shelby county, in terms of property taxes, you will pay around $4.05 per $100 value of your property. In the city itself the property tax rate is $3.19 per $100 value of the property but Memphis residents and businesses pay the Shelby County rate plus the city which works out to be $7.24 per $100 value on the property. These rates decrease tremendously the further you move outside of the city. In Tennessee, I will be taxed 12.16% for Federal Income Tax and 7.65% for FICA and State Insurance Taxes. Also, another thing that really stuck out to me as a potential resident was there is not a Payroll Tax nor a Head Tax for the City of Memphis or Shelby County. To add to that, Tennessee has no State Income tax.

Because of its size, Memphis cannot offer the same methods of transportation as bigger cities. The main methods of transportation in and around the city mainly consist of Uber, Lyft, and MATA. MATA, Memphis’ public transportation provider, can get you around the city cheaply by its use of 42 bus routes and two trolley lines. Another attractive feature of Memphis is the massive industries it is home to. The city is home to three Fortune 500 company headquarters: FedEx, AutoZone, and International Paper. It is also home to ServiceMaster and Mueller Industries, which are two companies inside the Fortune 1000.

In Memphis healthcare is a priority and has a history that dates back to 1911 when the University of Tennessee medical college was founded. The University of Tennessee Health Science Center is the epicenter for medical education across Tennessee. Memphis is also the home of St. Jude Children’s Hospital, which is at the front of understanding, treating, and defeating childhood cancer and other life-threatening diseases. Memphis’
doctors and healthcare facilities are consistently ranked highly nationwide. Other notable hospitals include Baptist Memorial Hospital, Methodist Healthcare, and Regional One Health. Although Memphis has great healthcare its school systems are not great. It scores low on the College Readiness Index with a score of 4.4 out of 10. Therefore, I will be putting my children in the higher ranked private schools like St. George’s Independent School or Memphis University School.

Crime in Memphis is an issue. According to the annual crime data, “the crime rate in Memphis, TN is 131% higher than the average of the whole of the state of Tennessee, and when compared with the national average, is 202% higher than. When looking at violent crimes, Memphis, TN has 207% higher than violent crime rate than Tennessee average, while remaining 423% higher than the national average. In property crime, Memphis, TN is 114% higher than the average of Tennessee and is 167% higher than the national average.” These crimes tend to happen in and around the city. Although crime rates are high in the Memphis safety programs like The Operation: Safe Community Plan 3, MPD Recruitment, and MPD Blue Path Program have been put in place to drive crime rates down.

Another great thing about Memphis is that the cost of living is extremely affordable. Based on that, I was able to find an apartment to rent at Riverset Apartments. This apartment complex is located 10 minutes from downtown Memphis by car. The $940 a month 1 bed, 1 bath unit is 680 sq. feet and comes with in-unit laundry, available parking, a dishwasher, is pet friendly, and has a gym membership availability among other things. Another property I researched is a bit more affordable but a further commute. This unit in The Summit apartments is located 31 minutes by car from
downtown Memphis. The unit itself is 594 sq. feet is air conditioned and has available parking. Unfortunately, these units don’t have in-unit laundry or a dishwasher. This unit is $677 to rent each month
For both of these properties, my main method of commuting will be by car due to close proximity to downtown. I will more likely than not be doing my grocery shopping at a neighborhood Walmart due to their affordable prices. Also, I will do my laundry either in my apartment or in the laundry room at the apartment complex I live in. In terms of civic organizations, I have always wanted to become a member of Kiwanis Club as I have had some experience with the program in my hometown of Natchez, MS. It would also be a great experience to get involved with the Mid-South Chapter of the American Red Cross as well as Habitat for Humanity of Greater Memphis, which I have also had some experience with back home.

Another great part about Memphis are their sports teams which include the NBA’s Memphis Grizzlies and the Triple-A affiliate of the St. Louis Cardinals the Memphis Redbirds. Along with these major league teams is the Memphis Tigers of the AAC. This is convenient because I will already be in town when the Ole Miss Rebels come to town to play their close rivals. Along with going to all three of these sporting events I would love to attend the Beale Street Music Festival in downtown Memphis. Along with going to great music events like this one, I would love to try all of the famous eateries and barbeque joints Memphis is world famous for.

In terms of travelling from Memphis to my hometown of Natchez, MS, it will take me around 4 hours and 30 minutes as the distance amassed between the two is around 312 miles. The total cost of driving home will be around $60.
Budget

% of Income Spent

Summary

Total Monthly Income
$5,000
Total Monthly Expenses
$3,801
Total Monthly Savings
$200
Cash Balance
$999

76%

Monthly Income

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<td>$50.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$1,000.00</td>
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</table>
Taxes $991.00

**Monthly Savings**

**Amount**

$200.00

Figure IX: Memphis Budget
The next city I choose to feature in this case is Houston, Texas. Being the 4th largest city in the country and the largest in the state of Texas, Houston, as of 2018, had a population of 2.4276 million people and has also seen a steady increase over the previous 5 years. Although this is a much bigger city than I ever expected to live in over the course of this case I have become more open to the idea of living in a city of this size. According to Visit Houston, the city averages 18 days per year with a temperature of 32 degrees or less and almost 100 days with temperatures exceeding 90 degrees or more. Growing up and going to school in Mississippi has familiarized me greatly with these kinds of temperatures. Houston lies largely in the northern most portion of the Gulf Coastal plain. In most cases, per one-mile inland elevation increases one foot. The Northern and eastern portions of Houston are largely forested while the southern and western portions are mainly prairie grassland. The region’s geology, which consists of a series of sand and clay deposits, is developed mainly from stream deposits from the erosion of the Rocky Mountains.
Figure X: Houston Geography

Figure XI: Average Temperature Houston
Concerning tax rates in Houston, with a yearly salary of $55,000 I can expect to pay an 11.27% federal income tax and a 7.65% FICA tax per month. More than likely, my property tax will be factored into my rent. Therefore about 19% of my monthly salary will go to taxes.

Houston offers convenient and accessible transportation within the city itself through its MetroRail program that has a bus fleet of 1,236, 23 miles of rail, and a local one-way fare of just $1.25. Tax services, Uber, and Lyft are also popular methods of transportation in Houston. It is also important to note that the City of Houston has authorized a $6 flat taxi fare fee for anywhere in downtown. Houston also offers free transportation in its downtown area through its use of the Greenlink bus system.

The city of Houston is home to countless businesses including the corporate headquarters for more than 20 Fortune 500 companies, including oil and gas operations, basic petroleum refining, and petrochemical production to name a few. Houston’s top 5 largest companies include familiar names like Phillips 66, Sysco, ConocoPhillips, Enterprise Products Partners, Plains GP Holdings, and Halliburton. The sheer number of Fortune 500 companies located in Houston ranks it 4th in the country behind New York, Chicago, and Dallas.

The city of Houston is known internationally for its excellence in the medical community. This is no surprise as Texas Medical Center is 10 minutes from downtown. According to houstontx.gov, TMC is the largest medical center in the world as it is amassed over 675 acres and is home to 42 nonprofit and government institutions. Houston is also home to 13 preparatory hospitals, a college of pharmacy and optometry, and 4 colleges of nursing. Considering the massive amount of healthcare in Houston, 4.8
million patients visit the cities’ hospitals per year. “In fact, there are more than 85 hospitals in the Houston area with more than 19,300 beds, including those in TMC. These facilities employ more than 100,000 health care professionals, almost seven percent of the Houston-area workforce.” In terms of educational facilities in the city, The Houston Independent School District is the nation’s seventh largest district. As a whole, the city itself has an overall ranking of 6.8 out of 10. The HISD is made up of 288 schools, 13,000 teachers and more than 210,000 students. Because of this overwhelming statistic, I will be putting my children in public school like the highly ranked Katy Independent School District located just outside of Houston.

In terms of crime rates, Houston has a higher crime rate than similar sized cities. According to usnews.com, almost 600 violent crimes per 100,000 people take place each year compared to a city like Dallas where the number is closer to 369 per. Although Houston has seen a decrease in the number of violent crimes over the past 20 years, it is still above the national average in terms of crimes reported. One area to avoid in the city is Houston’s Third Ward neighborhood. These areas have extremely high crime rates, especially for violent crimes.

In my research, I found a 1 bed, 1 bath, 702 square foot apartment to rent in a complex called 40FiftyFive Braeswood Apartment Homes. This apartment costs $990 in monthly rent but comes equipped with a dishwasher, in-unit laundry, and available parking. Unfortunately, the commute for this property is over an hour from downtown Houston, but this a typical commute time in a city the size of Houston.

Another rental property I found is slightly less expensive than the previous. This 1 bed, 1 bath, 809 sq. foot apartment comes equipped with in-unit AC and laundry,
available parking, and a dishwasher. The commute time for this property in Villas at West Road is also over an hour from downtown Houston. For both of these rental properties my method of commuting will be by car, as the drive time will be over an hour.
More likely than not, I will be doing my grocery shopping at a local Walmart because of their price match guarantee and affordable prices. Also, I will be doing my laundry in my apartment which is a great amenity.

Houston offers a variety of different civic organizations you can join. One that really sticks out to me is the Houston Food Bank. It would be great to be a part of an organization that helps feed 800,000 people each year with the production of 83 million meals. I would also love to work with Houston Justice, which is an organization that gives volunteers the opportunity to work with inmates at the Harris County Jail that have not been charged with a crime and give them the ability to vote in local elections.

Houston also has a program called Air Alliance Houston. This organization is fighting the air pollution produced in big city like Houston. Their goal is to raise awareness about the danger of breathing in pollution and what that can do to the public’s health.

One of the staples of Houston and what originally drew me to the city is its electric and world-famous sports teams and entertainment venues. Some sporting events I would regularly attend include Houston Astros games, Houston Texans games, and Houston Rockets games. Living in Houston would also give me the opportunity to go world-renowned places like Houston’s Space Center and the Museum of Natural Science.

Houston is located 311 miles from my hometown of Natchez, MS. The drive time will be around 5 hours and 10 minutes which a very manageable drive and one that is not much longer than Natchez to Memphis. More times than not, I will drive to and from Houston and Natchez due to manageable distance between the two. Each trip home will cost me around $100.
With all of this being said, I choose Memphis as my preferred city. I can honestly say that this was not an easy decision. Houston has a lot of great things to offer but the reason I chose Memphis is because, ultimately, I feel it fits my personality better. I have always lived in small towns and have grown to love them. Houston, although a great city, is a bit too big for my liking.
Budget

% of Income Spent

60%

Summary

Total Monthly Income
$5,000

Total Monthly Expenses
$3,003

Total Monthly Savings
$200

Cash Balance
$1,797

Monthly Income

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Monthly Expenses

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<td>$120.00</td>
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<td>Auto insurance</td>
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Miscellaneous $100.00
Taxes $868.00

**Monthly Savings**

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<tbody>
<tr>
<td>[Date]</td>
<td>$200.00</td>
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Figure XVIII: Houston Budget
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David Grant Falkenheiner

Dr. Dickinson

Accy 420

1 October 2021

CFI Certification

The Board of Directors of the Corporate Finance Institute® have conferred on

David Falkenheiner

who has pursued studies and completed all the requirements for the certificate of

Excel Crash Course

with all the rights and privileges pertaining to this certificate.

Certificate number 13618490

Chair of the Board
Director
Director

Sep 27, 2019
Executive Summary:

During last week’s class, we had the opportunity to watch Brexit the movie. This 2016 British documentary film is designed to take you through the current and long-lasting turmoil, stimulated by the European Union, that has been consuming the economy of Britain over the past 40 years. Staying in line with the theme of the film, the economy of the United Kingdom has been ravished by the European Union under their strict regulations on trade making it almost impossible to prosper in the country.

So, in order to better understand Britain’s situation at hand, let us look at what the European Union actually is and the idea behind Britain breaking away from it. The EU is a political and economic union between 28 countries that was formed in 1958, adding more countries from 1973 all the way until 2013. Britain was one of the countries to join in 1973. A once dominant force in terms of economic output and a country that was the leader of the Industrial Revolution, will now see their economy turned upside down over the next 50 years. Although there are many different viewpoints on Britain staying in the EU, it is important to look at the facts, which were provided in multitude throughout this movie.

This film, that was written and directed by Martin Durkin, was released on May 11, 2016. Less than a month later, the movie has over 1.5 million views on YouTube. This mass spreading was crucial to the cause that Durkin was advocating for, because on the 23rd of June members of the United Kingdom European Union membership referendum would meet again to discuss the removal of Britain from the EU. The communication of this information and the push to inform is crucially important because the EU laws in Britain hold more weight than the laws passed in the United States for
instance. What I mean by this is that once EU law is passed the citizens under which the referendum affects must not only live with their decision during their lifetime but they must also be prepared for their children to live with their decision. Needless to say, the people of Britain had an important decision to make on Thursday June 23, 2016.

The June 2016 referendum led to 52% of citizens (around 17.4 million people) opting for Brexit or in favor of the country leaving the European Union. Many citizens of Britain were simply tired of the way in which EU executives treated their country, their economy, and frankly their lives. They saw the privilege and sense of entitlement that came with being an official of the EU. In terms of this privilege, it is important to note that some EU officials are paid more than the prime minister himself. Citizens were even more disgusted with the way in which the trade regulations and the sheer multitude of laws and regulations put in place by the EU affected their everyday lives. When Britain signed as a member of the union, its diminished Britain’s fishing industry drastically because now, other members of the EU, were allowed to come into the country and fish. This, in itself, effectively shrunk the economy of the fishing industry and the country’s economy as a whole. This is just one of the examples provided by the movie that highlights the effect of the union on Britain. Another example as to why people are pushing for the split are the regulations that union put in place on imports and exports come in and out of the country. African producers, for instance, cannot effectively trade with Britain because of the many, many regulations and stipulations that have been put in place by the EU.

After reading everything above, it would be hard to argue against the separation from the European Union, but believe it or not there are many people who oppose Brexit.
In a June 2016 letter to the Times INET Oxford researchers Prof. Sir David Hendry, Prof. Doyne Farmer, and Dr. Max Roser spoke about their viewpoints on why Britain should remain in the EU. According to the professors, since its joining in 1973,

“Per capita GDP of the UK economy grew by 103%, exceeding the 97% growth of the US. Within the EU, the UK edged out Germany (99%) and clobbered France (74%). The UK’s growth has exceeded the US while tracking it, even since the crisis of 2008. This makes it hard to argue that the EU is dragging the UK down. Alternatively, compare this to the UK’s performance during the “glory days” of the Empire from 1872 to 1914. Back then Britain’s per capita growth was only 0.9% per year, in contrast to its robust 2.1% since joining the EU.”

Another viewpoint shows us that since its joining, Britain’s median income has grown by 79% whereas a country like the US has only seen 16% increase. Another thing that concerns these people that are against leaving is that “the EU might impose high tariffs or punitive measures if the UK leaves”. As the economy of the country has grown, so has its dependence on trade. Since its entrance in 1973, Britain’s ration of trade to economic output has increased from 48% to 67%. Therefore, leaving the EU would rid the UK of 45% of its exports, which come from other member countries. While some who favor Brexit say that we can “just trade with Australia and Canada”, these two countries only account for a very small, 2.9% of British exports. Another group that favors remaining apart of the EU are big businesses. Under its regulations, big businesses can flourish and destroy small businesses because they have the means to follow and maintain the absurd amount of stipulations put in place by the union. This factor alone has severely influenced my opinion as to whether or not Britain should leave the EU. A countries
economy needs competition to thrive and grow. Without smaller businesses to compete with other big businesses the economy will sputter into a monopoly, causing a lack of motivation to succeed and grow yourself and your business.

This film’s purpose was to not only inform the people of Britain of the shortcomings of the country’s involvement in the EU but, more importantly, to motivate them to take a stand against the EU’s tyranny. Although the final decision has been postponed many times, the UK government hopes to get a new deal agreed upon on October 17, 2019, when the EU will hold another meeting. In my opinion, withdrawal from the European Union, whose strict regulations are killing small businesses and the competitive nature of what makes a healthy economy, should be inevitable and necessary. A once dominant force in terms of economic output and a country that was the leader of the Industrial Revolution, Britain has seen a fairly steady decline in GDP over the past half a century.

This case taught me a lot. It did a great job of not only informing but persuading and presenting facts that support Britain’s succession from the European nations. It also presented information that backs the nation remaining a member of the EU. Britain has a great decision to make. Although there is a lot of speculation as to whether or not Britain will be able to remain an economic powerhouse without the backing of the union, only time will tell. Per the results of the June 2016 vote, it seems that over half of Britain believes in their country standing alone, even though separation could create great trade barriers and increase regulations and tariffs.

We now look forward to October 17th when the UK government meets with EU officials at summit to discuss getting a new deal agreed upon. There is a possibility of a
no-deal Brexit which is a scenario that would immediately remove Britain as a member of the EU. Members of Parliament passed the Benn Act that could require Prime Minister Boris Johnson to ask for a third Brexit extension by the 19th of October if the two sides cannot reach a deal. MPs say this is necessary to prevent a no-deal, which leaves Britain completely alone. Prime Minister Johnson is sure that the UK will leave at the end of the month, though.
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“How Did the UK Economy Do since Joining the EU?” *INET Oxford*, www.inet.ox.ac.uk/news/brexit/.
Company Case 1

October 30, 2019
In this case, we are taking an in-depth look at an annual 10k report provided by a particular company. Our group was assigned to research HCA Healthcare. In this case, we dissected our company's 2018 10k report and were tasked with answering specific questions that could only be found through an extensive and precise emersion into the information provided from the report. This case teaches important skills that should be adopted and practiced by everyone in the accounting and financial service industry. These skills of thoroughness and working efficiently within a group are imperative to being successful in this industry, or any industry for that matter. As a collective unit, we were not only charged with finding the answers to the questions at hand but more importantly, this case requires the group to work promptly. This case also teaches the value of possessing group work skills. Being able to work effectively on a team is a vital part of being successful in today's business world. Along with this idea comes the necessary ability to stop your thought process, listen to your groupmates, and consider their thoughts to collectively agree on the best possible solution to the problem. The prevalence of this necessary group behavior became extremely apparent through the completion of this case study.

Another useful skill that this case teaches, although it may seem simple, is the ability to properly read a company's 10k. Knowing how to read and digest one of these enormous and information-packed statements will be extremely valuable when it comes time to enter the industry. Also, just simply the familiarization with the setup and content of the report will help in connecting processes taught in the classroom to problems in the business world today. Now let us look at HCA Healthcare and its annual 10k report.
HCA Healthcare, Inc. is one of the leading health care service companies in the United States. HCA is headquartered in Nashville, TN and incorporated in Delaware. As it is laid out in their 10k, the company's "primary objective is to provide a comprehensive array of quality health care services in the most cost-effective manner possible." As of December 31, 2018, they do this by operating 179 hospitals that are comprised of acute care hospitals, three psychiatric hospitals, and one rehabilitation hospital. In addition, HCH has 123 freestanding surgery centers located in 19 US states and places located across England. In terms of how they generate profit, HCA's revenues depend on "inpatient occupancy levels, the medical and ancillary services ordered by physicians and provided to patients, the volume of outpatient procedures and the charges or payment rate for such services". HCA profits off of third-party payers' like life insurance companies, employers, and the government to name a few. It is also important to note HCA's fiscal year-end, which is December 31, 2019. In terms of external auditors, the company utilizes the services of Ernst & Young LLP out of Nashville, TN, which has been performing HCA's audits since 1994.

In terms of HCA's balance sheet accounts, there are a few to name. Beginning with their assets, HCA has its highly liquid cash and cash equivalents accounts, which according to note 1 are reported at their "approximate fair value due to their short-term nature of these instruments." Under the "Fair Value Measurements and Disclosures" article (ASC 820), fair value reporting of assets and liabilities should be carefully followed. Next, accounts receivable, which are payments meant to be received from federal and state agencies, health care plans, insurance companies, employers, and patients, are reported. Inventories are reported next at their stated lower of cost (first-in,
first-out) or market value. Property, plant, and equipment is reported next under which land, buildings, equipment, construction in progress, and accumulated depreciation are separated by their account titles. These are the company's physical long-term assets that are vital to everyday operations. Next in HCA's asset section of their balance sheet is investments of insurance subsidiaries. Under the notes for this section, it says that investments of their insurance subsidiaries are classified as "available-for-sale" as defined in the ASC No. 320. Goodwill and Intangible Assets, which are not amortized but subject to annual impairment tests, are reported next followed lastly by other assets. Moving onto HCA's liability accounts, we find accounts payable, accrued salaries liability, other accrued expenses, and long-term debt due within one year reported as current liabilities or liabilities to be paid off within one year. Next, there are some long-term liabilities reported. These items, which are going to take a longer period of time to pay off, include long-term debt, professional liability risks, income taxes, and other liabilities. It is important to note in this section of the balance sheet that provisions for losses related to professional liability risks are based upon actuarially determined estimates. Finally, there is the stockholder's equity section. HCA's, uniquely, titles this section "Stockholder's deficit". This section includes common stock, accumulated other comprehensive losses, retained deficit, stockholder's deficit attributable to HCA, and noncontrolling interests. It is important to note, under this most challenging section of the balance sheet, that under the "Fair Value Measurements and Disclosures" article (ASC 820), fair value reporting of assets and liabilities should follow market assumptions based on market data independent of the reporting entity. (Note 8)
As previously stated, HCA's customer base encompasses 19 US States, with 173 hospitals located within those states, and 6 hospital locations across England. The customers (patients) themselves benefit from HCA through the utilization of their world-class healthcare services. Looking at the company's Results of Operations section of their 10k, 52.4 percent of 2018 revenues came from managed care and other insurers while 40.9 percent is distributed between the federal programs Medicare and Medicaid, benefitting those 65 and over and those individuals who cannot afford healthcare, respectfully. Looking at the company's sources of revenues also shows that 2.5 percent or 1,156 million dollars of revenues came from outside of the United States.

HCA does enormous amounts of business nationwide and globally. To provide their high-level of healthcare services, HCA needs to have right tools in place to do provide the best care possible. An example of one of the company's healthcare suppliers is HealthTrust, which is a group purchasing organization that offers immediate and sustainable supply cost advantages. These supplies cover a vast array of medical supplies and services. As a whole in 2018, supplies for the company were around 16.5 percent of revenues. HCA's Cost of goods sold refers to the Total Inventories costs of those goods the business has sold during a particular period. For HCA, their Total Inventories include the raw medical materials, work-in-process, and finished services of the company. This is considered to be a part of HCA's current assets. In terms of operating expenses, HCA primarily comprises this section with contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance, and non-income taxes. All of these expenses are what helps HCA generate a profit. For example, without repairs being made
to medical equipment or the electricity powering one of HCA's locations, the business could not continue. To make money, you have to spend some as well.

Over the past three years, revenues and expenses have both increased, but this is not vital information as expenses should be expected to rise every year. According to marketwatch.com, HCA acquired Mission Health, another healthcare company. This is an example of the increase in expenses. Although the company did spend around 1.5 billion for the assets of Mission Health, they were prepared to take on the burden of the added expense because of their knowledge that the absorption of Mission Health would contribute to their increase in revenues. Therefore, revenues and expenses are seeing steady growth and should continue to see this annually over the coming years. But, it is also important to note that under the Risk Factors section of the 10k, the company exclaims its concern on the changes in government health care programs that may reduce reimbursements received, a major percentage of the company's revenues. This contingency could lead to a decrease in revenues in the coming future.

When looking at HCA's net income compared to its cash flow from operations, the difference between the two is quite clear. Net income as of December 31, 2018, was 4,389 million dollars while net cash from operations was 6,761 million dollars. Increases in cash for accounts receivable and inventories are deductions from cash while the increase in accounts payable is added to cash. Along with these, adjustments like depreciation expense, income taxes, gains, and a few others are additions to the cash flows from operations final balance. So, the difference in the two is the adjustments and increases and decreases in the current assets and liabilities stated above. Finally, HCA's balance sheet does require some estimates like depreciation using the straight-line
method and the estimated useful life method, and professional liability risks, under the assumption that those liabilities will be incurred in the future.
David Grant Falkenheiner

Thomas Sowell Case

December 6, 2019
In the sixth and final case of the semester, we had the opportunity to take a look into an extremely prevalent and pressing issue that has taken hold of the world we live in today. Social inequality and racial discrimination in general, although many think this is not an issue, is something that many Americans and others around the world find to still be an issue in the 21st century. Many people would argue that this issue is the reason that we cannot advance as a society. Thomas Sowell would argue otherwise. This case takes us through the life and views of the African American economist and social theorist Thomas Sowell, born June 30, 1930. Sowell, a veteran that served in the United States Marine Corp during the Korean War, has seen it all. From living in the streets of Harlem as a young child, experiencing first-hand the racial injustice taking place, to the halls of Harvard and Columbia, the unique perspective and view that Sowell provides on this subject is a privilege.

The basis behind Sowell’s argument and his whole belief system is pitted against those who will argue the poor are poor because social inequality and racial discrimination are still present in the world today. He understands that these injustices are still exist, but Sowell also argues that life is not or nor has it ever been close to being “fair”, especially in terms of giving everyone equal chances. This fact is undeniable. Working through this case allowed me to broaden my potential viewpoints as to if and why social discrimination exists in the world we live in today. To go along with that, it further cemented the idea that everyone is entitled to their own opinions and those opinions can be altered by the proper presentation of facts, like the ones that Thomas Sowell presents in the video that was shown in class based on books he has written throughout his many years of life.
The main idea that stood out in the interview was brought to light when Sowell asked the question, “Why the despair?” This question is aimed to grab the attention of the audience and to highlight the overarching issue and controversy that is present today, not just in the United States, but all over the world. Since the days of the Civil Rights Movement and years before then, many white and African Americans have argued that the white race took and continues to take from African Americans or, in the words of Sowell, the rich took from the poor and gave to themselves. Throughout the history of our country with issues arising even today, African Americans have been mistreated by the rich white population. While there is a lot of truth to that statement, Sowell believes the fact that people are still harping on the oppression that took place decades ago has crippled the state that the country is in today. Many African Americans today, according to Sowell, are wallowing in their self-pity. This is leading to higher unemployment rates than there was 50 years ago, at the height of Jim Crow and racial discrimination. What is Sowell’s interpretation of this stat? He believes this reliance on the idea that the government owes members of a specific race because of what happened over 50 years ago or members of the white race should apologize for the actions of their ancestors is ridiculous to Sowell. Not only does Sowell believe this to be wrong but he also believes the African American race’s reliance on this idea produces a sense of entitlement that is crippling our nation’s economy and forcing poor Americans to stay that way.

Thomas Sowell’s ideas, teachings, and literature have, without a shadow of a doubt, have offered many Americans with the information needed to change their opinions about the state of racial discrimination in the United States. Is there discrimination taking place today? Of course, there is. As surprising and morally wrong
as that is, it is the world we live in and something needs to change. Thomas Sowell leads me to believe that wallowing in this past oppression will only lead to more poverty and no improvement on the issue. I also believe Sowell is right when he believes this discrimination and poverty should instead motivate members of the African American race and all Americans, regardless of skin color, to realize hard work and determination is the only way to beat this issue.
David Grant Falkenheiner

Regulation Fair Disclosure Case

January 29, 2020
In this first case of the second semester of our thesis case, we were tasked with looking into the SEC’s issuance of the Regulation Fair Disclosure or Regulation FD for short. This case is vitally important to not just the accounting world but everyday life in this day in age. Why is this disclosure so important? It finally offers some reliability and comfort to not just accounting firms themselves but more importantly the client’s whose personal information and financials these firms possess. It also goes against the idea that working in the industry itself will provide opportunities to gain insider knowledge and thus create and unfair edge over the average American.

On a broader level, this case shows firsthand the evolution of the accounting profession and just how much it has progressed over the past few decades. This issuance was a major milestone in the industry as it not only furthered the civic value of people who enacted it but more importantly it helped in addressed concerns raised from events such as the improper sharing, more popularly known as, “insider trading”, which plagued the profession in the late 90’s.

This case also does a great job in showing and bringing to light that there can, and must be decent and good people in the accounting and financial services industry. We, as accountants, have a difficult and important job, one that is not fit for everyone. Without an outstanding moral compass and a well laid out set of rules and guidelines to follow, like the ones you see in the August 2000 issuance of the Regulation Fair Disclosure, there would be chaos like that of which came a few years later through the Enron scandal. This scandal shook the profession and even though this issuance of the Regulation FD does not directly pertain to the scandal itself, it shows why enactments like this one are necessary for the profession to continue to grow and prosper into the future.
The Regulation FD is a way for the SEC to rid the accounting and financial profession of selective disclosure. In other words, it helps to rid the profession of unfair disclosure of certain information to parties or entities that will use that information for things such as stock analysis. Another way to look at this idea is to think companies should not provide information to a certain person that they are not willing to share with the entire market. Over time, undivulged information has been used on the basis for illegal insider trading. This is what the SEC intended to fix through the issuance of the Regulation FD and why it is so vital to the profession today.

In order to answer the question as to why this regulation exists, it is important to look at what happens when people ignore the issuance. One example lies in the Jack Grubman article. Grubman was a top telecom analyst who was involved with the WorldCom scandal. Instead of being a stock analyst, which was his actual position, it was apparent in his questioning by the SEC that he instead sounded like an investment banker. He sat in on multiple board meetings for WorldCom where it is very unusual for analyst to be found and where they, under the Regulation FD, are prohibited. Grubman, who was responsible for the inflation of WorldCom’s stock price, is one of the main reasons why this Regulation is so vital to keep the profession fair and legal. I would tell my client that the Regulation FD is used to effectively keep analysts and companies at arm’s length from each other. Also, I would inform them that this regulation “evens the playing field”, so to speak. For a long time, Wall Street analysts concluded that individual investors could not handle the truth about public companies. This issuance helped to end the blindness that many analysts in the past created on their own.
I would inform the CEO, my client, that he has not violated the Regulation FD in his posting of his company’s nonfinancial performance metrics as long as that information was reported truthfully, without error or bias, and in a manner that is not misleading to the public.

After reading the last attached article, my stated opinion to my client did not change. I believe that the Regulation FD is in place to challenge not only the selective disclosure of information but also the state of that information itself. As long as the information presented is truthful and not meant to mislead or guide the public in the wrong direction no violation exists.
David Grant Falkenheiner and Meredith McDonald

Is it Taxable Case?

February 12, 2020
Executive Summary

In this case, we are looking into a specific scenario in which there is potential for our audit client of 18 years, the CEO of Kimberly Oil and Gas (KOG), to be unknowingly entering into fraudulent financial activity. While at an innocent lunch, Mr. David Smith reveals to us that his daughter Emma, also known as Little Big Mama, has been earning around $15,000 a month by acting as a YouTube star. Although she is only 13 years of age, hearing this raises some red flags for us at F&M LLP. Not only is this news potentially detrimental to our client, but it also puts the firm at risk.

Why is this news so troubling? As the primary tax accountants specifically in charge of the CEO’s personal tax return, it is our responsibility to make sure that we uncover all potential deductions and credits, advise our client against any potential tax liabilities, all the while making sure that there are no unnecessary taxes being paid. In order to protect our client, we need to raise some questions about Emma’s untaxed annual income of $180,000 for the past four years.

As tax accountants, it is crucial for us to do our due diligence when it comes to protecting our client’s financials. In this industry, an oversight like the one that is taking place, in this case, can lead to undue penalties and stress for the clients that we are paid to protect. Throughout this case, we will look at the ramifications for what will happen if this income goes untaxed and overlooked. We will also look at what will what Emma herself should owe in taxes, seeing that particular resolution is the right path for us to take at F&M LLP.
Memo to the Partner Group

February 12, 2020

To: F&M Partner Group

From: Mr. Falkenheimer and Miss McDonald

Dear Partner Group at F&M:

This afternoon, we had the privilege of having lunch with Mr. David Smith, the CEO of Kimberly Oil and Gas (KOG). As you all are aware, KOG has been one of our largest clients for the past 18 years, and since Mr. Smith took over as CEO from his father-in-law four years ago, he has relied on us to complete his personal tax returns as well. Over our lunch, Mr. Smith began telling us a little more about his personal life, his family, his hobbies and his children. During this conversation, it came to our attention that Mr. Smith has a 13-year-old daughter, Emma, who is an up and coming YouTube star. Mr. Smith relayed to me how proud he was of her, as she is now making around $15,000 per month in advertising revenue and receives new free clothes and products by mail.

We write to you because we are afraid our group has failed to accurately represent the financial situation of Mr. Smith and his family on his tax returns in two major ways. First, our group failed to file a tax return for Emma. As Emma is making over $12,200 per year, our firm should have been filing a tax return on her behalf as well as that of Mr. Smith. Additionally, Miss Smith has been putting all of her earned income into a money market which has a return of 3% interest. This has been happening for more than 4 years now, and due to the high amount of unearned income that the money market is earning
Miss Smith, we believe that the family has failed to pay a Kiddie Tax. We estimate that at this rate, Miss Smith has an unearned income of at least $4,500 for the tax year 2019. Miss Smith’s unearned income should have been taxed at her father’s marginal rate of 37%. This failure has resulted in a failure to pay taxes over the past many years, but in 2019 we estimate Emma’s unpaid federal tax liability to be at least $35,013 and her kiddie tax liability to be at least $851. We do preface this financial information by telling you that these are rough calculations, but they do show the seriousness of the situation.

These tax issues need to be remedied immediately, and we are confident that now that we have this information, F&M can accurately represent the Smith family to the IRS.
Memo to Mr. Smith

Dear Mr. Smith,

We are writing to you in reference to the conversation that we had over lunch today. It was wonderful to learn more about your family, but some of the information you shared with us was alarming in regards to your taxes. Until today, F&M group was unaware of your Daughter’s YouTube success, and although she is only 13 and she is still your dependent, her income is taxable by the federal government. For each year that her income was greater than $12,200, a tax return should have been filed on her behalf. Additionally, for each year that the interest revenue in her money market (her unearned income) was over $1,100, you are liable for the kiddie tax. Due to the fact that we do not have hard numbers for both her yearly earned and unearned income, we cannot tell you the extent of her tax liability, but for 2019 alone, we estimate it to be over $35,000 in income taxes and $800 in kiddie taxes.

F&M group seeks to represent you as accurately as possible and we wish to remedy the situation as quickly as we can. Please reply to this email at your earliest convenience to set up a meeting with us to discuss the details so that we can get this sorted out as soon as possible.

Best,

Meredith McDonald and Grant Falkenheimer
David Grant Falkenheiner

Monopoly Meets Blockchain

March 5, 2020
Executive Summary:

In this week’s case we had the opportunity to take a look at what Blockchain is and how it is beneficial in the work environment. This case also took us through how complex the system is itself and the massive amount of patience it takes to implement across business processes.

First and foremost, this case taught me a lot, but it did not come without its challenges. My initial reaction when we were given our instructions was one that I have had many times in the past. I was confused, as I should have been. Not only were our instructions complex in themselves but the idea of trying to implement and play this game successfully through a Blockchain strategy was quite daunting.

I am sure this is a similar reaction that many professionals have when they are first introduced to the technology. Instead of looking at its disadvantages, I believe it is beneficial, in order to continue to advance the profession for years to come, to look at the advantages of technology like that of Blockchain. In the world we live in today, the idea of change is always present. The accounting profession is changing every day and in order to stay ahead of the curve, we need to understand more clearly Blockchain and the streamlining opportunities it offers.

Not only did this case inform me of what Blockchain actually is but it also put me in a real business world situation. It forced me to think outside of the box, understand the problem and figure out the solution. This is an extremely valuable skill to possess, especially as we are beginning to prepare for our Spring Internships. Being able to actively listen, take instructions, problem solve, and come up with a solution will benefit us in the profession in great way.
Blockchain, as previously stated is a very complex system, therefore it is best to look at this technology in its simplest form possible. The technology itself is a series of records of data managed by a “cloud” of sorts. It is not owned or secured by a single entity. Instead, Blockchain helps with an issue that the business world has been struggling with for some time, accessibility firmwide. Never before has the industry seen a network with no central authority. With the great power that Blockchain possesses comes an even greater responsibility to employees it holds in its grasp. Because this technology offers its users with access to information firmwide, there becomes an even greater personal accountability from employee to employee.

In the case itself, my role as a business manager included everything from recording transactions to filing out financial statements. I was also tasked with interacting with the runners in the game and giving them the information behind my transactions to input into the cloud.

The biggest takeaway I got from this case was not the actual familiarization with Blockchain but it was the attitude you must approach with each problem you face. The business world is a hectic place and the introduction of Blockchain, which I do see being implemented across many companies, only adds to that chaos. Just like anything that is complex and worthwhile, it will take some time for the business world to get used to Blockchain and all of the stipulations and rules that will come with it. But, just like I learned through completing this case, practice makes perfect and being patience goes a long way. Eventually, I see Blockchain technology taking over the business world entirely but, as I have mentioned previously, it will take some time to develop it to the level that will allow firms to truly reap its benefits.
Figure
Executive Summary:

In this week’s case, we had the opportunity to interview someone in the business community. This case gave us the opportunity to hear from someone who has been through and seen the challenges of all levels of life and education, from the start to their careers to where they are now, and also what is takes to maintain a high level of performance in their respective industry while balancing life outside of work. This case also provided me with the opportunity to interview someone who is not in the accounting/personal finance industry. Throughout the process of this interview, I was able to compare and contrast the challenges and obstacles unique to certain industries, which will prove to be valuable advice and knowledge in the near future.

In the process of conducting the interview with my father, I came to realization that each person has their own unique set of challenges and their own personal story to tell. As the owner and operator of his own dental practice, Lee Falkenheiner DDS, my father expressed there are many daily challenges that come with owning your own business, especially when that business is a dental practice. Over the course of the interview, it became apparent that nothing is accomplished without hard work and persistence. This is what I believe to be my greatest takeaway from the interview I conducted with my father. It also became even more apparent how extremely lucky I am to have such a great role model to look up to and continuously learn from. My greatest advantage over my peers is being raised by such a patient and successful man. This has led me to reflect and realize how lucky I am to have amazing people to look up to and learn from. My father gave me the right amount of freedom and guidance to fail, learn from those failures, and turn them into success later in life. For that, I am thankful.
For this case I decided to interview my father, Dr. Lee Falkenheiner DDS. Being raised by someone who is so in touch and familiar with the business world itself was a great benefit for me. Over the course of the interview I was able to learn from my father, a lot of those things that I had no knowledge of beforehand. As the owner and operator of his own dental practice he had a lot to say about his childhood and life before his career. Growing up in small town Vidalia, LA, my father had a great childhood. He was raised by his father Fred, a banker, and mother Phyllis, a teacher. My dad said one of his favorite parts of his childhood was growing up without a cellphone. It was little things like this that stuck out to my dad. Like myself, he learned a lot from his father. He learned the importance of managing money and protecting your family members. My father also learned a lot from playing sports. As a very successful multi-sport athlete, with numerous offers to play at the collegiate level, there were many lessons learned from participating in athletics.

This passion for competing led to my father receiving an offer to play baseball for the University of Mississippi. He says he will always remember the memories he made from playing sports, but he realized quickly that in order to be successful in the classroom and later in life, he needed to hang up to cleats and pick up the books. This decision to quit baseball and pursue a “normal” college career led to him joining Sigma Nu fraternity and changing his life and career path forever.

Unlike many students when they arrive at college, my father knew what career path he was going to take. In fact, he knew what he wanted to be in the 9th grade! This came as a shock to me, as it would most people. I believe this knowledge of what he aspired to do came from his many work opportunities outside of the medical industry. His
jobs as a lifeguard, waiter, summer youth worker, pledge trainer, and retail worker gave him valuable wisdom as to how the business world works. One lesson that really stuck out to him is that customer service goes a long way. He also learned that patience goes a long way.

My dad was more excited to talk about his life outside of work, though. He expressed his love of traveling and Ole Miss sports. He also said that he loved coaching my sisters and I in sports as children growing up. My father, who doesn’t have his kids to coach anymore, has become an avid outdoorsman, taking trips to Wyoming to hike and camp with friends. He also says that life outside of work can be consumed by your children, but he enjoyed every minute, which I believe. Going along with his love of the outdoors, he says his favorite vacation was our recent trip to Beaver Creek, CO last summer. His love of the mountains, especially in summer, runs deep.

On a more serious note, he says that if he could change one thing about his life it would be building a smaller house, as the upkeep on a house as large as ours is taxing and expensive. Other than that small change, he says he wouldn’t change anything else about his life, which I believe speaks a lot to his decision making and patience. He also says that something he wished he would’ve known as a 21-year-old and something all young people should take to heart is “Don’t regret working hard for something.” My father, a huge supporter of hard work, also believes in “leaving things better than you found them”.

I was honored to find out that my father was most proud of his children. He says that of all of his accomplishments in life, his children are what make him the proudest. To wrap up the interview, I asked my father what he believes the biggest challenge of his
generation along with what he believes will be the biggest challenge for my generation.

He believes that possibly not having social security/retirement will be the biggest challenge for his generation, while on the other hand he believes that the improper and overuse of social media will be the biggest challenge for my generation and I couldn’t agree more.
David Grant Falkenheimer

Senior Internship Interview Case

April 20, 2020
Executive Summary:

For this second to last case, we were given the opportunity to interview an assigned mentor that has been through and seen the challenges of the entire internship process. From the interview process, to accepting positions, along with the completion of their internship, these senior accountancy majors have a lot of wisdom to offer. It was my hope to absorb all the information that my assigned mentor, JT Novarese, was willing to give.

This case gave me the chance to hear from someone who has been through and seen the same situations and challenges that I am currently experiencing. From learning to proper way to handle yourself and act around firms during the recruiting process, the interview process, the acceptance and rejecting period, and the actual internship itself, JT has seen and been through it all. Novarese made it apparent very quickly that each student’s process is unique, but everyone is faced with challenges along the way. He along with all of those mentors that work tirelessly to ensure the success of Ole Miss Accountancy students, addressed the idea of trusting the process. Even though it may seem tedious, there is a method to the madness and that has become clear to me even at this point in my internship process. I also learned what to expect in the internship process itself. Novarese took me through some of this day-to-day and what I should expect to be taking part in as an intern. This, like all of the advice I was given, will be something I take very seriously, in order to ensure I have a successful internship. This is crucial in order to ensure a full-time offer, after the completion of my internship with E&Y Memphis. Although Novarese works for KPMG Memphis, his advice and story will be
extremely applicable to me as we will be working on similar clients with similar cultures and motivations.

My first question to JT was a simple one, but one I have asked everyone throughout the recruitment and interview process, “Why Memphis, TN?” Novarese, a very bright and social student, had the potential for many opportunities including a few in New York City. After winning the PwC Case Competition, he had many doors open but, through a few unfortunate events JT was left looking for opportunities elsewhere. Through much research and contact with local partners, Novarese decided to look no further than this home town. He was drawn to the opportunities that a market like Memphis had to offer and the potential that the size of the firms provided to work on different audit clients throughout his internship process.

The next question I asked him was why he chose KPMG. As he was interviewing, Novarese explained the relationship he formed with Greg Barnes, the managing partner of the Memphis office. This was an integral part of his decision-making process. He also went on to explain his appreciation of KPMG’s pursuit of him, which is something I factored into making my decision. He wanted to work for someone who wanted him to be a part of the team. Lastly, he believed the culture that KPMG exuded during socials and happy hours was one that he meshed with well. JT explained the importance of collaborating and enjoying the people you work with, as this is the key to truly enjoying your work.

Novarese’s day to day internship is what I was most curious to learn about. He began by saying he grew extremely close to his audit engagement teams, which further stresses the importance of making sure you like and mesh well who you are working
with. He then moved on explain his first days of his internship. JT reviewed notes, mailed letter, and did a lot of audit test work. Then he moves onto say his work escalated as he began to developing more trust with his superiors. Novarese did a lot of actual test work, verifying of accounts receivable, sales testing, and AR confirmations. As he worked on KPMG’s Rite Medical and Private American Residential Services clients, JT had the opportunity to take part in many parts of the audit process.

The last thing that I touched on with JT was something he wished he had known or been more proficient in going into his internship. The major take away I got from this conversation was improving my Microsoft Excel skills. He explained the versatility of the software and how much it was used in the profession, especially as an intern. Lastly, Novarese touched on the importance of writing skills, which was a bit of a surprise to me, as it not the first thing that comes to mind when you think of the accounting profession. Documentation and writing are crucial in any profession, but even more so in Big Four accounting.

This interview was a very valuable experience for me. Without this knowledge, I would definitely make mistakes I should not, but with it I will have an edge on my fellow first year interns.
Executive Summary:

For this final case of our thesis course, we were tasked with taking an in-depth look at the financial crisis that consumed our country and much of the world in 2008. As a very infamous crash, I was quite familiar with the crisis itself. As a small child who lived through the effects of the incident, I can vividly remember seeing the concern on my parents faces. Not truly old enough to understand the severity of the situation, I really thought nothing of it, but as I have grown older and more familiar with this crisis, I can see the life-altering impact it had on Americans and people all over the world. This case will take us through the causation of this crash and some ways we can prevent one from happening in the future.

This case taught me a lot, as I expected it to. Although I had knowledge of the crisis beforehand, the astonishing thing is that through my research and preparation for this case, it seems that it was the wrong people, everyday hardworking Americans, that were hit the hardest in 2008. At that time in America, Crony Capitalism was, I believe, at its peak. This idea is detrimental to American Capitalism through its creation of favoritism and corruption in the marketplace. This idea of financial services business benefitting greater than the clients they serve was and in some cases is still a nationwide epidemic. Along with learning who was hit the hardest by this crisis, this case showed me who the parties are to blame. This is where I believe this case impacted me the most, the practice of big banks lobbying and violating the idea to first protect the general welfare of the citizens in which the system is meant to benefit. Paraphrasing from the movie Inside Job, the financial industry for years has been working to benefit themselves when they
should be working for the benefit of those whose livelihoods these big banks hold in their grasp.

Through the viewing of the movie Inside Job and reading of the article “Recipe for Disaster: The Formula That Killed Wall Street” among the others it became apparent very quickly who was at fault for the crash in 2008. For the longest time as a teenager, I believed that this fallout was something that was going to take place inevitably. Instead, I learned that there are parties in question to blame. I believe it starts with David X. Li, the creator of the Gaussian copula function that led to this out-of-control risk assessment. This piece of financial technology adopted by everyone in the industry became deeply entrenched due to its creation of massive amounts of wealth all across Wall Street. This model, though, showed cracks early on eventually leading to the full-fledged canyon that was the crash of 2008. This piece of evidence is troubling. Not only were there signs of the formula failing, but many people knew it would. Not factoring in negative values in the industry and not making the formula adaptable to different risks, set it up for failure. But the blame cannot lie solely with Li. Big banks like Goldman Sachs were just guilty. According to Maier, “They(Goldman) totally fueled the bubble.”

What has happened cannot be changed but it is our job, as people who have been through and survived the aftermath of the collapse, to ensure that another one does not take place in the future. I believe this starts with accountability. One good thing that has come out the crisis is the awareness it has brought to the “Crony Capitalistic” things that taking place on Wall Street and all over the country. For the future, executives need to be held to a higher standard and not precedent that was set for financial services providers across the early 2000s. That should go for everyone who takes place in business across
the country. I will take this to heart as enter the workforce. For instance, instead of
Goldman paying out $4.7 billion in bonuses and compensation in first three months of
2009, an increase from 2008, the executives should have been concerned with
compensating those Americans who livelihood’s they destroyed only for their self-
benefit.

This ideal need to not only be adopted by the business world but as a society as a
whole, across both professional and personal avenues as well. In order to continue to
advance and move past the dark times in our country’s history, society needs to adopt a
better way of looking at opportunity. I think the capitalistic mindset of never being
satisfied and always looking for more opportunities is critical to continue, but instead of
only seeing those opportunities as avenues for self-gain we need to instead train our
minds to find benefit for all of those who are impacted. Although this may seem
unrealistic even offering this idea for change can only benefit a country that has only seen
division under President Trump.

I think the responsibility to change the way we operate, begins with the President
and the leaders of our country. My belief is that it is difficult for many Americans to act
in an ethical manner when their president is Donald Trump, according to William D.
Cohan’s very blunt article on Vanity Fair. Under the recent corona virus pandemic, it is
more important now than ever to begin conducting ourselves in a way that can be seen as
the new status quo not only in business world but in society in general. Just like that of a
Fortune 500 company, the attitude of the entire company should be based around the way
the CEO carries him or herself. President Trump needs to understand this. Although these
are challenging and uncharted times, the way we handle this crisis could be seen and
talked about for years to come. It is all rooted around generosity and understanding, although it can be difficult to see this sometimes, and making sure that after everything is said and done we still have allies and people to back us as a country for the foreseeable future.
HONOR CODE

On my honor, I have neither given nor received any unauthorized help on this assignment.