A Survey of Financial Accounting Principles as Illustrated by Comprehensive Case Studies

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A SURVEY OF FINANCIAL ACCOUNTING PRINCIPLES AS ILLUSTRATED BY COMPREHENSIVE CASE STUDIES

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

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ABSTRACT

SHELBY BLAIR D’AMICO: A Survey of Financial Accounting Principles as Illustrated by Comprehensive Case Studies

(Under the direction of Dr. Victoria Dickinson)

This document is a compilation of a year of work under the direction of Dr. Victoria Dickinson as a part of the Accounting Practicum Program in accordance with the Sally McDonnel Barksdale Honors College. The eleven case studies that are completed and shown in this thesis are representative of numerous accounting principles and topics that are applicable in the real-world setting. The topics discussed cover a wide range of information such as Regulation Fair Disclosure and the presidential debates, all of which allow students to see how various accounting topics will present themselves in the professional world. Some cases were completed in a group setting, which also allowed students to practice communication skills and further develop their ability to work on a team, which is paramount in public accounting. Additional data and resources were available for some cases, while others required more research and in-depth analysis.
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Case 1: Regulation Fair Disclosure
I. Introduction

In this case study, I was first tasked with discovering what Regulation Fair Disclosure is and how it would affect my client’s official financial reporting actions. After looking into the basics of Reg FD and gaining a basic knowledge of the concept, I was tasked to read various articles regarding the topic. These articles included real life instances and examples that allowed me to delve deeper into the topic of Regulation Fair Disclosure and how this could affect both my client and potential investors. The articles not only provided insight on the topic, but also allowed me to determine why the Securities Exchange Commission (SEC) would issue something such as Regulation Fair Disclosure.

After exploring the reasoning behind Reg FD, I was then given a scenario in which my client posted some current nonfinancial performance metrics onto his personal Facebook page and was concerned on whether or not this was in violation of Reg FD. I was tasked to determine whether or not I thought he was in violation of the terms of Reg FD and then given a case to read of a similar situation. This article led me to decide differently that I had first imagined, which added a different perspective and opinion on whether or not my client had violated Regulation Fair Disclosure. Throughout this case study I was able to learn exactly what Regulation Fair Disclosure is and why it exists in the accounting world. This will help me in my future as a now hold a more comprehensive knowledge about how financial reports need to be reported in order to ensure that my clients violate a clause related to disclosure. Before this case study I was not aware of Regulation Fair Disclosure or the sticky situation that can arise with it rules and social media platforms, as accounting and social media are not something that are
usually connected. Through this I have gained a knowledge of both Reg FD and how the use of social media can have a great impact on my clients if used incorrectly.

Regulation Fair Disclosure (oftentimes called Reg FD) is a rule passed by the Securities Exchange Commission in an effort to prevent selective disclosure by public companies to market professionals and certain shareholders. The goal of Reg FD is to level the playing field among all investors and prevent a loss of confidence within markets. The implementation of Reg FD effectively stopped companies from selectively disclosing important information to market professionals and certain shareholders. The impact of Reg FD on our client means that when they disclose nonpublic information to any person, they must also disclose that information to the public. This disclosure would include financial reports, new products and discoveries, joint ventures and changes in control or management to name a few.

Regulation Fair Disclosure exists to promote full and fair disclosure of information by issuers. According to the New York Post article, Reg FD is a law because of the impact one person can have on the entire stock market. In the article’s case, Jack Grubman was the top telecom analyst for Salomon Smith Barney and was also attending board meetings, meaning he was both analyzing a company’s information while being privy to the “secret” information. This hypothetically would allow for Grubman to trade on the inside information, which would corrupt the market as it stands. On a similar note, the Fool article by Smith explains that Reg FD has been more effective in keeping analysts and companies at arm’s length from one another, which has kept the analysts from gaining valuable information that could eventually be passed on to investors. Reg FD also now forbids discussing earning models before their publication and calls instead
for publicized financial guidance. The Fool article by Lomax also says that Reg FD exists in order to effectively block corporate managers from sharing material information only with select analysts but instead were required to share it publicly. The effects of and reasons for Reg FD were shown through various examples of proving how Reg FD can serve to help deliver the unvarnished truth. Through these articles, it is shown that Red FD exists primarily to prohibit companies from selectively disclosing nonpublic information to analysts, by making it law for them to participate in widespread public disclosure.

In my opinion I would inform my client that he did violate Regulation Fair Disclosure under the notion that the information is not easily accessible for all parties. Though he posted the information on a very public website, there is no way to inform all investors of this disclosure therefore it would not be considered a full disclosure. I would assume that in order to be considered Regulation Fair Disclosure financial information should be reported through proper channels regulated by the Securities and Exchange Commission. This would ensure that all parties both big and small would be informed and able to access the information that is disclosed by a company. I came to this conclusion by thinking about the implications if my client were to have made a small blog post in which he disclosed the information while knowing that few people were aware that the blog existed. His Facebook post is similar in this manner because it may not be released to the public that the information is indeed available. Because my client just posted the information on his personal Facebook page, I would notify him that he is in violation of Regulation FD due to the fact that the information, though accessible, is not easily accessible or announced as such to potential investors in the company.
Upon reading the Fortune article, I would determine that my initial response would change as the cases presented have been similar and are not in violation of Regulation Fair Disclosure. The Reed Hastings Rule was established after an instance with the Netflix Inc. CEO, in which he wrote a Facebook post disclosing information about the company’s success and progress. The rule determined that most social media is “perfectly suitable” for communication company information as long as the investors are alerted, and access is not restricted. When looking at this Rule in comparison to my client, I would inform him that his Facebook post is not in direct violation of Regulation Fair Disclosure, as long as he alerts investors about his post of the company’s current nonfinancial performance metrics. Assuming that this was done, I would feel confident that my client was not in violation of Reg FD but would still encourage him to take caution in continuing in this way as it can become murky water.
Case 2: YouTube Tax Case
Shelby D’Amico and Flint Christian
I. Introduction

In the YouTube Tax Evasion Case, an open-ended situation was laid out about a Fortune 500 CEO and his daughter’s YouTube career. With the recent development of YouTube and social media and the access it provides, many people have been able to monetize themselves fairly quickly and easily through online videos and posts. In the case of Mr. Buckingston, the Fortune 500 CEO, his 13-year-old daughter, Emma, is a YouTube star who makes more than $100,000 annually by posting dance and lip-sync videos to her account with millions of subscribers. While Mr. Buckingston is proud of his daughter and her entrepreneurial success, the firm that helps handle his taxes was unaware of the extra income Emma provides. They are now fearful of the financial repercussions from the past four years. As students, our role was to research the nature of taxes in relation to online earnings, dependent earnings, fines, investments, and the other details of the case.

Through the case, we learned a lot about the complex nature of tax law and tax payments. Because of Emma’s age, our initial reaction was to basically liken her YouTube account to an extremely successful lemonade stand. However, we discovered that her age matters very little, and she is actually considered a self-employed income earner. We dove deep into the federal income tax rate and the changes that came about in 2018. We approximated her earnings each year as well as researching how advertiser’s gifts could be taxed. We also looked at her self-employed tax, as well as how her income status affected her dependent relationship with her father and his own tax returns. Overall, the case was eye-
opening to the possibilities in the tax world and the amount of personal awareness needed to responsibly and accurately handle taxes. The conflation of the government and the private sector was extremely interesting too in our research.

II. Partner Group Deposition and Summary

To the D’Amico-Christian Partner Group:

   It has been brought to our attention that our client William Buckingston, CEO of a Fortune 500 corporation, has a potential tax violation which requires immediate action. His daughter, Emma, maintains a highly successful YouTube account which has generated a material amount of revenue in the past four years. The revenue most likely amounts to more than $600,000 in total. This does not include the unearned income she has generated from interest after investing most, if not all, of this income. Our firm has worked closely with Mr. Buckingston for many years, and we were only recently informed of the possible violation.

   In current tax law, his daughter’s YouTube revenue is considered taxable income (Papadakis), and at the level of income she receives, she should have been filing her own tax return at a federal rate (“What”). Her status as a YouTube “star” began in 2016, and in the subsequent two years Mr. Buckingston approximates that she brought in at least $120,000 each year. At the federal tax rate in those years of 28 percent, this would mean a total of $67,200 in missed tax payments (Frankel). As her following has grown and with it advertising, her income has elevated to approximately $180,000 annually, her federal tax expense at 32 percent would
arrive at a total of $115,200 (Frankel). This means a total of approximately $182,400 in missed federal income taxes. Mr. Buckingston also stated that the income has generally been invested in Certificates of Deposit earning 3 percent. Taxed at 10 percent, Mr. Buckingston’s daughter might have missed nearly $20,000 in unearned income tax payments (Fishman). The nature of Mr. Buckingston’s daughter’s YouTube career is also considered self-employed (“Tax”). Due to this, she is responsible for a self-employment tax of 15.3 percent that covers both employer and employee Social Security and Medicare tax, which would total to between $90,000 and $100,000 over the four years depending on the exact amount and timing of her income (Silva). She also receives many packages and gifts from companies wishing to advertise their products on her channel, but generally the recipient of gifts do not have to pay taxes on them (H&R Block) Her status as a dependent is not violated due to the affluent lifestyle of Mr. Buckingston and his financial support of his daughter, which includes living expenses, food, and other various activities. As long as these annual expenses are twice the amount of her annual income, then we correctly identified her as a dependent (“Should”).

Overall, this situation has the potential to develop into a very serious issue for our firm and our client. As the CEO of a major Fortune 500 company, Mr. Buckingston’s public image is vital to his success as well as his shareholders’ trust. Any mention of his name with tax fraud could have major implications. Accordingly, our firm relies on our relationship with Mr. Buckingston not only for financial support, but also for the reputation it provides us in the financial world, especially with smaller clients. Our firm and our client could also be on the hook
for hundreds of thousands of dollars of missed taxes, as well as the hefty fines that
often come with missed taxes. However, we are still investigating. We hope to
maintain complete control over the situation and work through any possible
collateral damage quickly and easily. Please contact me soon about Mr.
Buckingston’s position. Thank you.

Sincerely,

Shelby D’Amico and Flint Christian

III. CEO Email and Explanation

To Mr. William Buckingston:

Upon concluding our lunch this afternoon, we were interested to discover
information about your daughter’s YouTube success. As she has likely made
approximately $600,000 within the past four years, we were concerned that the
exclusion of this information within your financial information may result in a tax
violation and or penalties to you and your company. Because of this concern, we
immediately began researching the issue in order to ensure that no future penalties
will be assessed to you. The information is as follows.

Due to the amount of your daughter’s current revenue, she should be filling
out her own tax form at the federal rate (Turbo Tax). As the failure to disclose this
information may not seem to affect you at the moment, it is imperative that you are
informed of this information in order to aid your daughter in doing so to avoid
future negligence. Also, you are affected by not including this information and will more than likely be penalized by paying 20% on each year’s returns that Emma was generating YouTube revenue. If this negligence is instead deemed to be considered purposeful tax fraud, then you could be facing a penalty 75% civil penalty by the IRS (Nolo). We are hopeful that this will not be considered intentionally fraudulent and that you will not be penalized greatly for the omission. On the other hand, we have determined that even though Emma’s revenue is grand, there is no issue with her remaining as a dependent on your tax forms as long as she also files her own returns.

In light of this news, we would like to express our willingness to work through this with you. In doing so, we aim to provide confidence and help to ensure that an omission or negligence of this scale does not occur again. Please let us know what questions you may have on this issue if we have not helped you understand it fully.

Sincerely,

Flint Christian and Shelby D’Amico
Case 3: Monopoly Meets Blockchain
Shelby D’Amico and Wes Duffield
I. Introduction

The “Monopoly Meets Blockchain” Case is the ninth case that I and Wes Duffield, as part of the Accounting 420 – Honors Professional Research and Speaker Series class, will be completing in compliance with the Sally McDonnell Barksdale Honors College Thesis. This case is a summary of an in-class simulation and exercise of “Blockchain” and what it encompasses. The in-class exercise involved combining multiple games of Monopoly while simultaneously recording specific information about each transaction, whether it be a property purchase, earning of rent revenue, or even the receiving of funds through a Chance Card. Shelby and I were “The Cloud” in the system. Our job was to receive information on the transactions being made in the game and then to sort all of it into one master ledger. The write up for this case will include a definition of what Blockchain actually is, an explanation of the role we played in the simulation, and a full description of our experience.

After participating in the system of Monopoly and Blockchain, as well as researching what Blockchain is for ourselves, we have realized just how massive and complex the idea and implementation of Blockchain is. We learned that not only is their only one master ledger for the entirety of a Blockchain system, but that none of the information can be retroactively edited. Blockchain is an emerging technology and concept that will only become more relevant and popular in the years to come. As future accounting professionals, we will only become more and more intertwined with Blockchain as more and more of our clients desire to take part in it and reap its potential financial benefits. Taking part in the in-class activity and writing up this case really has really cleared up the confusion we had as to
what exactly Blockchain is, as well as helped us understand the importance of it now and in the future.

II. What is Blockchain?

Blockchain has become well known due to its involvement with Bitcoin. It is the digital currency’s main record-keeping technology and is described as a “distributed, decentralized, public ledger.” Blockchain, at its simplest, can be explained as a series of “blocks” and “chains.” Blocks are stores of digital information, which are stored in chains, or public databases. Blocks store three main types of data: 1) basic transaction information, such as date, time, and dollar amount, 2) information on who is participating in a given transaction, and 3) information on the store involved with that same transaction. In order for a Blockchain transaction to occur, a few things need to happen. First, there needs to be an actual transaction. Once the transaction has been completed, it is entered into the system and must be verified by the network of computers running the system. From there, the transaction is stored in a block and that block is given a hash. Once all of these things have occurred, the block can be added to the Blockchain.

What makes Blockchain unique is that each individual or store that uses Blockchain is given a unique identifier, called a “hash,” that is unique to them, but doesn’t give away specific user information, providing some semblance of privacy. The decentralized aspect of Blockchain is the ability for users to opt in to being ‘nodes' that receive a copy of a Blockchain ledger. Essentially, every node is constantly given updated copies of the ledger, which makes the ledger a lot more difficult to manipulate. All of these factors lead to the system of Blockchain being a very secure process.
III. Our Role in the System

In the class activity, Wes Duffield and I were tasked with serving as “The Cloud” in our blockchain system’s makeup. In this role, we were in charge of ensuring that there was a ledger in which all transactions made throughout the process of the game were recorded onto a master ledger. As the game players made transactions, they gave the required information to the runners, who then brought the information to the ledger to be recorded. We were tasked with ensuring that the information was transferred and recorded accurately in order to create the blockchain. In order for a blockchain to work effectively, four things must happen: a transaction must occur; the transaction must be verified; the transaction has to be stored in a block; and the block must be given a hash. Our role as the “keepers” of the ledger within the cloud was imperative to this role in terms of both verifying the transaction and storing the action. When the runners (who were also a part of the cloud) would bring us a transaction, we made sure to check its accuracy with the security key given to each game player. If the key was inaccurate or did not exist, we knew that the transaction was not to be recorded in the ledger. On the other hand, after a transaction was verified, we were directly responsible for storing the information in a block, which in our case, was recording it into the ledger. Without the transcription of the transaction, it would not have been placed into a block, which also means that our class project would not have been a mirror of a blockchain without every moving part. If we were to fail to record the information into our ledger, then it would ultimately fail to reach the requirements of a blockchain, meaning that our project would have failed.
IV. Description of Our Experience

When we discovered that we were in charge of the ledger that acted as the Blockchain in “The Cloud,” we first had to decide to design what our ledger was going to look like. In doing so, we gathered notebook paper and formed four different columns that were labeled as follows: security key, turn number, description of transaction, and price of transaction (which included rent price of the property if it was a property purchase). It was important for us in this role to ensure communication was clear and effective between the runners between the game room and the cloud. In order for our ledger to be as accurate as possible, we had to explain the makeup of the ledger to the runners so that our information was unified across the board. This process was strenuous as there was tedious information for us to copy down by hand as transactions were happening quickly. There were many times throughout the game that the runners were forced to wait in a line as we merged their information from their packets onto the ledger we were creating. When this happened, it not only made runners frustrated as they were forced to miss out on transactions or feel as if their time was being wasted, it also heightened stress as we were transferring the information as quickly as we possibly could. As the process we took to creating the ledger was handwritten, it proved to slow the growth of the ledger and ultimately caused us to rush. Due to our rush to record the purchasing and selling information as quickly as possible, there were likely errors in our recording methods. The human error of our process could impact the blockchain process greatly as in an accurate blockchain system none of the information can be retroactively edited. In our scenario, we did not go back and check or correct our errors, but we were greatly aware of the implications our errors could have on the blockchain. There were
also auditors who were positioned in the cloud for a great amount of time to ensure that our efforts to transcribe the ledger were accurate and flaw free, though there was no way to account for the transfer of all of the information from the game players, to the runners, to the cloud and our ledger.
Case 4: Interview of Business Professional Case
I. Introduction

In this case, I was tasked with conducting a phone interview with someone I know within the business community. This person was to be fairly established within their career in order to learn about their journey to their profession, as well as learn valuable life lessons through hearing about their experiences. I was then to compile a biography of sorts about the professional that I chose to interview, summarizing his experiences, advice, and life path from our discussion. I was given a list of specific questions to ask, but also allowed to write additional questions to ask the interviewee. After thought and consideration, I chose to interview the president of Boyles Moak Insurance Services Larry Taylor and learn about his path to this position as well as the lessons he learned along the way.

Through our conversation, I was able to learn what events have shaped Mr. Taylor into the man he is presently, as well as hear bits of advice from an experienced employee in the business world. This case allowed me to gain insight and information about what my future could look like within the business world. I was able to see the importance of family within the life of Mr. Taylor and learn how this value can carry through into his work life as well. As my family is very important to me, hearing his insight on the topic was both uplifting and encouraging to me in my future endeavors. His biggest piece of advice to me and my peers was to never give up and to never quit. He urged to me the importance of perseverance and the notion that giving up equates to failing before one has even begun. As life may have thrown curve balls and punches his way, he was able to push through them and never give up, which allowed him to reap many benefits. Through
my interview with Mr. Larry Taylor I was able to learn about his success and failures, and the lessons that he learned through all of them.

II. Early Life and College

Larry Louis Taylor, Jr. was born in Jackson, MS where he lived for most of his life. Growing up, there was no doubt that Mr. Taylor was going to take over his father’s business when he became of age. Even as a child, he would attend meetings with his father and was constantly learning the ins and outs of the business world. When it was time for him to attend college, Mr. Taylor learned important life lessons through the actions that he made. During his first two years, Mr. Taylor describes his time at college to be spent more on play that on work and knew that he needed to make a big change in his actions in order to be successful. In this realization he transferred to Millsaps College where he played football. His time at Millsaps allowed him to develop as a young adult and taught him lessons of discipline and growth. He was able to continue to learn about his father’s business and the logistics that come with running a business, as well as grow himself through his education. Through this self-realization and growth, Mr. Taylor persevered through his college years and was able to focus fully on his studies and graduate with a good GPA and many life lessons in his back pocket.

III. Early Career

Upon his college graduation, Mr. Larry Taylor accepted his first job as a traveling salesman. This job required that Mr. Taylor travel five days a week across the state of
Mississippi. When asked what he learned most throughout his time in this position, he said that he learned about people and the real world. Mr. Taylor felt that, up until that point, he had been living in an alternate reality-fairy tale land. He was forced during this time to cope and deal with situations on his own, how to fix his own vehicle, and ultimately, he was able to learn about people through their interactions. After working as a salesperson for three years, Mr. Taylor felt that he was ready to “move inside” and finally take over his father’s business. Around that same time General Motors had approached his father for a deal in buying his company. As this was a big decision to make, Mr. Taylor was given a say in the decision and decided to allow his father to sell the company so that his parents would be able to live comfortably in retirement, and he decided that he could find a different career path. This decision speaks to Mr. Taylor’s dedication to his family within his actions and career decisions.

After his father sold his company, Mr. Taylor started his own food brokerage business called Diversified Food Businesses, and eventually sold the company to Crossmark Food Services in 1995. After moving to Tennessee for a few years, and starting a family of his own, Mr. Taylor ended up in the insurance business by happen stance when a friend introduced him to its world. He worked at Shelter Insurance for two and a half years before joining Boyles Moak Insurance Services as first a partner, then moving to president in 2007. Presently, Mr. Taylor is preparing to sell Boyles Moak Insurance Services and he will move to serve as Senior Vice President of a larger Insurance Company.

Throughout all of his endeavors, Mr. Taylor has kept his family at the forefront. A proud father to three children Tripp, Wilson, and Allie, Mr. Taylor makes no decision
without thinking first of the implications to his family. As a happy, hard-working, and God-fearing man, his pride and joy circles around his children and the accomplishments he has made in the business world, despite odds that may have been put in his way. When looking back on his time in the business world so far, he speaks with adoration and pride in regard to his accomplishments and the place that he is in today. His biggest advice to offer up to students would be to learn what the real world is like before you get thrown into it. He urged me to never lose sight of what is important and to never, ever, ever give up. He is a firm believer in the statement that if you give up you have simply failed before you have even started. Through his life, he has fully embodied the value of family and the sacrifices that it entails and has been successful through his endeavors. He left me with one piece of advice upon completing our interview: “Enjoy life; open your eyes.” Mr. Taylor wants to help people understand that life is meant to be enjoyed, so they should enjoy it. But, in that same breath, he urged my generation to learn what the real world is like and to open our eyes to what is unknown to us in this very moment. This interview allowed me to learn these lessons and see them played out within the experiences of Mr. Taylor’s life.
Case 5: Honors Accounting Internship Interview Case
I. Introduction

In this case, Dr. Dickinson asked each of her students to email her our specified preferences of city, firm, and service line in order to pair us with former students who had recently finished their internships in a similar area that we are pursuing. After assigning a mentor student to me, I was tasked to conduct a phone interview with my mentor Brooke Baumgardner who recently completed an internship with the audit department at Ernst & Young (EY) in Houston, Texas. In this case, I did not receive a prescribed list of questions to ask but was instead given liberty to ask Brooke what I felt needed to be asked in order to gain a comprehensive idea of her internship experience as well as learn more about Brooke as a future accountant. In my preparation, I first wrote a list of questions that I wanted to make sure I asked Brooke before calling her for the interview. Through our phone call, I was able to ask her questions and record her answers in a separate document that I was able to use as notes while compiling the contents of this case. As Brooke and I have previously worked together in student organizations around campus, this phone call allowed me to dive deeper into her inner thoughts and feelings, as well as acquire advice specific to navigating our University as a senior, as well as an accounting audit internship at EY.

Through our conversation, I was able to gain a better understanding of what to expect in my future role in an internship for accounting. As Brooke answered my questions, I felt myself gain comfort in gaining pieces of advice and knowledge that she had to offer for me. She urged me to be confident in my work as an intern because no matter how I may be feeling, the firm wants me to be there and knows that I am capable of doing the task given to me. I was also able to hear about her experiences at Ole Miss
and gain advice for a student approaching their senior year of college. This case allowed me to understand what to expect in various experiences throughout my internship, as well as allowed me to gain firsthand advice from a peer who experienced the same nerves, excitement, and anticipation that I did.

II. College Experience

Brooke Baumgardner decided to attend the University of Mississippi in spring of 2016 after falling completely in love with the campus during a tour. As she had always planned on attending a school that had a traditional college feel, she looked to our University because of the campus climate as well as the esteemed accounting program. Brooke said that she pretty much always knew that she wanted to major in accounting after completing an accounting course in high school and falling in love with the subject, so once she stepped foot on Ole Miss’s campus, she knew it was the place for her. During her time at the University, Brooke found value in her relationships and dove headfirst into various areas of involvement. Two of her very favorite memories at the University involve the serving as both an Orientation Leader as well as being on the Board of Directors for RebelTHON. These organizations not only allowed Brooke to build relationships both with her peers and children around the community, but also allowed her to grow in her leadership skills and abilities. Brooke found her time at the University to be extremely rewarding and advised future seniors to soak in every moment. She described her final year of undergraduate as bittersweet but expressed that she would not trade it for anything.
III. Internship

When searching for an internship, Brooke looked specifically for an office that had people she knew she could both learn from and work with daily. She attended many office visits before ultimately deciding to accept an audit accounting internship at the Houston office of Ernst & Young. Brooke felt that the people at Houston office of EY were welcoming and eager to have her on board, which made her feel wanted within the firm. Also, through her multiple interactions with office members, she never felt pressured by EY to make a decision, which was a big recruiting pull for her as she did not want to feel pressure within the office she accepted an internship with. As Brooke’s hometown is Houston, she was able to find an office that was her best fit, as well as the convenience of living in her childhood home.

As the Houston office is one of EY’s larger offices, Brooke was given the opportunity to work on both a large and small team during her internship. The first was an audit team of about twenty members where she was working on a sub city area team in the oil industry. Through this experience, Brooke said that everyday brought new tasks and jobs that she was required to complete and also included lunch and coffee runs for members of her team. Her typical workday on this assignment ended late, almost always arriving home long past dinnertime, as it was a larger assignment. On her second assignment, Brooke was placed on a much smaller team of about five members where her workdays were shorter due to the client being a smaller project. Through both of her experiences, Brooke gained both invaluable knowledge about the accounting world and the oil industry. By the time her internship had finished, Brooke decided that it was nothing like she thought it was going to be. As she had been sitting in years of accounting classes, she
imagined her internship involving nothing but making journal entries and analyzing financial statements, but instead found herself reading all about the oil industry and the documents associated with it.

Through my talk with Brooke and her experience in the audit internship, I was able to gain valuable knowledge of what to expect when I complete an internship of my own. Brooke encouraged me to have more confidence in myself, as that was something that she learned throughout her experience. She was constantly reminded that the firm wanted her to work there and found herself reminding herself of that when she needed a confidence boost. Her biggest advice to offer up for a student who is about to experience an internship was to be a high performer. She urged for students to go the extra step and try to see if there is something beyond your assigned work that you can help a team complete. Though an intern may not feel important, you are wanted and there for a reason and the accountants want you to learn and grow through the process. Through my interview of Brooke Baumgardner, I was able to gain insight on the process of an accounting internship and feel equipped to tackle my own internship in the future. Brooke not only provided sound advice but was also willing to share part of her “Ole Miss” with me and allow me to see the value she found in our University and the relationships that formed her here.
Case 6: Financial Crisis Case
I. Introduction

In this case, I was assigned a series of steps to take in order to research the financial crisis of 2008. The first of these steps was to watch a YouTube video about “Crony Capitalism,” which discussed the problems associated with the government being “bought off” in order to better some smaller party. Then, I watch the 2010 movie Inside Job in order to gain firsthand insight about the events that led to the economy crisis of 2008. After completing both videos, I read three very informational articles that allowed me to view the same events from a few different angles. After taking copious notes on all assigned videos and readings, I was tasked to sit on my newfound information and think about the implications the economy crisis may have on our lives again today in the midst of the COVID-19 pandemic. After this period of thought, I was asked to answer questions regarding how my opinion on the risk our economy is presently and how it changed through the gaining of new knowledge.

Throughout the course of this case study, I was able to gain new knowledge about the economic crisis in 2008. I found the documentary to be particularly helpful in delineating the information as it was both informative and entertaining. I learned about the ins and outs of Wall Street “Giants,” as I had not fully grasped how corrupt Wall Street seemed to be before this assignment. I was also able to engage in a conversation with my father regarding the subprime mortgages and the AAA ratings that were granted during this time. As my dad is a mortgage broker, he enlightened me about the changes that have been present within the mortgage world after the events that took place in the 2008 crisis. I enjoyed learning about the pitfalls of the economy in 2008, as well as gaining the ability and knowledge to engage in an insightful conversation with my father,
which would not have occurred otherwise. This case also allowed me to take a step back and think about my future life and career due to the repercussions that may be inevitable on the other side of the pandemic.

II. Beliefs for the Future

Before watching the assigned videos and reading the articles, I had a pretty optimistic and almost naïve viewpoint regarding the economy and the financial crisis of 2008, specifically. As I was only 10 when the economy fell, I do not remember much that happened except for my family friend freaking out about the stock market crash (though I had little to no idea what that actually meant at the time) and that gas prices were really high. Through the information presented in the articles and films, I was not only able to see just how disastrous the crisis really was, but I also learned the truths behind it. I was able to see just how much of human greed and actions led to our economic downfall and became more concerned for our future. History has an importance in our lives that is particularly significant today—it allows us to know where we have been and provides information on how to avoid or combat difficulties that may come our way. As our economy’s past allows us to see the path we took towards destruction, we are able to make sure not to go down the same road again. Though there may be bumps in the road (such as greed or simple humanity), we have the tools in front of us to not make the same mistakes. Learning about the crisis of 2008 not only changed my beliefs by providing clarity about the somewhat corrupt events that led to our economy’s downfall, but it also led me to think about what our past means for our future and to question how we can prevent this situation from occurring again.
III. Role in Society

In terms of my role in society, after reading the articles and watching the videos assigned, I feel as if my role in society has been almost completely diminished in varying ways. On the one hand, I feel as if I do not have a large impact on society as a whole because corruption will occur somewhere else due to someone else’s greed. It seemed as though the only people with real power or a hand to play in all of the events were Wall Street billionaires or those who were closely involved with government officials. On the other hand, I feel reassured in my integrity and know that I am able to make the conscious decision to do the right thing even when it is hard. Even though many of the transactions that occurred were not illegal, they were definitely considered immoral if viewing them from a different perspective. I have gained confidence in my role as an aspiring audit accountant to hold myself and those around me to the highest degree of integrity. This impacts me both professionally and personally as I strive to work each day with integrity at the forefront. Though I think this was a value I already held before this assignment, I now recognize its importance and necessity in the workplace and within my personal life.

IV. The Impact of COVID-19 on the Economy

Fast-forward to present day, quarantined in our homes, zooming in to class and meetings, and another economic crisis seems to be creeping closely behind us. With the impacts of this pandemic, stores and restaurants and businesses have been forced to shut down and lay off employees in order to survive. I fear our economy will fall into another
recession due to the inactivity that has been present due to these unprecedented situations that we face. My hope is that we, as a country, will be able to work together and lean on one another during these dark times and take notes from our economic past. We need to assess the risks that we are and have been taking and think of their implications to their fullest extent. Only then can we work to unwind the status quo that is full of greed and corruption and lead with integrity. I hope that knowing what we know now based on events from 2008, that our economic and political climate can change for the better and work to combat the struggles we are facing. though this may be difficult due to attempting to protect both the economy and our health, I think that now is the time to work on making it better. Politicians and economists can work together and strive for economic stability within our country despite the hardships that we are currently facing. Without this “teamwork” our economic and political climates may never change for good and perpetually stuck in the cycles we have seen numerous times across our country’s history.
Case 7: A Tale of Two Cities
I. Introduction

In this case, Dr. Dickinson has assigned each student a list of questions to answer about our top two internship and future job cities. As I have taken this class in a “backwards” order, I have already accepted an internship offer to a firm in Memphis, Tennessee. In order to adjust for this, I will be providing a more in-depth analysis of Memphis in order to adequately complete the assignment. The list of questions is extensive and requires the use of both opinion, research, and analysis of the city that is chosen. The questions also allow for examining living conditions, weather, hobbies, and other factors that come with living in a new city—and factors that may not always be considered from a college student. One question that was very interesting to answer was being able to create my own monthly budget of sorts for living in Memphis, TN. This will be helpful for my future self as I continue to be financially responsible and plan my financials accordingly.

Through my in-depth dive of Memphis, Tennessee, I was able to gain a more wholistic understanding of what it will be like to live there. As a college student, I have not always considered factors such as laundry and hobbies within a city because those have always seemed to exist in the places I have lived. This case allowed me to be reassured that Memphis will be a great fit for me as I was able to discover just what it had to offer for me. The city will not be much of a transition in terms of style and way of living as compared to where I have grown up, and I know that it will be a fairly smooth transition after completing this assignment. Also, this case allowed me to look deeper into aspects of myself as I was able to decipher just what it is that draws me to Memphis.
Throughout this case, I discovered more in-depth details about the living situations of Memphis, Tennessee and was able to learn more about myself through it.

II. Population

The population of Memphis, TN is around 650,000 inhabitants. While this may seem like a fairly large number compared to my hometown of about 150,000 inhabitants, the populations per square mile of both locations are in the range of 1,500-2,000 people. When looking at it from this perspective, Memphis does not seem to be much different when comparing it to population numbers, which is reassuring as I can assume that, based on population alone, the transition will not be too extreme.

III. Climate

The climate and seasonal fluctuations of Memphis are quite similar to that of Oxford as they are only about 70 miles away from each other. According to US Climate Data, the monthly average temperature for the summer months is in a range of about 75 to 95 degrees Fahrenheit. The winter months have an average temperature range of about 25 to 45 degrees Fahrenheit. There is also information about the average rainfall in Memphis, which seems to be about six inches in rainy seasons (such as the spring) and three inches during the drier seasons (like the summer). The climate of Memphis also usually has a fairly high humidity level, but this should not be much different from the places I have lived before this. After looking at the climate and weather conditions present in Memphis, I believe I am very accustomed to living in the weather that is present there. As
I have lived in locations not too far from Memphis, the weather should not prove to be difficult for me to navigate or adjust to.

IV. Topography and Scenery

In terms of topography, Memphis has a “green zoned” level of elevation that ranges from about 233 feet to 318 feet. This would not be considered a high level of elevation and should be very similar to elevation of which I am familiar and comfortable. In terms of scenery, Memphis has many scenic views including the famous bridge (depicted in figure 1) that crosses the Mississippi River. This bridge is oftentimes lit in colors to represent holidays, special events, and other historic moments in Memphis history and that of the state. This bridge is depicted below with its traditional lighting at dusk. Apart from the bridge, Memphis has lots enjoyable parks and outdoor areas, as well as a city landscape. This allows Memphis to be unique in that it is a Metropolitan city that also has areas that allow it to feel more similar to a suburban area.

Figure 1: The Memphis Bridge
V.  

Tax Rates

The sales tax rate in the state of Tennessee is seven percent and the state of Tennessee does not have income tax. The property tax rate of the state is 0.75 percent. Assuming I make $50,000 annually, I will also have to pay federal taxes at an average rate of 17.24 percent and marginally at 29.65 percent. The lack of income tax would be a great benefit to me as I would not have those additional taxes taken out in that format.

VI.  

Transportation Hubs

Memphis is home to the Memphis International Airport located in the heart of the city. As an international airport, there are both international and domestic flights available from this destination, which would be extremely convenient. The airport also offers most airlines so that there are many options to finding the best price and rates for flying both domestically and internationally. In addition to the airport, Memphis is also a hub for the Amtrak train that offers many routes and destinations.

VII.  

Prevalent Industries

Memphis has many industries represented in its city. These include manufacturing, services, and other business concerns. Memphis has been considered a top logistics hub for many years due to the prevalence of companies like FedEx and their transportation systems. The city’s five largest companies include FedEx, International Paper, AutoZone, ServiceMaster, and Mueller Industries. These companies specialize in package delivery,
paper and pulp manufacturing, automotive parts, outsourcing services, and metals, respectively. The industries in Memphis are both prominent and diverse in the services and options that they provide.

VIII. Healthcare and Education

The healthcare quality in Memphis is very revered among both the state of Tennessee and the nation. The hospitals located in Memphis are known for their exceptional healthcare workers and services. There are many hospitals located in the middle of the city including both Baptist Memorial Hospital and Methodist Hospital of Memphis, and there are also two children’s hospitals. The children’s hospitals include both St. Jude’s Children’s Research Hospital and Le Bonheur Children’s Hospital, which are both highly acclaimed institutions.

In terms of education, Memphis has numerous public and private schools that are known for their academic success. As the city itself has many inhabitants, there are many school districts and schools in convenient locations. My children would likely attend public school due to the ability to provide specified services as well as their esteemed reputation in the area.

IX. Crime and Locations

In the city of Memphis, most of the crimes are related to burglary and theft, in the areas of property and motor vehicles. The safest neighborhoods include the east portion of the city (Fisherville, Germantown) as well as areas of West Junction. Places in the city
to avoid include the northern portion of the city closest to river (Thomas St., Whitney Ave.). With this knowledge, I can be sure to be prepared and aware of my surroundings and environment in all circumstances.

X. Living Accommodations

With a roommate, I plan on paying about $875 a month for rent in Memphis. The apartment complex that I have been researching, Southline Apartments (figure 3), has many amenities including on-site parking, pools, 24-hour fitness center, controlled access, and pet friendly facilities. It is located in the South Main Arts District, which is a safe area and has many art festivals and farmers markets less than a mile away. In the two-bedroom, two-bathroom model, I would have my own bathroom and bedroom, along with a shared living space and kitchen (figure 2). There are options of one bedrooms or studio apartments, but I prefer to live with a roommate. I have included a floor plan for my preferred model as well as a picture of the apartment complex’s entrance.
XI. Mode of Commute

The typical mode of commute for Memphis is car travel. As my chosen apartment complex listed above is located about twenty minutes away from the firm I will be working at, the drive would not be bad at all. This commute would be a nice time to reflect and get ready for the day without having to be on the road for a very long time. With this in mind, I could adequately prepare my workday with the approximate travel time of twenty minutes.

XII. Grocery Shopping

Memphis has many convenient grocery stores in many areas of the city. I would have the option to shop at more “trendy” grocery stores such as Trader Joe’s or Whole Foods, as well as Walmart and Kroger. These are all conveniently located near the apartment complex I have been looking at and would be a simple commute when needed.

XIII. Laundry

The apartment complex that I am considering has full amenities including a washer and drier in the apartment. This would allow me to do my own laundry for free within the comfort of my own apartment.

XIV. Civic, Religious, or Charitable Organizations

Upon moving to Memphis, I plan to get involved to a church in the Memphis area that has a nice young adult program that would allow me to meet other people my age.
Also, I would love to be able to volunteer or help out with different fundraising events for St. Jude Children’s Research Hospital. I would also love to get involved with the Boys and Girls Club of the city and provide mentorship to the kids that attend their programming on a regular basis.

**XV. Sports/Entertainment**

Memphis is full of exciting sporting events and other nightlife that I would be very excited to participate in. Home to the Memphis Grizzlies NBA team, I would be able to attend their games with friends and family. Memphis is also home to the Orpheum Theatre where I could attend traveling Broadway performances as they visit the city. The restaurant scene in Memphis is also something I would be very interested in exploring with friends and families as I could find all of the best places to eat in the area. As well as food, I would also love to explore different areas for shopping and discovering new stores and areas. Memphis also has many parks and farmer’s markets that I would love to explore and walk around on a relaxing weekend.

**XVI. Traveling to Hometown**

As Memphis is only three hours away by car to my hometown of Madison, Mississippi, my commute to visit home would be quite easy. My parents would also be able to visit me with ease by car as they still reside in Madison. The only costs I incur would be gas for my car, which is usually about $25-30 per tank.
XVII. Model Monthly Operating Budget

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Cost:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Salary</td>
<td>$60,000</td>
</tr>
<tr>
<td>Monthly Salary</td>
<td>$5,000</td>
</tr>
<tr>
<td>Rent</td>
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</tr>
<tr>
<td>Utilities (approx.)</td>
<td>$100</td>
</tr>
<tr>
<td>Gas (car)</td>
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</tr>
<tr>
<td>Savings</td>
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<tr>
<td>Groceries</td>
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</tr>
<tr>
<td>Entertainment</td>
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</tr>
<tr>
<td>Dining Out</td>
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</tr>
<tr>
<td>Cell Phone</td>
<td>$99</td>
</tr>
<tr>
<td>Car Note</td>
<td>$420</td>
</tr>
<tr>
<td>Misc Exp</td>
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</tr>
<tr>
<td>Travel</td>
<td>$200</td>
</tr>
<tr>
<td>Cable/Wifi</td>
<td>$75</td>
</tr>
<tr>
<td>Pet Care</td>
<td>$150</td>
</tr>
<tr>
<td>Insurance</td>
<td>$200</td>
</tr>
<tr>
<td>Extra Expenses</td>
<td>$731</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$5,000</strong></td>
</tr>
</tbody>
</table>

Figure 4: Estimated Expenses

Above, an estimation of my income and expenses for a typical month in Memphis, TN is depicted (Figure 4).

XVIII. Final Thoughts

Based on my research, I am very confident in my decision to accept an internship in Memphis, Tennessee. I have been able to view the city in a fully comprehensive manner upon answering the above questions, which has continued to validate my decision to move to the city of Memphis. I was a little concerned when first looking at areas such as
crime rates and taxes but was reassured as I continued to research other aspects such as entertainment and apartment complexes. Overall, this research made me very excited to move to Memphis and start a new chapter of my life there.
Case 8: Asset Concepts Case
Shelby D’Amico, Astha Kandel, Amanda Arnold, Mary Frances Williams
I. Introduction

In the Asset Concepts case, we were split into breakout rooms by Dr. Dickinson and given the task of assuming that we are members of the FASB task force charged with reimagining GAAP on different dimensions of assets. The worksheet gave us vague information regarding the asset dimensions that we would be discussing in our consideration of them. As a group, we talked in depth about each option, taking detailed notes as we discussed, and then framed our opinions below. This process repeated three different times as we juggled the questions involving the focus of financial reports for a company, the method in which an asset should be measured, and the implications of such measurement. After taking our detailed notes, we came to a consensus on our opinions and were able to put them into concise thoughts in the following case study.

Throughout the completion of this case, we were given the unique opportunity to put ourselves in the place of a FASB task force. This opportunity is one that we would not likely have been able to put ourselves in, which allowed for the enrichment of knowledge and placing us outside of our comfort zone. We were able to not only learn just how a FASB task force might look, but we were also able to consider the questions that were posed to us. By looking at these questions, we were able to apply our knowledge of accounting and expand it further when deciding how different decisions may ultimately affect financial statements, a company, asset valuation, and journal entries. As we were not allowed any additional resources to aid in discussing these questions, we had to rely on our group’s knowledge, which also allowed us to practice our independent thought and judgement when coming to these conclusions. With this experience under our belts, we were able to have a better understanding of the processes...
the FASB considers, as well as a gaining of knowledge that many of our peers have not
had the chance to participate in. Through completing this case, we were ultimately able to
learn about more accounting processes by applying our knowledge of accounting to the
hypothetical situation of being on a FASB task force.

II. Question I

The first question posed two viewpoints that differ on their focus of financial
reports for a company. The first viewpoint, referred to as “asset greenhouses,” describes
that the proper valuation of assets and liabilities is the primary goal of financial reporting.
Under this viewpoint, the primary objective of the firm is to earn money by acquiring
assets, storing and growing them, and earnings represent the realized or unrealized
growth in these assets. The second viewpoint is referred to as “asset furnaces” and
focuses on the determination of revenues, expenses, and especially earnings as the
primary goal of financial reporting, with asset and liability values being updated by
changes in the income statement accounts. In this viewpoint, created assets are sacrificed
or transformed for the larger goal of producing revenue and earnings.

The benefits of an organization being an “asset greenhouse” are that the assets
and liabilities shown on the balance sheet directly show the point in time financial
standing of the company that is necessary for investors, lenders, and stakeholders to make
financial decisions. Knowing this information helps internal and external users to be
aware of what the company owns, owes, and the net worth of the company. Current and
long-term assets show the ability for the organization to generate cash and sustain
operations, while current and long-term liabilities reflect the organization's obligations.
Comparing current assets and current liabilities determines whether the company can meet its short-term obligations. This information is used to internally guide management decisions. By keeping track of these finances, the company can be aware of potential problems that could turn into larger problems. Ultimately, this information is necessary to sustain and grow a business over a long period of time.

However, the “asset greenhouse” approach does not accurately reflect the financial performance of the company. For example, manufacturing companies might have bigger assets and seem like they are performing well, and a number of service companies could have smaller assets and falsely portray that the company is not doing well, financially. This viewpoint also does not focus on the source of revenues and expenses, which is a major component in determining how a company manages its earnings. Without focusing on expenses, the organization does not know how their money is being spent and how they can eliminate those expenses in order to make a higher profit. The balance sheet does not show the operating and non-operating income, which helps companies to know how much money is being spent in operations. The “asset greenhouse” idea would not show an organization's financial performance.

Overall, the firms are “asset greenhouses” because they show the big picture of the organization’s finances that are critical to internal and external users. The information that is presented on the balance sheet is imperative when determining the net worth of the company and determining if it can meet the short-term financial obligations.

A primary benefit of firms being “asset furnaces” is that it reports business profitability and performance in the income statement over a period of time. This statement shows the revenues, expenses, product cost, and taxes. The overall purpose of
the income statement is to show the company’s profitability. A benefit of this viewpoint is that information provided is directly related to revenues and expenses of the organization. This helps internal and external users to understand where the company is earning money and where it is spending money. This financial statement is vital for investors looking to buy stock because the net income and earnings per share should be documented on the statement.

Even though the “asset furnace” viewpoint is vital to the organization and investors to know the profitability of the company, this approach is reported at the end of the period. Therefore, internal and external users do not know the financial standing of the organization at times. Overall, this viewpoint does not tell us much about the financial standing of a company.

The “asset greenhouse” should be FASB’s focus because assets and liabilities are the purpose of financial reporting. The overall goal of an organization is not to generate revenues and expenses, but it is to know the financial position of the organization in order to evaluate the company’s performance and be able to make informed decisions. By focusing on viewpoint 1, the FASB will be able to gather more relevant information about an organization using the balance sheet. For example, external users will be able to evaluate the net worth of the company and how quickly it can pay off its short-term obligations. Viewpoint 1 recognizes the importance of earning money through acquiring assets and growing them in order to understand the financial position of an organization.
III. Question II

The second question posed two viewpoints that differed on the method in which assets should be valued by a company. The first viewpoint claims that assets should be measured as “values-in-exchange.” Under this valuation method, assets realize their contribution to firm value on a standalone basis in exchange for cash or other economically valuable assets, which is expected to generate little to no incremental firm-specific value. In contrast, the second viewpoint refers to the fact that assets should be measured as “value-in-use” as assets realize their contribution to firm value by being consumed or used in combination with other assets. This use is expected to generate firm-specific value incrementally based on the sum of the assets’ individual values-in-exchange.

Viewpoint 1’s emphasis on “value-in-exchange” puts an emphasis on assets being recognized at fair value. Given that the company assets are exchanged at market value, this allows more comparability between businesses and the valuation of their assets. This is important to investors, as it allows for a clearer determination of the differences among companies. In addition, after the exchange of an asset, the asset will be easily distinguished at fair value. Viewpoint 1 also emphasizes that assets should be valued on a standalone basis. In viewing assets this way, the overall value is based on the exchange of single assets, so there is more clarity in the true value. The amount that an asset sells for exchanges is the amount of its value to a company.

On the other hand, there are some issues that arise in the valuation of assets shown in Viewpoint 1. The companies will have to update their assets every year according to the “value-in-exchange” of those assets and this method might not be
practical for the company. This includes actively updating records to show the valuation of assets at market value. In addition, for companies with a large amount of fixed assets, these assets are not constantly sold and do not generate more assets. This also affects the method of depreciation for these types of assets, so it may not be beneficial in the valuation of property, plant, and equipment. Therefore, this valuation technique might not be reasonable depending on the type of company.

In Viewpoint 2, there are specific ideas that allow for the valuation of an asset to be specific to a company. Given that the “value-in-use” provides value in the consumption of these assets, the methods of historical cost and present value are used. The basis of historical cost and measuring related to “value-in-use” allows for a more stable measurement. This valuation method is not affected by fluctuations in the market; therefore, it is not prone to various updates. The “value-in-use” method using historical cost also makes it easier to understand an asset’s contribution to earnings of a firm as the depreciation amounts can be calculated accurately every year based on an asset’s cost. Another factor of this viewpoint is related to the idea that the valuation of assets is influenced by the combination of assets and production of more value when these assets are “working” together. This allows for the valuation to be more specific in determining earnings, as the value is increased when assets are used in combination in terms of productivity and efficiency. For example, a company making a product, the true value of the end product is worth more than each of the parts, tools, and supplies used to make the product.

The major issues that could arise in viewing assets this way relate to the potential of bias and inability for this to be accurately seen by investors as it is not comparable in
the market. In terms of adding incremental and firm-specific value, this could result in falsehood of the valuation. This could allow for companies to have more of an incentive for increasing the value of an asset if it could potentially add firm-specific value. This technique also makes it difficult for investors to make decisions as it could be inaccurately measured on a market scale, as it lacks comparability to other companies.

Our group decided that we believe Viewpoint 1 is the best valuation method. Viewing assets at their fair and market value allows for more comparability in financial statements. We determined that with investors and creditors in mind, it is more beneficial for them to see assets in a way that is more understandable. Viewpoint 1 was clearer and left less room for bias and faulty valuation in financial statements. Overall, the “value-in-exchange” method allows for a more standardized process that involves clarity and understandability.

IV. Question III

Based on our choice in question two, current accounting will have to change by requiring assets to be recorded at fair market value. This is shown throughout the example and new journal entries below:

Scenario 1: Company A acquired equipment in year 1 for $12,000. In year 2, Company A found that their equipment was valued at $10,000. To express the value change, the following entry was made.

Unrealized Loss on Equipment 2,000

   Equipment 2,000
At the end of year 2, Company A sells the equipment for $10,000. To record this, the following entry was made.

The reversing entry is as follows:

Equipment 2,000

Unrealized Loss on Equipment 2,000

The journal entry for actual sale is as follows: (Assuming the depreciation expense has already been accounted for in the cost of Equipment)

Accounts Receivable 10,000

Loss on Sale of Equipment 2,000

Equipment 12,000

When considering depreciation expense through this viewpoint, companies would have a different basis every year as depreciation expense will be different, assuming that straight-line depreciation is used.

Journal Entry for Depreciation Expense: Let us assume that Company A uses straight line depreciation and the useful life in year 1 is supposed to be 10 years with no residual value.

Year 1:

Depreciation expense $1,200

Accumulated Depreciation $1,200
Year 2:

Depreciation expense $1,000

Accumulated depreciation $1,000

Scenario 2: Company A has recorded its Prepaid Insurance Premium for employees at $100,000 in Year 1. At the end of year 1, Company A realizes that the exchange value of the insurance premium is $120,000. The company records the following entry:

Premium for Employee Insurance $20,000

Gain on Premium for Employee Insurance $20,000

Scenario 3: Company A buys material costing $10,000 in Year 1. During the year, company A sells half material ($5,000) for $7,000 after spending 10 labor hours on it for further development of the product. The journal is as follows:

Sales $7,000

Costs of Goods Sold $5,000

Labor Costs $1,000

Gain on Sale $1,000

At the end of Year 1, the value of exchange of the remaining material becomes $6,000.

The entry to record the increase in value is given below:

Materials $1,000
Unrealized gain on materials $1,000

Similarly, at the beginning of Year 2, company A sells the remaining material to the same customer for the same price. The following entries will take place at Year 2:

Unrealized gain on materials $1,000

Material $1,000

Sales $7,000

Costs of Goods Sold $5,000

Labor Costs $1,000

Gain on Sale $1,000

Scenario 4: Company A had bought a piece of land for the price of $500,000. It is a common knowledge that land does not depreciate and nor is its market value adjusted every year. However, under this approach that we have deemed appropriate, an adjustment will take place at the end of Year 1 when the value in exchange of the land increases to $700,000.

When buying the land,

Land $500,000

Cash $500,000
At the year end of Year 1,

Land $200,000

Unrealized gain on Land $200,000
Case 9: Presidential Debate Analysis
I. Introduction

In light of an important presidential election looming before us, Dr. D tasked us to watch the very entertaining presidential debate between President Donald Trump and former Vice President Joe Biden. While watching the debate from a non-biased source, I took copious notes and made my predictions on how each presidential candidate would affect the job market and the world around us. After doing so, I watched the presidential debate and was able to find if my predictions were true. I was able to analyze the effects that each candidate would have on the workforce and our nation’s economy in light of the COVID-19 pandemic. Both candidates spoke freely and were able to express their beliefs on how the nation should be handling economic and health issues that are present in our nation. After analyzing this, I was able to form a plan of positivity that I would uphold despite the results of the election. With this in mind, I was able to look at our nation as a whole and how it can positively affect our country.

This case was unique in that it allowed for me to take my knowledge of the candidates and apply it to how it will affect me and my future endeavors. By watching the debate and making informed decisions based on the information I gained, I was able to think both about my individual future as well as the future of our nation. The case allowed me to dive into my beliefs and figure out which sides I agreed with more, especially in the areas that will directly affect me in the future. It also allowed me to plan ahead in the event that the candidate that I vote for does not win. Through this I was able to both prepare myself for such event, as well as formulate a plan for positivity to spread to myself and others as the years go by. Without this case, I likely would not have been able to come to these conclusions and would not be able to find peace so quickly in the
decision of our nation. This case taught me the importance of being an informed voter as it forced me to look at the direct implications of the presidency on my life. I was able to research the candidates, discuss the impact each could have on the country, and plan for the outcomes of each.

II. The “United” States of America

The term United States of America originated by our founding fathers in the Declaration of Independence in 1776. With this declaration, our founding fathers claimed that our country was to be united—bound together by our beliefs, values, and goals as both individuals and as a nation. In a world that is constantly divided into two groups in terms of political, economic, and social issues, it seems to be that our founding fathers were incorrect in their assumptions that we are united. However, when we dive into our core beliefs and values, our country is able to come together and remember just what unites us—and how that can give us the power to change the world.

Our country was founded on the values based in freedoms that ultimately highlight individuality. In this light, our country is united in the front of supporting our individual freedoms. We support one another and push others to become the best versions of themselves as we highlight what makes each of us unique. It is through this that we become united, as we support the individuality of those around us. Without the freedoms to express ourselves through religion, speech, clothes, and other outlets, we would not be able to express the individual natures of each of us. This ability to be who we want to be is what makes our country so unique and highlights what each of us can bring forth to make our world a better place.
Another unifying factor of our country is the value of achievement. Though our means and ends may appear different in the daily actions of our lives, each person in this country strives to achieve in some way or another. It may be different when looking at varying political beliefs, or even pieces of legislation, but both sides ultimately believe they are achieving in the manners they approach. It is important for our nation to strive towards achievement and fulfill ourselves in that manner. This can be complicated as one side’s achievement may counter the other’s, but at the end of the day the sides are united through their achievements. In a country that is so divisive in terms of mission and outcome, it is important to focus on the means that unite us—remembering that we all think our positions to be correct in some way. As that can be difficult to unpack in a political world, with those understandings in mind, we can create a more cohesive country and understand the viewpoints of others when making decisions. As we use this joined value of achievement, we can gain empathy for others and their continued beliefs, which could in turn allow for our country to make deeper commitments and compromise as we continue to unite ourselves for the good. Our country can use our already united core values to further our country and fully become united.

III. Presidential Candidates and their Effects on Our Country

Having the presidential election and debates occurring amidst a pandemic has proven to raise many issues and concerns in regard to our global and national economy. Before watching the debate, I was vaguely aware of the different opinions between Trump and Biden as they navigate the economy’s opening during the pandemic. Due to this prior knowledge, I had made predictions regarding their effects on the economy as a whole.
From Biden’s point of view, it is unsafe to open the economy and corporations at a quickened rate due to the level of uncertainty and unrest that the pandemic has invoked. On the other side, President Trump has decided that the pandemic should be over and that our country must immediately “reopen” in order for our economy to have continued success in day-to-day operations. During the debate, both candidates touched on these topics when prompted about the economy by Chris Wallace. President Donald Trump discussed his efforts to reopen the economy by stating the 10.4 million people that have been put back into the workforce over a four-month period. However, President Trump did not really address the impact of the pandemic on the health of workers as they reenter the workforce and are exposed to so many new people again. In this mindset, Trump could negatively affect the economy as it could have major consequences if it was opened to early and forced to shut down again due to the continuance of the pandemic. In this circumstance, President Trump has affected the economy positively in the present, but it is still greatly unknown how these choices could affect the economy’s future as the pandemic continues to exist.

On the other hand, when asked his viewpoints, Vice President Biden focuses on the direct impacts of the pandemic on various social groups, and how billionaires and millionaires like Trump have had much fewer financial crises occur in midst of the pandemic. He goes on to discuss the impact of the COVID-19 pandemic on the workforce and how the economy needs to slowly reopen in order to maximize productivity and safety for all. Biden’s emphasis is on solving the pandemic by ensuring safety for all, before moving to address the economy. To his point, he believes that the economy cannot be addressed until the pandemic itself is addressed. Though his process
may be delayed, he is ultimately thinking about our economy in terms of the pandemic and how we can best navigate reopening our economy.

Both of these examples could have varying impacts on my future career and the workforce. As both situations greatly depend on the impact that the pandemic continues to have on our lives, they could both put the companies I will work for in jeopardy or help depending on their situations. Long term, it seems to me that Biden’s plan would be more effective and efficient as it takes into account the direct and indirect effects of the pandemic. His plan would allow for preparation and gradual reopening of the economy so that companies and organizations can slowly get both of their feet back on the ground, while protecting those that work for them.

IV. Reflection

After watching the debate and analyzing what both candidates could present to our country and the economy, it will be really interesting to see how our country can ban together no matter the outcome. I think the most important aspect in reaching this peace is empathy for others. As we have empathy for the choices and decisions of those around us, we are able to understand their reasoning and gain a better relationship with them because of it. If we are able to empathize with others, we can become more understanding as a whole, and less upset when disagreeing with the opinion of others. In this light, we can become a more harmonious and nonpartisan country in which decisions can be made that benefit all people. It is my hope that with an increased level of empathy from all members of our nation, that we will be able to understand the reasons that others make the choices that they do, and ultimately bond together to achieve common goals.
among one another. If our country is able to do this, we can all continue to achieve peace among both sides of the political realm and promote nonpartisanship to be more prominent in the choices that we make.

If the candidate that I do not vote for wins the presidential election in 2020, I will strive to be an agent of positivity among my peers. I believe that respect is an important quality to hold, and as such, I will respect the leader of our country. Though I may not agree with decisions made, I will surround myself with productive conversations of thought instead of harboring on the “bad” events and choices that may be happening in our country. As our country is united in many core beliefs and values, I find it to be respectful to remind others of this and encourage them that at the end of the day we are all striving for similar outcomes—achieving together as a country. With this mindset, I would be able to cope with the loss of my chosen candidate and focus my attention to showing others the same respect by giving them a chance while still holding true to my individuality and beliefs. By carrying this with me, I can also encourage family and friends to act in a similar manner, which could make our lives more enjoyable as we work to find the good in every situation. With empathy and respect at the forefront of my actions, I can both encourage others to see the good as well as work alongside any person with beliefs different than my own.
Case 10: Microsoft Excel Certification Course
I. Case Overview

For this week’s case, we completed a Microsoft Excel certification course under the Corporate Finance Institute. This certification is shown below.
Case 11: Taxodus
I. Introduction

In this case, I was assigned to read an article from the United States Department of Treasury, a testimony from Scott Hodge, as well as watch the documentary *Taxodus—Playing the Global Tax Avoidance Game*. The articles and documentary provided information and insight on the presence of tax havens as means to avoid paying federal income taxes, as well as the impact on the Tax Cuts and Jobs Act (TCJA) that was signed into law by President Donald Trump in 2017. This act lowered federal corporate income tax rates by 40 percent, which eliminated some of the need to utilize tax avoidance strategies. The articles laid out this benefit, as well as offered many others that arose from the implementation of this act, while the documentary focused more on the harms that can come from the tax havens. The documentary took a deep dive into tax havens around the world and the processes of avoiding and deferring corporate income taxes.

Corporations can avoid paying the taxes by utilizing a loophole found in federal tax laws that ultimately make this act legal. By analyzing these resources, I was tasked to answer questions regarding my opinion of an ideal tax rate as well as my thoughts and preferences on the field of tax as a future occupation.

Throughout this case, I was able to learn more about income taxes as well as tax havens. As these are both words I have heard before, it was not until this case that I was able to look at this closely and analyze them. I was able to gain a new appreciation for the world surrounding taxes and build upon my preexisting knowledge. The case allowed me to take this knowledge and apply it further and discover if it was something that I morally agreed or disagreed with. By allowing me to take a deeper look into tax havens through the documentary, I was able to use others’ perceptions and experiences to further my
knowledge and make my own decisions. This case not only taught me more about corporate income taxes, but also allowed me to think about their implications in regard to both our country’s and the global economy. I enjoyed the knowledge gained throughout this case, and ultimately think it better prepared me for the world ahead of me. Without this case, I would not feel as confident with the content of taxes or tax havens and feel as if I would not be able to fully understand every facet of the accounting field.

II. Optimal Corporate Tax Rate

After reading both articles regarding the Tax Cuts and Jobs Act (TCJA) and watching the documentary delineating corporate tax havens, I have begun to understand the benefits of both high tax rates and low tax rates when it comes to the ideal corporate tax rate. Upon the passage of the TCJA which effectively lowered the corporate tax rate from 35 percent to 21 percent, the United States economy has continued to provide new and better opportunities for workers across America (pre-pandemic) (U.S. Department of Treasury). With this in mind, it is evident that there is a clear benefit to the lowered corporate tax rate as the number of job openings reach historic levels and unemployment levels reach a low. The opportunity for these new jobs and the economy boom prove to be an incentive for the lower corporate tax rates from many perceptions. In this same light, Scott Hodge stated, “lowering the corporate income tax incentivizes new investment as previously unprofitable projects are now worthwhile, leading to an increase of the capital stock” (Hodge 2018). This shows another benefit of the lowered tax rate as corporations are incentivized to invest in capital stock, which ultimately benefits our country’s economy. By lowering the rates in this way, corporations are not only
encouraged and rewarded for pouring back into our own economy, but countries outside our own are also incentivized to invest in the United States’ economy. The lower tax rate encourages investment back into the economy of the United States by making the investments more affordable and incentivizing for corporate investors. This also reduces the need for avoidance strategies for income taxes within the corporate world, which also benefits the economy of the United States.

On the other hand, corporations are some of the largest money makers in our world, never mind our country. When you think of it this way, the companies can afford to pay the income taxes as they arise and should not participate in tax havens and other avoidance schemes. Since they are able to afford the income taxes, even at a higher rate, they should follow the law put before them and pay the taxes as they are imposed. If corporations paid their corporate income taxes instead of participating in tax havens and other avoidance mechanisms, our country’s economy would have more money funneled into it from taxes. This would allow for improvements in many areas such as infrastructure, manufacturing, and innovation. In terms of countries who are affected by the tax havens, the higher tax rate can hurt them as it ultimately allows for corporations to avoid their taxes as well, but, if these havens were avoided altogether then many could actually benefit from the higher tax rates. From this lens, a higher corporate tax rate could allow for much growth in our country and its economy, especially since these organizations and corporations are capable of paying the income taxes.

Though I was able to see both the benefits of a higher corporate tax rate and a lower corporate tax rate, I believe that I agree with a lower tax rate. My reasoning is mainly because of the corruption I see within tax havens. If a lower tax rate effectively
reduces the presence of tax havens and tax avoidance from corporations, then it is more effective to have a lower tax rate. In this way, corporations are mainly paying taxes into the countries that they are stationed in and participating less in the avoidance processes. This allows for economic growth and stability in many of the countries affected as they are actually getting the tax money from different corporations, which provides the means to improve their countries through various processes. The lower tax rate would also allow for incentive for many countries and companies to increase cash flows into the United States, which can also improve our economy and profits towards our country. As this incentive is promising, the lower tax rate has also improved the number of jobs that are present within the work force, and the unemployment rate has decreased. These benefits, as well as the decreasing popularity of tax havens, outweigh the benefits that can be found from the higher tax rate. Though I thought about the notion of tax havens still possibly existing at a lower tax rate, it is much less likely for them to occur at a lower tax rate, which proves many benefits that exists within this. Tax havens allow corporations to avoid paying income tax, which ultimately hurts the countries that are involved. With the fact that the chances of these occurring decreasing due to the implementation of a lower tax rate, it is ultimately beneficial to all parties involved. Because of these reasons, I ultimately was able to decipher through this case that the optimal corporate tax rate should remain low, much as it is under TCJA.

III. Interest in Tax Service Line

Upon my time working on this case, I both became more interested in taxes as a topic and was also reassured in my decision to work in the field of audit accounting. As the
case was assigned, I began dreading my inevitable delve into the world of corporate tax, but soon discovered I was wrong to feel this way. I was fascinated throughout the entire *Taxodus—Playing the Global Tax Avoidance Game*—oblivious to the fact that our corporate world worked in terms of tax havens to avoid paying federal income taxes. Not only does this directly affect our country, but the billion-dollar corporations are also taking advantage of the countries which they are utilizing for their desirable tax rates. As shown in the Parliamentary hearing at the end of the documentary, corporations like Starbucks and Amazon take advantage of advantageous rates and routes and manipulations as it appears in order to come out “on top” and avoid paying copious income taxes. Even though these companies make millions of dollars in profit every year, they still find ways to avoid paying taxes and supporting both their home countries, but also the economies of other countries that they are selling their products and services in. Before watching the documentary, I was not aware of these tax havens—never mind the severity and prevalence of them in the world around us.

This case gave me a newfound appreciation of the world of tax, but also reassured me in my desire to be an auditor. Even though these tax havens are not technically illegal due to the loopholes found in the heart of U.S. tax laws, it made the moral agent alarms go off inside of me. Even though this avoidance is legal, does that make it moral? Understanding the presence of this practice within our country and world made me want to find this within companies and stop it from occurring altogether. It limits our country’s cash flows which prevent us from being able to promote manufacturing, infrastructure, and innovation in the manners that we would like to proceed. If our country wants to continue to be one based on the values of justice and integrity, then our corporations must also reflect
these values. An auditor must act in this way and also reflect these values, which is part of what draws me to the occupation so intensely. The job of an auditor requires holding others to a higher standard and ultimately striving for the betterment of the accounting and business communities as a whole. With this in mind, auditors hold a necessary role within our world as they strive to make sure companies uphold the values of our country and act ethically and with integrity. I strive to act with these values in mind in my everyday life and hope to continue to do so as an auditor one day, which will force me to sometimes make tough decisions but while knowing that I am doing the right thing by upholding the law and the values it holds.

Though this case brought forth new information about the tax world to me, I am reassured in my decision to work as an auditor. I thoroughly enjoyed getting to learn more in depth about tax havens and the deferral of corporate taxes that corporations are able to get around, as well as understand how they are problematic. One example that stuck with me was that of woman who discussed the 10-year startup tax free policy in her country as it was meant to be an incentive to build up a company and then be able to pour back into the country’s economy. Even though this was the intention of the policy, corporations were taking advantage of it and either selling their companies or merging after the 10 years were up to technically begin a new company and start the process over. This is a further example of the tax deferrals and avoidance altogether and to a degree that was not meant to happen. Instead of being a policy present to help the companies, it has been taken advantage of, which ultimately affects the countries involved negatively. Their economies are being neglected as money is not being poured into and circulated within them in the manner in which it was intended. This example stuck out to me because it did not sit with me in a way
that seemed morally sound. Though I gained the deep appreciation for the world of tax, I am enthralled by the morality and ethics that are deeply involved in an auditor’s role in accounting and am excited to explore it within my future career.
Works Cited


“Memphis Topographic Map, Elevation, Relief.” *Topographic*, en-gb.topographic-map.com/maps/lp5i/Memphis/.


