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## Case Studies of Various Accounting Concepts

Astha Kandel

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CASE STUDIES OF VARIOUS ACCOUNTING CONCEPTS

by  
Astha Kandel

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

Oxford

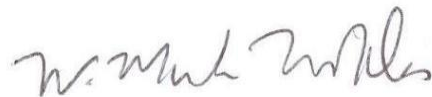
May 2021

Approved by



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Advisor: Dr. Victoria Lynn Dickinson



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Reader: Dean W. Mark Wilder

## ABSTRACT

Accountancy students enrolled in the Sally McDonnell Barksdale Honors College have an opportunity to choose an honors practicum route instead of writing a regular thesis. The students take two ACCY 420 classes taught by Dr. Victoria Lynn Dickinson as part of the practicum. In those two courses, students gain a better understanding of how accounting works in the real world. The thesis is made up of several cases that cover a variety of accounting theories and methodologies. Students are required to do thorough research while writing the cases and each of those cases is carefully reviewed and evaluated by Dr. Dickinson and Dean Mark Wilder, who acts as the second reader of the thesis. As part of the defense for the thesis, students participate in one or more accounting case competitions held at the university. Each case contains a separate page for introduction, which includes a review and conclusion of the overall assigned case. The following eleven cases were completed as part of the ACCY 420 curriculum during the 2020 Spring and 2020 Fall semesters.

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## Case Study One: Regulation Fair Disclosure Case

Astha Kandel

ACCY 420

January 29<sup>th</sup>, 2020

This case study helps students understand the importance of Reg FD in the field of accounting. In the following case, students are assigned to study and explain what Reg FD is and how it affects a client's financial position in the company and its reports. There are several articles that relate to the regulation and explain why such regulation is important, which are required to be read by the students and be used to answer the client's questions. Furthermore, students are urged to evaluate a situation that the client has faced and give him/her an informed opinion about how his/her actions might affect the company legally and financially. Finally, students are then asked to read an article about a possible violation of Reg FD and determine whether the article changed their opinions about the previous situation described briefly by the client.

This case has introduced me to the importance of Reg FD. It made me aware of such an important regulation that affects the financial markets by a large margin. Similarly, I was very thrilled to learn about the history of stock markets and how the lack of Reg FD made the stock exchange unfair to the general public in the past. I immensely appreciated doing research about the rule and reading several articles on it. This case has opened my mind to why such a rule is important and every individual in the field of finance/accounting should have an insight into it. Furthermore, when I start a career in accounting in the near future, I will be very attentive to my ways of financial reporting and disclosure of the important information of a publicly traded company.

Regulation Fair Disclosure (Reg FD) is a regulation passed by the Securities and Exchange Commission in August 2000 to prevent selective disclosure of important financial and non-financial information by public companies to specific market professionals, shareholders, and stock analysts. Reg FD states that when any material that affects the company or its shareholders is disclosed by the same publicly traded company or an issuer of stock to an explicit group of

individuals, the issuer/company is also required to disclose such information to the public. Alongside, the company has to make such disclosure simultaneous if they have any intention of delivering the information. Similarly, any material disclosed unintentionally must be promptly followed with public disclosure. The current practices of Reg FD provide fairness and integrity to the markets. SEC has reported that “unusual trading and increased volatility that result from selective disclosure can cause market makers substantial losses and potentially lead to wider and less liquid options markets.” On the other hand, the regulation will also impose the issuer various kinds of costs related to public disclosure of the material. A company needs to file a Form 8-K or provide information through alternative ways such as press releases and conferences. This regulation affects a company’s financial reporting actions as the company would have to be more attentive to how it is planning to disseminate the information to the public and if there is any vital information that has been left behind in order to avoid being legally charged with violation of Reg FD.

Reg FD is a rule mainly formed to protect individual investors and shareholders. It has been widely known that several analysts in Wall Street and similar financial districts have tried to access a piece of important information from the company so as to make a pre-informed decision and also essentially manipulate the information. Analysts such as Henry Blodget and Jack Grubman have been accused of using their position to not only control the stock market but also actively engage in the financial decisions of the company. In an article by Jessica Sommar in the New York Post, Jack Grubman from Salomon Smith Barney has been said to be caught attending the board meetings of a company called World Com. Moreover, he supposedly tried to mislead the public with his overly optimistic reports on the company. Such scenarios were fairly common in the investment market and individuals were shamed for not being capable enough to understand

and analyze the financial reports and materials of the company. However, SEC decided that it is indeed unfair to the public and formed an act that prevented investors from believing that the market is rigged and certain participants have an unfair advantage.

The regulation concerns equal access to any information about a publicly-traded company. In an event that a CEO of a company discloses current nonfinancial performance metrics such as the number of customer orders and the magnitude of web traffic, it will most likely not be considered a violation of Reg FD. In this case, the CEO has provided public access to the information and is not limiting such information to specific entities. Therefore, the company should be free of any legal charges. Simultaneously, it is always better to disclose such information through an official medium such as company reports or press conferences.

In the article by Bloomberg in Fortune online magazine, it has been said that Netflix Inc. CEO Reed Hastings wrote a Facebook post in July 2012 informing that the company's video streaming service had "exceeded 1 billion hours for the first time." Later on, it was decided that he wouldn't face any legal action. Similarly, Elon Musk tweeted about taking Tesla private at \$420, which resulted in the soaring of the market at 8.5 percent after the tweet. Musk was also not charged legally but might face some kind of lawsuits in the future, which tells that there was no apparent violation of Reg FD. As mentioned in the previous paragraph, the CEO (the client) is not probable to violate Reg FD because of a social media post.



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Case Study Two: Is it Taxable?

Astha Kandel and Elkin Crews

ACCY 420

February 12<sup>th</sup>, 2020

This case study illustrated the importance of federal tax laws and how crucial it is to understand and comply with such laws. In this case, we were provided with a situation where a CEO of a company was likely committing tax fraud because of his daughter's unreported income. The tax agent who was very trusted by the CEO was faced with a circumstance where he had to make a crucial decision. The agent was legally responsible to make the company and the client aware of this issue. The client's daughter's income included not only a large earned salary that was not withheld but also an unearned income on interest gathered from savings and investments. Because the taxes unpaid go back several years, we also had to analyze what kinds of taxes on former accumulated interests and incomes must be paid. We also had to analyze whether this amount of income had any impact on the father's as well as the daughter's filing status.

One of the most interesting things we learned was that regardless of the amount of money the dependent (in this case, child) earns; they are still considered a dependent. Essentially, they are not required to file the tax returns under their guardian. Even though the child counts as a dependent, he/she is eligible of filing his/her own tax return. Another interesting thing we learned was that any unearned income the child receives, such as interest from investments will be taxed per the parent's marginal income tax rate. This means that the child in the case study had to pay higher amount in taxes because her dad's marginal tax rate was really high. Similarly, people are required to pay taxes on the items they receive for free as well. In other words, every earned and unearned income generated should be accounted for while filing taxes.

Overall, we learned a lot about tax laws and all the different scenarios that must be accounted for in such laws. There are so many varying rates for different situations as to the credits and deductions people can receive. Learning about all of these contingencies made this case really interesting.

Reacting to the case study, we have formulated a letter to the firm's group and an e-mail to the CEO describing the situation.

Letter to the partner group:

February 12<sup>th</sup>, 2020

To Whom It May Concern,

I am writing this letter to inform you of an urgent situation involving our regular client David Smith's tax ramifications. I recently had a brief conversation with Mr. Smith and came to the understanding that our group might have to investigate into his tax returns and make some amendments.

We all are aware that David Smith is one of our loyal clients and has been very virtuous with our firm. Unfortunately, it has been brought to my attention that our client's daughter, Emma, has been making money as a YouTube star under the channel named "Glam Fam" for the past four years that has presumably not been taxed. Emma has been listed as our Client David Smith's dependent and she has been making between \$10,000 and \$15,000 per month and also has been receiving about a dozen free packages each day containing fashion and beauty items from companies all over the world with an expected product endorsement.

Emma's earned income and the free items she receives will be subject to the federal income tax. According to the estimated amount of income she generates, she will most likely reach the 32% tax bracket. Adding to that, she has been collecting the income tax free for the last four years and will need to file the tax return form which might result in her or Mr. Smith owing tax money to the government. She will also have to pay interest on the back taxes from the past four years. We will also have to investigate how she is investing her money and whether the types of investments

pay any dividends or have interest that pays immediately as this could create unearned income which will be further taxed.

In the meantime, I am going to continue to further investigate the matter discussed and inform Mr. Smith of the situation. While this is not an ideal situation, it is better that we handle it immediately so we can move forward.

Sincerely,

Astha Kandel (Elkin Crews)

Corporate Tax Agent

American Audit, Consulting, Advisory, and Tax Services

Email to Mr. David Smith:

Mr. Smith,

I hope this e-mail finds you well. I am reaching out to you to inform you of a critical situation about you and your daughter Emma's personal tax returns.

Upon discussing with you your daughter's successful YouTube channel and her impressive earnings during lunch this afternoon, it made me evaluate the possible tax ramifications. As your regular agent, I believe it is my duty to inform you about any tax troubles you and your daughter might get into. After a brief research, I discovered that your daughter is subject to federal income tax for the earnings and possible interest payments she has gathered over the years. According to my understanding, as your daughter is listed as your dependent, either you or your daughter will have to pay a certain amount of money to the government. With regard to Emma's monthly earnings, it is my assumption that she has accumulated an amount nearly up to \$650,000 for the

past four years. In addition to that, she will also have to estimate the amount of free items she receives and pay taxes on that amount. She will be subject to interest and fees for taxes she had avoided as well. Currently, I am unable to estimate the exact amount of tax she or you would owe, but, I sincerely suggest you to be prepared for the worst possible situation and not underestimate the tax amount to be paid.

As your agent, I assure that I will do my absolute best to resolve this situation and keep you out of any possible legal charges. In order for you to avoid any jurisdiction, we will have to act on this situation rather quickly. I hope you understand that it is our firm's responsibility and is part of our core value system to ensure that our clients are not subject to legal actions from the government regarding their tax returns.

Please contact me as soon as you receive this e-mail, and we can set up an appointment to discuss this further. I look forward to hearing from you soon.

Sincerely,

Elkin Crews (Astha Kandel)

Corporate Tax Agent

American Audit, Consulting, Advisory, and Tax Services

## Case Study Three: Monopoly Meets Blockchain

Astha Kandel

ACCY 420

March 06, 2020

This case study demonstrated the process that takes place when the Monopoly is interconnected with blockchain. In this case, the students were provided with a specific role they had to play, which represented the entire economy of a country. There were business managers, auditors, runners, the cloud, and a higher authority “Big Mama/Papa” who held and distributed all the properties to other individuals. The players/students were asked to play the game of monopoly and record the events and transactions in a few sheets of paper provided to them. Each student was required to participate actively in the process and take note of the transactions. After the game was over, the students were then asked to prepare the various financial statements to understand the effect of the combined transactions. The students were then recommended to read an article about blockchain and describe their experience of the game. They were also required to provide their opinions on whether or not they believe blockchain will be a part of the entire global economy.

It was truly a remarkable experience and I was able to learn so much about how monopoly and blockchain works. It was also interesting to see the effect each transaction had on the other. Once an event took place, it was nearly impossible to reverse it as all the events that follow the prior event were tangled with each other, so it was indeed a complicated process. Upon reading the article about blockchain, I was able to understand the whole scenario in further depth. I was introduced to the fact that blockchain is one of the most advanced innovations and has so much possibility to grow and develop.

In general, this case helped me gain an insight into the world of monopoly and blockchain. As it is obvious that the world is moving rapidly towards innovation and transformation, there might come a day when the blockchain might take over the world economy. Some companies have started to adopt this system, and if I were to be involved in such a company, this observation will be truly advantageous.



A blockchain is a decentralized ledger of all transactions across a peer-to-peer network. In this network, participants can initiate and confirm transactions without the need for authority. In other words, blockchain is a database shared across a network of computers. It is very difficult to make a change in the transactions in a blockchain system, thus reducing the chances of fraudulent activities. The fundamental part of blockchain includes a record, which can be any sort of data or transaction. Those records are bundled together and added to what is called a 'block'. Several of those blocks include a unique code that helps them connect to each other and form a continuous chain. This system can be used for services like cryptocurrency (example: Bitcoin), Banking, Healthcare, and Voting.

In this case, I played the role of a business manager in a company. My primary objective was to involve in a game of monopoly and secure properties and assets for myself through the game. I was one of the business managers of a state and whenever I landed on a property, I had to reach out to a higher authority named "Big Mama /Papa" and they would assign me a property in a random state. If the property fell on my state, I would receive the full amount if it was rented by someone else. Consequently, if it fell in a different state, I was only allowed half of the income and the other half went to the higher authority. On the other hand, if I landed on a property that was already bought by another business manager, I was obligated to pay the rent expense of a certain specified amount. Similarly, any transaction I was a part of had to go through a medium called "runner" who would record the transaction and report it to a decentralized network called "cloud". It was a very unique experience for me as I had never been involved in a process similar to that before. The experience was very knowledgeable and interesting. In the initial stages of the game, I was rather anxious and confused as the system was a foreign concept to me, but I eventually was able to catch up and adapt to the game. As the game was going on, I came to a

realization that blockchain involves a very advanced and complicated network system and once a transaction has been made, it would be very difficult to reverse it or change it as the subsequent transactions are all interconnected and interdependent of the previous ones.

Blockchain is a platform of trust and a database of digital assets that cannot be easily hacked. It is an open source which is neutral and is not controlled by any powerful sources. Therefore, blockchain has a high possibility of being popular among the entire global economy. In a centralized system, our assets and data belong to us but is owned and stored by a powerful authority like a bank or a government. Often times, those data are monetized and our privacy is sabotaged. Right now, if someone needed to make a transaction to another individual, they both would have to go through a mediator or an agent like a credit card company or a bank. Blockchain enables a user to enter into a contract without such an agent or a third party. The type of record this system can hold is not limited to transactions either. It could essentially record information like marriage/divorce records, birth records, healthcare records, property records, etc. The underlying technology of bitcoin is one of the biggest innovations in science. However, as in any platform, it can create some kind of fraud and chaos. Since anyone in the world is able to access it, some people might not find it trustworthy. To address that problem, blockchain requires users to verify their transactions by a process called mining. Fundamentally, a community of miners authenticate the transaction.

Overall, blockchain is truly a transforming technology and has the capability to introduce us to a whole new era. It could create a world where everyone has their own unique identity and is able to gain an exclusive right to their properties and protect their privacy.

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## Case Study Four: Interview Case

Astha Kandel

ACCY 420

April 01, 2020

This case study required us to take a phone interview with a person that we knew, who was fairly established in his/her career. In this case, the students were asked to reach out to any person (a relative, family friend, or any other known individual). For the interview, it was recommended that the interviewee was more than 35 years old and had undergone various experiences in his/her life. The students were then asked to take excellent notes of the conversation and document it well. There were a number of suggested questions to be asked during the interview. The students were also encouraged to add on their own questions as seemed appropriate. Having said so, after the interview was over, the students were asked to write a short and nice biography of the interviewee including the lessons learned from the interview.

After taking the interview, I came to the realization that I had so many things to learn in my life. My interviewee was over 50 years old, and he had numerous experiences to tell, and there were a lot of things to learn from. From this case assignment, I have learned that hard work and dedication takes you a long way ahead. It is always important to remember that there will be obstacles in life and the best thing we could do is stay optimistic and not let our adverse surroundings affect us. This interview opened my eyes to the fact that having right-minded people around you and having someone encouraging to look up to will greatly affect your life.

Overall, this case gave me an insight into the world of another individual who was from a completely different generation and had experienced many different things in life than I did. The main takeaway from this assignment would be to make important connections with motivated people and learn more about their life. Knowing and having conversations with people will not only help you get significant life lessons and advice, but also give you an opportunity to reflect upon your own life and experiences and how it has helped to be the way you are, and this case assignment was really important for me to realize it.

For this case, I had a chance to interview Dr. Albert Nylander. Dr. Nylander is the Professor of sociology and the Director of the McLean Institute for Public Service and Community Engagement at the University of Mississippi. He was born and raised in Greenwood, Mississippi. Growing up, he had three sisters and a mom who lived with them. His father used to work in Dallas, TX at that time, and he went to help him with construction work after high school. Dr. Nylander was raised in a very poor family and he was the first one to get a higher education degree among his entire family. He completed his bachelor's degree in Secondary Social Studies and a master's degree in Sociology at the University of Mississippi. Later on, he went to Mississippi State University to get a Ph.D. in Sociology. During the first few years of college, he used to play baseball and spend most of his time playing various sports. During that time, he met his wife Lisa, got married and came back to complete his degree.

According to Dr. Nylander, he always wanted to be a news broadcaster when he was young. He attended a few courses related to that at the University of Southern Mississippi, however, he later decided that he wanted to be a teacher. His motivation for being a professor came from an instructor he had while in college who had assigned him to lecture a class and told him how great of a lecturer he could be. He was inspired by his instructor's words and eventually became an assistant professor of Sociology after he received his Ph.D. at Mississippi State University. After five years, he was appointed as the department head of Social Sciences and he carried that position for 11 years. Following that, he then became the dean of Graduate School. After three years, he was contacted by the University of Mississippi to become a professor in Sociology and the Director of the Mclean Institute for Public Service and Community Engagement.

Although he gets very occupied most of the time with his work, he always spends his extra hours with the family. He and his family often like to read books and attend churches in their free

time. They go to a number of vacations throughout the year, and every time he vacations with his family, it ends up being the best vacation for him. Dr. Nylander is very content with his life, but if he had a chance to change two things, it would be to see his father still alive and have him get to know his son and daughter and also to eradicate hardships in his other family members' lives. Dr. Nylander values family a lot. He wishes that he would have known how long his father was going to live so that he could spend more time with his father when he was 21 years old. He advised that it is very crucial to know the importance of family and relationships as they are the ones who will always be there for you. He believes that it is really necessary to have a good balance between your family time and your work time. One of the things he is proudest of in his life is how he was able to be there for wife and children. He believes that he has been a very responsible and loving husband and father. He is undoubtedly happy and blessed to have a family like that.

Dr. Nylander believes that one of the biggest challenges his generation might face is to have a happy and satisfied retired life. Due to the recent pandemic caused by coronavirus, he thinks that if the country goes into a deep economic recession, it will be difficult for him to prepare for a good retirement. On the other hand, our generation will face a challenge regarding coping with such global problems. We, as a younger and smarter generation, have a huge responsibility to look after the world. There will be a number of obstacles related to climate change and a fast-paced working environment that might replace human labor with Artificial Intelligence and as a generation, we will have to adjust to such changes.

All in all, it was a great experience getting to talk to Dr. Nylander and share his life experiences. It was very interesting to know how he adjusted to different lifestyles and technological changes throughout his life, and I learned many important things after interviewing him.

Case Study Five: Honors Internship Interview Case

Astha Kandel

ACCY 420

April 20, 2020



This case study required us to take a phone interview with a student from the University of Mississippi who had an internship experience recently at one of the accounting firms. The students (interviewees) were members of an accounting organization called 'Beta Alpha Psi' and most of them had either senior or graduate standing at the university. We were given a list of names of people we had been matched with to talk to. The matches were based on our firm, city, and service preferences. For the interview, the students (interviewers) were suggested that they ask the interviewees with relevant questions in order to apprehend their experiences. Even though the interviewers were not provided with a certain set of questionnaires, it was rather uncomplicated to conduct the interview as both sides were students and also the past/future interns at one of the accounting firms and therefore had plenty of things to talk about. The students were then asked to take excellent notes of the conversation and document it well. After the interview was over, the students were required to write a summary of the interview including the lessons learned from it.

I believe the interview was somewhat informal. It was very effortless to conduct the interview. I learned a handful of things about the job interview process and internship experience. It was interesting to know how my interviewee had undergone similar experiences as I had. I was also glad to know more about the city I was planning to do my internship in. This interview helped me to be less skeptical about the place I was going to end up in. I was also introduced to the upsides and downsides of said location. My interviewee not only described her internship experience and informed me that the internship would not be very tiresome, but also gave me some advice on things to do when I am present there.

Overall, it was a unique experience that helped me learn more about my upcoming internship. On top of that, I really enjoyed having a conversation with a fellow student with plenty of things in common.

For this honors internship interview case, I was connected to Molly Maroney. Molly is currently a senior majoring in Accountancy at the University of Mississippi. She recently completed her internship in audit/assurance at KPMG in New York City starting January 2, 2020, up until March 2, 2020. Molly is originally from Jackson, Tennessee and she came to Ole Miss because of the scholarship opportunities she had received. She changed her major from business to accounting when she was a sophomore. Despite having a huge study load, she was also involved in a sorority and Beta Alpha Psi. Molly says that she chose accounting because she is fluent in mathematics and believes that this career field will grant her various job and network opportunities. Similar to the majority of accounting students at Ole Miss, she started her job search by going to *Meet the Firms*. She met with several employers and had conversations about internships and job opportunities. Later on, she applied for a position at KPMG, was called for an interview at Jackson Avenue Center and was finally accepted as an audit/assurance intern. She had chosen New York as her location, which is the same as mine. Molly thinks that the internship was challenging as well as exciting. The reason she picked New York over all the other locations was because she believes New York City is the best place to start a career.

After being offered an internship, Molly was invited to a summer leadership program at the end of May. She told me that her firm took her and the other interns to NYC to visit KPMG and the city. According to her, the firm covered all her expenses including those related to subway transportation. A few months went by and it was time for her to start the actual internship in the city. She informed me that she used to normally work from 9 am – 6 pm and sometimes as late as 10 pm. There were a few times when the workload was excessive and she ended up working two Saturdays and one Sunday. She mostly performed entry-level tasks in the office such as data entry and excel assignments. During the internship, she got a chance to visit one of the firm's clients

with her manager. Molly says she learned how to be interactive with people and clients during the internship. She also learned new career skills and was introduced to the work-life balance in such a big firm. In Molly's words, "The internship is not as tiresome as people say it to be", which is really a relief to hear. She also received a full-time offer to work at the said firm during the internship. After she graduates, she plans to do her Masters in Accountancy at the University of Mississippi.

Molly and I have ended up choosing NYC as the place to start our career. I admit that I was a bit skeptical about working in such a big city. However, Molly explained to me that it is very similar to working in any other city in the country. She even added the fact that it's a wonderful place to make connections and there are numerous things to do in the city during free time. It is a fast-paced place and has a lot to offer. During her internship, she stayed in an Airbnb with her friends in Manhattan and used subway as the means of transportation so she suggests me to do the same. She informed me that the winters in NYC could be rather cold and I would have to be prepared with an appropriate amount of clothing and accessories. Other than that, she also gave me some advice on things to do during my internship. She told me to always keep a note pad with me and not to be afraid to ask any questions. She said that the city is very advanced and I could always use my phone and look at maps to get to any place around the city.

Tying everything up, I believe the interview went really well. Molly was very responsive and I had a chance to get an insight into the world I was about to enter. The whole interview taught me several new things I was unaware of such as the working schedule and environment inside the company. I also came to know a few things about living in the city that I didn't know before. Altogether, I really enjoyed interviewing Molly and writing this case assignment.

## Case Study Six: Financial Crisis Case

Astha Kandel

ACCY 420

April 27, 2020

The following case explores and briefs the financial crisis in the United States of America and its effects on the global economy. For this particular case, the students were provided with several sources of information such as a YouTube video, a documentary film, and articles related to the culprits of the said financial crisis. The students were required to state if the given materials changed their opinions on society and the government. They were further asked to elaborate if the current pandemic caused by the respiratory virus SARS-CoV-2 would affect the economic and the political condition in the country and whether or not there are any lessons learned from the recent financial history in order to change the current situation.

This was a rather interesting case to research and compose. This case introduced me to a number of findings regarding the skewed political influence and power vested by the financial services industry. Up until watching the given documentary and reading the articles, I was truthfully unaware of the massive impact a handful of companies had on the deep economic recession of 2008. It was also really interesting to see the truth unravel and the miscreants get exposed. The documentary was very successful in delivering information regarding the events that led to such an influential downfall of the nation's economy. I had little to no knowledge about the exact parameters of the economic crisis. The film and the articles inspired me to further look into other sources and discover more things about the underlying aspect of the financial loss.

This case not only helped me learn new information about the economy but also made me aware of the world I am entering. I will be graduating in a couple of years and starting a career in the financial services industry. After studying the materials and researching more about the financial situation of 2008, I have taught myself to be much more careful than before. When I begin my professional job in the future, I will be well aware of the upsides and the downsides of the industry. Overall, this case was pretty intriguing and led me to a whole new pool of knowledge.

According to an article written by Kimberly Amadeo in *The Balance*, “An economic crisis is a severe and sudden upset in any part of the economy. It could be a stock market crash, a spike in inflation or unemployment, or a series of bank failures. They have severe effects even though they don't always lead to a recession.” The United States of America has faced a number of economic crises throughout several decades. One of the most recent and the most influential was the financial crisis of 2008. This crisis began due to a lack of regulation of financial institutions and as a result, housing prices started declining and mortgage loans started defaulting.

The documentary titled *Inside Job* talks about the root causes of the economic crisis of 2008. The various articles from e-news sources explore the situation further. Prior to watching/reading the materials, I was blinded to the fact that the financial services industry could have such a huge impact on the overall national as well as the global economy. I used to believe that the government was a rather independent entity and was capable of regulating any agency or corporation. Needless to say, I was proven completely false. I realized that when people in power become greedy, they are always willing to sacrifice common people's interests for the sake of their own. For myself and for other citizens in the country, it is a very important thing to know that people you put in power can influence everything in your life. Personally, I would be more careful with my investments and trusts in other people in the future. The documentary and the articles have shown that all individuals/groups need to do their own research before investing their time and money in any organization. Not only that, but the materials also changed the way I viewed my role in society. I was a firm believer that the only thing I was responsible for was to get a well-paying job and have a good standard of living. This case has led me to discover the realities of being a potential worker in the financial services industry. I, as an individual, have certain roles in the society and such roles include informing myself and people around me about the possible

dangers of putting too much trust in someone else and also helping such fraudulent practices to decline in any way possible. Professionally, as someone planning to work in said industry, I believe that I am responsible for being fair and honest to everyone.

The current virus crisis will have an adverse impact on the economic/political climate in the U.S. As of now, the pandemic has led many academic/non-academic institutions to close and businesses to resume their activities. Similar to the previous times of economic recessions, many people have lost their jobs and several of those have filed for unemployment. Likewise, the government is having to force people to maintain the stay at home orders throughout the country. Currently, there is a lot of pressure on the government to do what it takes to make the situation better. No one knows how long the pandemic will last and what areas will it have a huge impact on. However, it can be frankly said that the virus crisis will leave the country in an economic recession similar to that of the 2008 financial crisis. The majority of the people will suffer either by being unemployed or by not having enough resources to live a sustainable life. The government has already distributed stimulus checks to the citizens, but the amounts provided will not sustain the general public for a long time. As with any major national crisis, the government gains more power and authority, and this situation is no different. The citizens expect progressive policies and reforms in these trying times that will help the country tackle this problem a lot more effectively, however, it is easier said than done. In any event that leads to the social and economic downfall of the country, the people tend to distrust the government. Various protests and other forms of disagreements could be seen during and after the pandemic. As of now, it can be estimated that this crisis will lead to economic and political distress, but we are uncertain of the extent of the impact.

Overall, there have been similar economic downfalls throughout history and there are several lessons to be learned from it. First of all, it is very necessary for policies to reform in order to change the current status of the government. It is also clear that the government should be more prepared for any crisis that might occur in the future. During the 2008 financial crisis, several regressive and unfavorable actions were taken by the top people in charge of the country, which led the situation to be worse. I believe that this crisis will inspire people to be more aware of the current system and the people in the government to act with the utmost wisdom and selflessness.



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## Case Study Seven: The Tale of New York City

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ACCY 420

September 22, 2020

The following case explores the details of a city in the United States. In this case, students were required to select two cities in the country and research about how it would like living in those places. The students were provided with a total of 17 questions that needed to be answered for each city. This class is comprised of accounting students who will be interviewing for accounting internships soon, and the following case was supposed to help them decide on a location. Additionally, the students were asked to write all their findings of the respective cities they had chosen and then determine which one they preferred. However, the students who had already accepted an internship were advised to do research on the city they had already accepted an internship in and write about the said city in more detail.

This case was extremely insightful and interesting. Although I had already accepted an internship in a city, this case gave me an opportunity to get familiar with the city I had chosen. Needless to say, this case introduced me to a number of unique things present in the city. For instance, I was unaware of the neighborhoods that were really dangerous and now I can avoid them when looking for a place to stay during my internship. Not only that, but I also learned about the tax structure of the city and I was able to do early budgeting so that I would be well-informed regarding the expenses I would incur. Furthermore, it was very helpful to know about the seasonal climatic fluctuations in the city. All in all, I learned that it is always extremely helpful to research in-depth about any location that I plan on going to.

Overall, the research that I did, in this case, will be essential when I go to the city where I will be working. In the future when I have to go to a new location, I can always refer back to the questions provided to me for this case and do my research based on those questions. This case will act as a useful guide for me. I am really glad that I was able to work on this case and acquire a great deal of useful information.

**Population:** New York City is the most populous city in the U.S. In 2019, the estimated population of NYC was approximately 8,336,817 and was distributed over about 302.6 square miles. Similarly, the New York metropolitan area is the largest metropolitan area in the world by urban landmass. New York City is composed of five boroughs. The boroughs along with their respective populations are—Brooklyn (2,559,903), Queens (2,253,858), Manhattan (1,628,706), the Bronx (1,418,207), and Staten Island (476,143). Likewise, around 800 languages are spoken in New York, making it the most linguistically diverse city in the world.

**Climate and seasonal fluctuations:** The climate of New York City features a humid subtropical climate. As the city lies in the northern part of the United States, it usually experiences harsh winters than the southern states. The city has chilly winters and hot, humid summers with plentiful rainfall all year round. The highest temperature ever observed in New York City is 106 °F (41 °C) on July 9, 1936, and the lowest is −15 °F (−26 °C) on February 9, 1934. However, it is not very common for the city to experience Snowfall. On average, there will be around 12 snowfall days in a year. Similarly, Thunderstorms are occasional and the city can also be prone to strong winds as it is exposed to the Atlantic. In an average year in the city, the temperature will usually fall between 7 °F (−14 °C) and 97 °F (36 °C). I am originally from Nepal (also known as the Himalayas). I have been accustomed to living in both hot and cold climates. However, I never had to experience snowfall, which might create difficulty during the wintertime. With enough protection and layering, it is quite possible to overcome the harsh winters in New York.

**City's topography, scenery, and other geographic or geological features:** New York City is located on the coast of the Northeastern United States at the mouth of the Hudson River in southeastern New York state. New York City's landforms are very diverse and complex. Two upland regions—the Adirondack Mountains and the Appalachian Highlands—seem to dominate

the topography of New York State. The state is partly surrounded by three lakes—Erie, Ontario, and Champlain. Its urban area extends into parts of New York, New Jersey, and Connecticut. Inside the city itself, there lies a centrally located urban park (Central Park), which is sandwiched between the Upper West and Upper East Sides of Manhattan.

Image 1: New York City Map



**Tax consideration based on a starting salary of approximately \$55,000/year:** The effective Federal income tax for the given salary will be 9.59 percent. Similarly, New York State’s tax rate equated to 6.21 percent and the city’s local tax for income is approx. 3.8 percent. With FICA being 7.65 percent, the approximate after-tax pay will be around \$40,012. Likewise, the City Sales Tax rate is 4.5 percent and the NY state sale tax is 4 percent. As a newcomer in the city, I

will not be owning a property, but the property tax rate in NYC is just 0.90 percent. However, salaries are adjusted according to the cost of living and higher tax rates in New York City.

**Transportation hubs in the city:** NYC has one of the largest subway systems in the world. The subway system in New York City is pretty reliable and timely. Most New Yorkers do not own a private vehicle and travel by bus or subway. The city's airport system happens to be one of the largest in the world. It includes—John F. Kennedy International Airport, LaGuardia Airport, Newark Liberty International Airport (located in New Jersey), and Stewart Airport. There are also various railway systems and ferries available for commute between Manhattan and New Jersey. New York City is also home to an extensive bus system in each of the five boroughs. In addition, there are Staten Island ferry systems and plenty of yellow taxis throughout the city.

**The city's most prevalent industries and five largest companies:** The most prevalent industries in NYC are: Finance, Trade, Healthcare, Real Estate, and Media. New York City can also be described as the finance capital of the world (Vestal 2019). The city houses NASDAQ and the New York Stock Exchange and an almost unending list of banking institutions. Similarly, the biggest employers in the city are JPMorgan Chase & Co, Citi, ABM Industries, Pfizer, and Carl Icahn. Besides these companies, there are numerous multinational companies operating at a high scale in New York. The city can be said to be one of the best places for new opportunities for young professionals.

**Quality of the city's healthcare and city's school districts (K-12):** According to an article by Lohud, New York has the 17th best health care system in the country based on cost, accessibility, and medical outcomes (Robinson 2018). As the city has one of the largest healthcare industries, there are many medical professionals and hospitals in and around the city. There are

688 school districts in New York State. The state also ranked eighth for its overall education system. As for the city itself, there are some highly ranked school districts in NYC. If I plan to have children in New York City in the future, they would most likely attend public schools.

**Common crimes and the locations within the city to avoid:** As of 2017, NYC is among the lowest of major cities in the United States for crime rates. New York was judged the 10th safest city overall, as well as the 28th safest in personal safety. The most common crimes in the city are assault, theft, and property crimes. Notably, crime rates are 21 percent lower in NYC than the national average. Having said so, areas to avoid in the city include Brownsville, Midtown and Bedford, and the safest neighborhoods include Upper East Side, Upper West Side, Washington Heights, SoHo, East Village, West Village, etc.

**Typical mode of commuting and likely commute times:** New York City has an excellent subway system. I will be able to travel pretty much anywhere inside and around the city. For work purposes as well, I will likely travel via Subway. As they operate frequently, it can take around half an hour or less to go to an office location inside Manhattan. Unless I am traveling in a car, transportation will not be a major problem.

**Grocery shopping:** After I start living in the city, I would probably do my grocery shopping in the grocery stores almost every day. As I won't have a car to travel as I please, I would have to do make small purchases every day and walk home. On the bright side, there are various grocery stores in walking distance all over NYC.

**Doing the laundry:** Most of the low/medium cost apartments in the city don't have in-unit laundry. There will probably be a laundry room in the building. If not, there will definitely be laundromats nearby.

**Civic, religious, or charitable organizations I would like to be active in NYC:** As the city is so enormous and diverse, there will be plenty of non-profit organizations that I can be a part of. Some of them include: GreenThumb (gardening organization that helps keep the city green), The Icarus Project (provides mental health support and promotes self-care), The Food Bank of New York City (helps homeless and hungry people in the city), Cabrini Immigrant Services (helps immigrants adjust to their new lives), etc.

**First Year rent and location (square footage, amenities, need for a roommate, availability of parking, etc.):** I expect to live around East Village, Manhattan for the first few years. If I have two other roommates, I can expect to pay around \$1,000/month.

Image 2: 3-bedroom apartment in East Villa



Unit	Beds	Baths	Rent	Deposit	Sq Ft	Lease Length	Available
<a href="#">2A</a>	3 BRs	1 Bath	\$3,000	\$3,000	725 Sq Ft	12 Month Lease	Oct 1

This property (Image 2) is \$3,000/month with three separate bedrooms. Its area is 725 sq. feet. Since I won't be having a car, parking isn't necessary. It will have a full kitchen and a full bathroom. However, if I am living by myself, I will be paying around \$2,300/month.



Image 3: Studio apartment in East Village, Manhattan, NY



home? [See Online Tour Options](#)

es	Studio	1 Bedroom	2 Bedrooms	All
Baths	Rent		Sq Ft	Available
1 Bath	\$2,350 - 2,450		500 Sq Ft	Available Now

This property (Image 3) is a studio apartment and has a 500 sq. ft. area. The studio will have a full kitchen and bathroom and the building will have laundry rooms.

**Sports, entertainment, or recreational activities that I would be most likely to engage in within the city:** NYC is a big cultural hub. There will always be enough activities to do every day. Some of them that I am currently interested are - going to central park and riding on a bike, visiting museums frequently, going to free music festivals that happen year-round in the city, visiting Trump Rink in Central Park for ice skating, and hiking in nearby mountains. Besides these activities, I can always walk around the city and try different foods and go to art galleries.

**Modes of traveling back to my hometown from NYC:** I am from Nepal (a country in Asia). The only way to go there would be via plane. Truthfully, it is much easier to go home from New York than from Mississippi as I don't have to travel through any domestic airports. The average cost for the round trip to Nepal would be around \$1,200. In addition, it will take almost two days to go home, but it's faster from NYC than from other cities.

**Model monthly operating budget for NYC for Year 2:** If my salary is \$60,000/year, my after-tax income would be around \$43,650 (monthly \$3637). I plan to live with roommates for the first few years and therefore, my rent will be \$(1,000-1,500)/month. I would be spending much of my time at the office, so grocery could be \$200/month or less. Utilities will be approx. \$100/month. Similarly, transportation costs will be around \$120/month and Miscellaneous costs will be \$100/month. Calculating the above amounts, my monthly savings could be around \$2,000-\$1,500 per month with a \$60,000 yearly salary.

Image 4: New York City Snapshot



**Why New York:** I think that New York is a great city. It is one of the most diverse cities in the world and I would get to meet all kinds of people. It is also an excellent city to start off a career. There will so many networking opportunities around. The main reason I chose New York City was that it has great people and great food. It is undoubtedly a really fun place for young and adventurous people like myself.

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Case Study Eight: Asset Concepts Case

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Accountancy 420

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## **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 an 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 an 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 an 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 one, 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 one 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 or exchanges for 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	\$1000
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 Study Nine: The Presidential Debate Case

Astha Kandel

ACCY 420

October 06, 2020

The following case examines the pre-election and post-election environment in the United States of America. The students were asked to watch the first presidential debate, which occurred on September 29, 2020. The debate was between the two presidential candidates: President Donald J. Trump and Former Vice President (VP) Joe Biden. The students were required to watch the debate from an unbiased source and reflect upon the agendas put forward by both candidates. The students were also asked to carefully consider the post-election job market, economic conditions, tax regulations, and financial health in the country. We were also required to formulate a plan on how individuals like ourselves will cope with the post-election environment. We were to begin the presidential debate thinking about the values the United States of America was founded upon.

This case was certainly interesting. Despite not being a citizen of the country and therefore not being able to vote, it was still fascinating to watch the debate and hear both sides of the argument. Prior to this case, I was really unaware of the political agendas of both candidates. It was intriguing to watch both the candidates' debate about how they want the country to look like in the future. Needless to say, they had opposing views and stands on almost all of the political issues. I believe that this case has helped a number of students gain insight into the actual visions of the political candidates. This case has helped me learn how intense the election period could be. I had an opportunity to listen to and evaluate both sides of the argument.

Overall, this was a rather unique experience. If it wasn't for this case, I might not have watched the first presidential debate of this year. Even though I am an international student, I have a few more years to stay in this country by either studying or working at a job. The outcome of this election will directly affect me as well and it was worthwhile to comprehend the probable future of this country.



The United States of America is one of the greatest countries in the world. One of the main reasons the United States is such a great country is because of freedom, acceptance, and diversity that surrounds the nation. What unites this country are the people all around the nation coming from different religions, backgrounds, and ethnicities, who live harmoniously with one another. First and foremost, the United States of America is the land of the free. People in this country pride themselves on having the freedom to do and say anything they want. The constitution protects the freedom of the people. Secondly, this is a nation of immigrants. A couple of hundred years ago, when the new land was discovered, people all over the world started migrating to this place in hopes of finding a new life and a new dream. Almost every person knows about the American dream and the possibilities and opportunities one can encounter being a part of this country. What unites us is not just the fifty states being a part of one country, it is also the fact that almost every one of us has different values, a different opinion, and a different drive for the future, and we still come forward to empathize with one another and help other people. Most people come to this land in hopes of acceptance and opportunities and many of them have been successful to achieve such dreams.

2020 is the year of the election in the United States. Citizens of this country are on their way to elect the 46th president of the United States of America. Current presidential candidates are President Donald J. Trump, representing the Republican Party and Former Vice President Joe Biden, representing the Democratic Party. After watching the presidential debate and their agendas, it is quite obvious that the two candidates have very different political views in terms of women's rights, healthcare, taxation, climate change, and the spread of the highly infectious COVID-19.

I am currently a senior and the result of this presidential election will most likely affect the job market when I graduate. Currently, there are no signs of the disappearance of the coronavirus, so the only thing we can do is hope that things will turn out well. Regarding the presidential candidates, both of them have opposing views on what they want to do with the economy after one of them is elected as the next president. President Trump plans on reopening the economy, which includes all kinds of businesses and organizations (as well as schools and colleges). Upon my graduation, this plan might or might not have a positive impact on the job market. Unless there is a possibility for a vaccine soon enough, more people will get infected and several will lose their life. This might be counterproductive and lead to shutting down the economy completely once again. On the other hand, Former Vice President Biden wants to be super cautious while opening the economy. He does not intend to reopen everything at once. Instead, he wants to make sure that the proper PPE materials are provided to all businesses and workers and when everyone is deemed safe and sound, only then he plans to open the businesses and the schools. President Trump believes that we are very close to having a vaccine, despite many scientists saying that it will be summer before the distribution will possibly even take place. VP Biden sides with scientists and believes that it will take plenty of time for a vaccine to be commercially available. That reminds me of the fact that it has been currently on the news that accounting firms have been doing really well despite the economic recession, which tells us that the job market that I will be entering may not be affected by the economic condition as much as other industries and practices might. However, it could affect the clients I will potentially be working with. We will not know the state of the economy after the election unless there is an available vaccine that will stop the spread of the virus. No matter which candidate wins and whether or not they plan on reopening the economy,

there will still be complications as the virus might force us to shut down again despite the reopening.

Similarly, both candidates also differ in terms of the taxation of individuals and corporations. President Trump plans to lower the overall taxes (especially of the corporation) while VP Biden plans to increase the corporate taxes and also the taxes on individuals earning over \$400,000/year. As I will be under the mentioned tax bracket, any change in tax regulations will have a little impact on my daily life. Similarly, VP Biden also plans to increase the minimum wage of workers. In terms of manufacturing, President Trump supports the cheap manufacturing of vehicles and wants to make it affordable for every resident in the country, whereas, VP Biden plans on introducing electric cars, thereby reducing the pollution and usage of fossil fuel. President Trump fears that it will cost trillions of dollars to make such changes while VP Biden believes that this will create many new job opportunities and will be beneficial to the country in the long run. Furthermore, the Trump Administration has been an advocate for many anti-immigration policies. Recently, there was an attempt to send back all the international students having online classes. The administration has also lowered the H-1B Visa rates and President Trump plans on further promoting his agenda of limiting immigration in the country. As a country of immigrants, this might not be beneficial for the economy. Not only many immigrants work minimum wage jobs that the citizens do not wish to do, but most people who work in software development, medical care, and other technical jobs are also immigrants. As an International Student myself, I believe that actively trying to restrict people from legally entering the country does not reflect the values this country was found upon. However, it is unknown whether or not VP Biden is strongly opposed to these restrictions and will allow immigrant workers to enter the country legally.

Once the election is over, it might take some time for both parties to accept the election results. This election has been one of the most important in the U.S history, and it will be difficult for the majority of people to accept the outcome. Personally, I am not a strong supporter of either of the candidates. I have very little knowledge and experience regarding their history, and I will gladly accept the result as long as I am allowed to continue studying and working in the United States. The most important thing that needs to be done when the election is over is to maintain peace. It will mostly fall under the hands of the political leaders. If both the candidates accept the election outcome and urge the public to maintain harmony and not create any sort of protests against the opposing party, the post-election environment will be far less controversial and outrageous. Everyone is going to have different viewpoints regarding the election, and I believe that it is very important to embrace national and moral integrity. Regardless of who becomes the next president, people should not belittle one another and accept the result that arises from the public's vote.

As a non-resident, it will not have a high emotional effect on me as I am not a strong supporter of either of the parties. However, I have personally met several people who have strong opinions on U.S. politics, who might have a difficult time post-election. There will always be people who will want to incite violence and dominate others, but as citizens of one of the greatest countries in the world, it is very crucial to remember that other people are not very different from yourself and we all are human beings, so we should focus on being empathetic and compassionate. Once the election is over, I plan to reach out to my peers who support different candidates and try to remind them of the importance of lawfulness and harmony.

## Case Study Ten: Excel Certification Case

Astha Kandel

ACCY 420

October 14, 2020

For Case 10, the students were instructed to complete a excel certification program called “Excel Crash Course – Spreadsheet Formulas for Finance” by the Corporate Finance Institute. The students sent the certificate to Dr. Victoria Dickinson at the end of the class.

Case Study Eleven: The Tax Haven Case

Astha Kandel

ACCY 420

October 28, 2020

The following case explores the use of offshore tax havens by multinational corporations in the United States of America. This case also examines the idea of lower corporate taxes in order to prevent the companies from offshoring their profits and not paying taxes on those profits. We, the students, were informed about the impact of lowering the corporate tax rate from 35 percent to 21 percent in 2018. We were provided with two articles regarding the impact the tax cut was having on the economy and a documentary titled *Taxodus* that explains different ways those multinational corporations avoid paying taxes on foreign earned income. The professor wanted us to examine the corporate tax rate system and provide an explanation for what the optimal corporate tax rate would look like. Finally, the case required us to explain whether this case increased or decreased our interest in the tax service line in public accounting.

This was a significantly informative case and an eye opening experience. I learned an extensive amount of new information regarding corporate taxes. The documentary provided many useful information about how big corporations avoid taxes by putting their profits in foreign countries where they don't have to pay any taxes or pay minimal taxes. Prior to this case, I was aware that big corporations try to pay lower taxes, but it was unknown to me that a number of them pay almost no taxes on their foreign profits. After spending some time with the given materials, it was suggestive to me that in most developed countries, lower and middle income residents generate most of the tax revenue in the country.

After graduating from the university, I plan to work in the accounting field. This case has prepared me for the reality that taxation is complicated and I would have to deal with such tax avoidance situations myself in my career later in life. This case has led me to do more research into the field of accounting and taxation and be aware of the complicated and seemingly devious world of corporate taxation.



Taxes play an important role in the day-to-day economy of the country. In a flourishing economy, there exists a balance between how much people and businesses want to buy and sell. Various studies have shown that reducing the marginal tax rate on income encourages people to increase their productivity. Furthermore, new businesses and companies are inclined to invest in a new idea when they are offered tax holidays or tax breaks. Big multinational corporations love the idea of tax loopholes and ways to lower taxes. However, there is a fine line between tax minimization and tax avoidance. Various companies in the Fortune 500 have been getting away with paying less to no taxes on their profits generated outside the United States and yet, they are the ones utilizing the national resources to the full extent. Economists and tax experts believe that the lower tax incentives provided by various foreign countries attract such multinational corporations and they end up securing their foreign profits in those countries. The Netherlands and The Cayman Islands are two examples of the countries where taxation for intellectual property is incredibly low and as a result attracts trillions of dollars of money generated by the big corporations.

The U.S. government is fully aware of this situation and the tax avoidance strategies implemented by the corporations, so they decided to pass a historic Tax Reform package called “The Tax Cuts and Job Act” in 2018. The government believes that ever since the Tax Act was passed, the U.S. economy has started flourishing and many new jobs have been created in the country (U.S. Department of Treasury, 2019). As a result of the Act, unemployment reached a 50-year low of 3.7 percent in 2018. Alongside, 7.3 million jobs were created, which was enough for every single unemployed American to be employed at that time (Hodge, 2018). In various parts of America, workers were getting paid more and the companies were creating more new jobs. This situation makes us believe that tax cuts are an optimal way to boost the economy and increase

worker productivity. The Tax Reform Act's biggest and most prominent change was lowering the corporate tax rate from 35 percent to 21 percent, an overall 40 percent decrease.

It has been said that the lower corporate tax rate has encouraged the multinational companies to invest their capital in the country and create new jobs and then help in the economic growth of the nation as a result. However, if we take a deeper dive, there exists a much bigger problem in the taxation of the income generated by such companies. The documentary *Taxodus* has highlighted several times the single reason big companies like Apple and Starbucks hesitate bringing their outside profits into the U.S. borders and the reason is **Tax Avoidance**. The documentary explores the different ways those companies employ tax avoiding strategies with the help of big multinational banks, lawyers, and the accounting firms. The U.S. Congress believes that lowering the tax rate for corporations will prevent them from securing their profits outside the country and will aid in bringing those amounts into the country, which will make them pay the appropriate taxes on the profits. However, it has been clear that those companies are not tempted by the lowered corporate tax in the country when they can get almost little or zero tax rates in other foreign countries. The U.S. has lowered the corporate tax rate and so have other countries in hopes of retaining the profits of the corporations inside their country, but no matter how much lower the governments try to bring the corporate tax, it is hard to compete with **zero** as mentioned in the documentary *Taxodus*.

On the other hand, despite the big corporations like Apple employing tax avoidance strategies, there are still various corporations residing in the United States who do not take their earnings and store them in some foreign country. Nonetheless, there are a handful of corporations who pay their fair share of taxes and are not avoiding them as much as companies like Apple, Amazon and Starbucks. Those companies are one of the major drivers of economic growth in the

country. In recent years, such companies have been hesitant to invest their capital in the country due to staggering amounts of taxes they were required to pay. In every new project, the benefits are compared to the costs and the project is undertaken only when the benefits outweigh the costs. Due to the high tax rates for corporations, the companies were not undertaking any new projects as taxes add a huge amount of cost to the project. However, after the tax reform in 2018, many U.S. companies were inclined to take on new projects and as a result, create more jobs. The lowered tax rates and higher tax incentives are primarily targeted towards the companies who carry out their business activities primarily in the U.S. and have means and resources to invest in the country because the companies who are in the habit of completely avoiding taxes will keep on doing so regardless of the number of tax incentives they receive in the country. The main idea of the lowered corporate tax is that when the companies pay a lower amount of taxes in the country, they will have additional capital to invest in new projects as well as provide extra bonuses and compensations to their employees and shareholders.

Lowering the corporate tax rate definitely has a huge impact on the economy. It has been proven by the flourishing economy we observed during 2018 and 2019 and also the historic number of low unemployment rate. Having said so, there are a number of factors that one should consider before deciding on a particular corporate tax rate. Historically, the corporate tax rate has been as low as one percent in 1909 and 52 percent in 1952. If we look at the data and analyze the relationship between the tax rate and the economic growth, it can be said that the Presidents of the United States have almost always lowered the corporate tax rate in times of recession to boost the economic growth. Does this mean that the lowered and optimal corporate tax rate is a big component of the economic growth in the nation? Probably yes. But the main question is: What exactly is an optimal corporate tax rate? The tax rates have been fluctuating all the time throughout

the last century, and it has not been very clear as to how much the optimal corporate tax rate actually is.

In a podcast by the Federal Reserve Bank of St. Louis, an individual argues that the optimal corporate tax rate should be around 10 percent and he says that doing so, the output will grow by 10 percent and the employment rate will go up by three percent (St. Louis Fed, 2019). On the other hand, in an article by the Worth, the writer DuBoff believes that the corporate tax rate should be 25-26 percent, which is more competitive with the global competitors. The writer also believes that an even lower tax rate will increase wages and help in economic growth, however, it might not be possible to do so as the U.S. congress may not pass a really low corporate tax bill. According to the article, a 2007 study from Europe titled “Passing the Burden: Corporate Tax Incidence in Open Economies”, found that, “a 10-percentage point increase in the corporate tax rate of high-income countries reduces mean annual gross wages by 7 percent.” (DuBoff, 2017). However, in an article by the Washington Post, McArdle says that the optimal corporate tax rate is zero. Her argument is that companies get away with paying less to no taxes anyway but the government still spends a staggering amount of resources on discovering and investigating the tax avoidance strategies employed by the corporations (McArdle, 2018).

Personally, I believe that the corporate tax rate should be around 10 percent. This number of corporate tax rate is low enough for companies to pay the taxes and for a tax rate this low, the big corporations will likely not go out of their way to avoid paying taxes. Furthermore, lowering taxes to 10 percent will free more capital for the corporations, which will encourage them to invest in new projects. It has also been proven that lower corporate tax rates lead to higher employee wages. The multinational corporations avoid paying taxes nonetheless by offshoring their wealth, so making the tax rate for such corporations lower will make them not want to spend millions of

dollars in researching and implementing ways to avoid taxes and they presumably will decide on just paying the taxes due. Simultaneously, the government will also spend less resources on investigating companies on whether or not they paid their fair share of taxes. The loss of revenue from corporations due to the lowering of corporate tax rate can be recouped by increasing the personal income and compensation tax rates for individuals in higher tax brackets.

This case has surely increased my interest in pursuing a career in tax service line in public accounting. Prior to this case, I was aware of the tax system of the country and always changing tax laws, but now I have been introduced to the world of tax havens. This case explores the interesting phenomenon of tax avoidance among multinational corporations. It is very interesting to see how much planning goes into trying to actively avoid paying the taxes on the profits generated by the company itself. The modern world revolves around taxation. A slight change in tax laws affects the demand and supply of households, businesses, and the governments. Tax laws also directly affect the economic stability of the nation. As we observed in the case above, multinational companies do everything in their power to avoid paying taxes. They spend millions of dollars and several hours planning their perfect tax avoiding route. Being a tax personnel gives someone an opportunity to analyze these issues in a deeper level. Tax service is not just about filing tax returns or calculating taxes. Several experts in tax laws are consultants, advisors, and lawyers. For someone interested in researching about the tax havens and corporate inversions, tax practice in public accounting is an excellent way to achieve the goals as most of the accounting of such multinational companies are performed by big public accounting firms. Overall, this case has made me very interested in pursuing a career in tax service in the accounting field. Being involved in a field like this gives an individual an opportunity to explore the truth about the corporate world and the effects of taxation in the world economy.

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