

University of Mississippi

eGrove

Honors Theses

Honors College (Sally McDonnell Barksdale
Honors College)

Spring 4-30-2021

Compilation of Cases Investigating Principles of Accounting

Celia Sullivan

University of Mississippi

Follow this and additional works at: https://egrove.olemiss.edu/hon_thesis



Part of the [Accounting Commons](#)

Recommended Citation

Sullivan, Celia, "Compilation of Cases Investigating Principles of Accounting" (2021). *Honors Theses*. 1664.

https://egrove.olemiss.edu/hon_thesis/1664

This Undergraduate Thesis is brought to you for free and open access by the Honors College (Sally McDonnell Barksdale Honors College) at eGrove. It has been accepted for inclusion in Honors Theses by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

COMPILATION OF CASES INVESTIGATING PRINCIPLES OF ACCOUNTING

BY:
Celia Sullivan

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

Oxford
May 2021

Approved By:



Advisor: Victoria Dickinson



Reader: Dean W. Mark Wilder

ABSTRACT

This thesis is composed of two semesters worth of investigative cases into different aspects of the accounting field. There are 10 cases that each offer a unique perspective on varying aspects of accounting as a profession. Each case posed a different issue or controversy in the profession and proposed answers to the questions asked. The thesis shows a well-rounded understanding of the applications of accounting and the Generally Accepted Principles of Accounting. These cases were created and completed within the Accounting 420 course taught by Professor Victoria Dickinson in the fall and spring semesters of 2020.

TABLE OF CONTENTS

CASE 1: REGULATION FAIR DISCLOSURE	4
CASE 2: BLOCKCHAIN	12
CASE 3: BUSINESS INTERVIEW	17
CASE 4: MENTOR INTERVIEW	23
CASE 5: FINANCIAL CRISIS	28
CASE 6: CITY EVALUATION	36
CASE 7: FINANCIAL STATEMENT CONCEPTS	49
CASE 8: PRESIDENTIAL DEBATE	58
CASE 9: CFI EXCEL CERITFICATION	66
CASE 10: TAX CUTS	68

CASE 1: REGULATION FAIR DISCLOSURE

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

29 January 2020

INTRODUCTION

Around 20 years ago, the Securities and Exchange Commission issued Regulation Fair Disclosure. This set of rules greatly regulates the sharing of nonpublic information, with one aim being to reduce insider trading, and another, to restore faith in the market. As a public accountant, these rules change the way the clients operate and go about their business. Whenever information not known by the public is discussed with an individual or group of professionals, this information must be publicized at that same time. If the information is revealed without intention, it must be publicized in a prompt and timely manner. However, as media and technology have changed, there are new issues arising that were not addressed by the SEC those years ago. An aim of Regulation FD was to clarify rules about information disclosure, but not all circumstances fit into the published rules. One of these issues we see is the platform of social media. The problem becomes if social media is a fair publication of private company information due to the fact that it is aimed at certain “friends” or “followers” (“Selective Disclosure”).

Through this case, I have been enlightened about the many measures taken to keep our market fair and prevent insider trading. Another goal of this rule was to reestablish confidence in big businesses and the securities market. This rule helps average investors the most, for it protects the market with which they trust their money. However, it was interesting that this rule has not adapted as the current world is changing. Social media is the most current controversy, regarding if it can be used to disclose information. It is concerning to me that the SEC does not have an answer or solution for this arisen issue because there will only be more changes in the future, which Regulation FD will have to fit the mold of.

REGULATION FD

Regulation Fair Disclosure is a concept that was issued in 2000. The goal of this act is to make the rules about how businesses distribute information clearer. These updated set of rules highlight the importance of preventing insider trading, which is when an investor acts having the advantage of non-public information. Regulation FD declares that when information is shared with a group of people or investors, it must also be shared to the rest of the public. Whether the information was shared on purpose or unintentionally, the corporation must publish the information as soon as possible if not simultaneously. The issue with certain individuals or groups having classified knowledge is that they are able to make business decisions with the advantage of this specific basis.

With current technology, it is not difficult to spread information to the masses. The client must be very intentional to publish all info shared to anyone. They must make time to host press releases or do so electronically. It is also crucial to recognize when private company information has been shared. Even if one shares information accidentally or without intention to hurt the market, they must make those statements known publicly.

WHY REG FD

The importance and reason for Reg FD is perfectly exemplified in cases such as WorldCom. Cases like this alter market rates and violate investors' trust. Jack Grubman was a Wall Street analyst, yet he worked beyond his role of providing objective advice about companies and their financials. Instead he broke the boundaries of his role and sat on the inside, at board meetings with WorldCom executives (Sommar). At this point, the basis of objectivity has been destroyed; not only does he have more information than the public but also has an insider relationship with this company. He did not participate in trading WorldCom stocks, but he misled many others with his "widely optimistic research reports" (Sommar). The view of Grubman's role had become one of a hustler, one who was manipulating the pieces in the game (Smith). The power that one analyst had over a company stock and the market as a whole is terrifying. Grubman did not have personal stake in this company, yet still assisted others in insider trading. This securities market cannot be controlled by one or two powerful analyst who can integrate into the core of these large companies. The moral compass of these power-hungry businessmen cannot be trusted, so therefore they need to be regulated by an enforceable, punitive set of rules called Regulation FD.

Although a majority do agree that a new set of rules was necessary, not all agree that Regulation FD was the best solution to the problem. Reg FD is so strict that it inhibits the analysts to publish descriptive, true information. Instead, companies and analysts work timidly with each other. They used to work in harmony, but Regulation FD has implemented a fear of close contact between the two, which hurts the public as potentially investors because valuable information is being trapped in the company

(Smith). Despite the criticisms, the SEC took the best step to restore the securities market; they returned it to where investors made decisions for themselves, not based on insiders. The most important quality of the market, which Regulation FD restored, is fairness, and years after implementation it still stands that different minds are using the same information to invest their money (Lomax).

SOCIAL MEDIA AND REG FD

The client in question has posted nonfinancial, yet private, company metrics on his Facebook, for which he wonders if he violated Regulation FD. After reviewing my client's actions, I would say that he has violated regulation fair disclosure. Although the information is not financial, it does give insight into the operating affairs of the company and insights to their performance. From this data, individuals can come to a decision about the financial status of the company that they might not have before. The importance of this information establishes that it has materiality.

This information was posted on the CEO's Facebook page. Although this page is accessible for all internet users, it is only presented directly to his Facebook "friends." Therefore, I would say that although the information is technically accessible for all users, it was not presented to the public like it was to the Facebook users on the inside.

ELON MUSK AND SOCIAL MEDIA

I now have read a case in which Elon Musk talked about his company on Twitter. Since the Regulation FD clause was published in 2000, it does not have specific references to special cases, such as the use of social media. The first case that challenged this issue was Netflix, whose CEO used Facebook to publish nonpublic information. The SEC officially ruled that Netflix did not violate full and fair disclosure (Bloomberg). Having supplemental information from past circumstances, my opinion has changed about the public client posting to Facebook. Knowing that the SEC will generally follow the precedent set before, I believe that my client could not be in violation if these other cases, Netflix and Tesla, met the disclosure standards.

I also believe that Reg FD is in place to prevent unfairness in the market and assist corporations in understanding these rules. However, this rule is not in place to burden the corporate heads with reaching every individual with their information. Their job is to publish nonpublic information in a way that is accessible to all; the goal is to prevent one investor from having an advantage over another. They can only provide the resource, not force people to use it. The information may not be placed in front of people, but it is easily accessible via google search. When posting to social media, one is not trying to reach a limited group; this platform is used to reach those worldwide. Therefore, if CEOs are posting performance metrics on these sites, it should be assumed that they are trying to disclose to a large, public base.

WORKS CITED

- Bloomberg. “Can Elon Musk Tweet That? The SEC May Have an Opinion.” *Fortune*, Fortune, 8 Aug. 2018, fortune.com/2018/08/08/what-is-reed-hastings-rule/.
- Lomax, Alyce. “Pop the Champagne! RegFD Turns 10.” *The Motley Fool*, The Motley Fool, 11 Aug. 2010, www.fool.com/investing/general/2010/08/11/pop-the-champagne-regfd-turns-10.aspx.
- “Selective Disclosure and Insider Trading.” *Selective Disclosure and Insider Trading*, www.sec.gov/rules/final/33-7881.htm.
- Smith, David. “Confessions of a Wall Street Analyst.” *The Motley Fool*, The Motley Fool, 27 Feb. 2007, www.fool.com/investing/general/2007/02/27/confessions-of-a-wall-street-analyst.aspx.
- Sommar, Jessica. “GRUBMAN GRILLED – SOLLY ANALYST BUMBLES BEFORE LAWMAKERS.” *New York Post*, New York Post, 9 July 2002, nypost.com/2002/07/09/grubman-grilled-solly-analyst-bumbles-before-lawmakers/.

CASE 2: BLOCKCHAIN

BY:

Cele Sullivan

Dr. Dickinson

Honors Accy 420

26 February 2020

INTRODUCTION

Before this class period, I had no prior information about Blockchain. Through our monopoly game, I learned more about Blockchain and its complexity. From the game, I learned that there were many routes information had to go through before being recorded and accounted for. I had to relay transactions through the cloud which had to report to Big Mama and Big Papa before any payment took place. As a business owner in one state, I did not know any information about the other states because it all went through the cloud. During our monopoly game I was a little confused about everyone's roles, but after reading more about this topic I feel more confident in my knowledge. Blockchain is a complex way of accounting for transactions to protect the information. This system encrypts and secures the information through multiple protocols so it cannot be changed. After this is complete, it is grouped into blocks and accessible.

I see blockchain being essential in my future as a public accountant. Although it is a little too complex for my knowledge now, I am sure I will learn more about this technology in the future. When I think of the usefulness of Blockchain, I think of the speaker we had a few weeks ago that spoke on protecting information. From what I understand, Blockchain makes it nearly impossible to change the original information. After that speaker, I learned how expensive and devastating a security and information breach can be and blockchain can help me avoid that. Blockchain is another example of how technology is changing every industry and specifically the accounting field. By the time I am a CPA, I believe the technology will be even better and that I will be working with a better and more effective blockchain system.

BLOCKCHAIN

Blockchain is a technology for recording accounting transactions that is transforming the accounting industry. As I read more about blockchain, I started to understand the system more and find a simpler explanation. From what I understand, each transaction has a generated hash made of random letters, numbers, and symbols. Even the change of one letter or number in the original transaction would generate a complete new and unique hash. Then a number called a nonce is assigned to each transaction to avoid being able to count and crack the hash code. These transactions are put in a spreadsheet and can be put on many different systems which checks the validity of each new transaction. Once all of these steps are followed, the information is grouped in blocks and is automatically updated very frequently. This system makes the information very secure due to the complex way the system is coded. The way this system is so effective is because of the way the system is checked by many computers in different places.

In our monopoly blockchain, I was a business owner in state 2. So, I was the one acting- buying properties, paying rent, earning revenue. Every time I was involved in some sort of business transaction, I had to relay that information to the cloud so it could be recorded. After it was recorded it had to be rerecorded by Big Mama and Big Papa, which I perceive as a way of validating the information. In this system, we also had auditors, who were making sure that all transactions were following the correct path of being recorded and acted upon. We could hold title to properties in different states, but only received half of the revenue went to the other owner or Big Mama and Papa. My main take-away from this exercise was how much work goes into this system. In our

game, the Big Mama and Papa and the cloud did the most work. They were always recording and checking transactions and rerecording and rechecking. This system does so much and seems like it will be so helpful in this field. The route of information is so complex and secure yet very efficient, which is what makes it so crucial to this field going forward.

I think blockchain will support the global economy. It is all virtual, which is where all industries are going. I think the efficiency is what sets this system apart. If this system can be implemented, it will help the accounting industry. Blockchain focuses on asset management, which would help accounts move away from time-consuming reconciliations. Although it could limit jobs available for accounts, I think it would be improving the accounting fields and the timeliness of information available to clients.

WORKS CITED

“Blockchain and the Future of Accountancy.” *ICAEW*,

www.icaew.com/technical/technology/blockchain/blockchain-articles/blockchain-and-the-accounting-perspective.

Cointelegraph. “How Blockchain Technology Works.” *Cointelegraph*, Cointelegraph, 6

Dec. 2017, cointelegraph.com/bitcoin-for-beginners/how-blockchain-technology-works-guide-for-beginners.

CASE 3: BUSINESS INTERVIEW

BY:

Cele Sullivan

Dr. Dickinson

Honors Accy 420

1 April 2020

INTRODUCTION

This week our case assignment was to interview a successful person in the business community. The goal was to find and contact someone who was established in their career. We were provided with a framework of questions in order to gain perspective on the professional's career and personal life. The individual I chose to interview is Rusty Reid, who is also my cousin. He lives in Fort Worth, Texas and is the CEO of an insurance company, Higginbotham.

I found it very valuable to talk to someone who is as successful as Rusty Reid. He worked very hard in his 20s and was able to own his own company before age 30. He grew and shaped a small company into the large insurance company it is today. It was interesting to hear how he pulled ideas from past jobs and life experiences and translated them into the work environment and business model of Higginbotham. I knew about Rusty's success and company, but I enjoyed hearing a first-hand account of how he achieved this and the roadmap to his success. As he earned a president position so early, I was interested to hear about his life balance. Rusty did not deny that work has always been the dominate and overbearing aspect of his life. However, he has embraced the network that his career provided and did not try to separate his work from his personal life. Instead, he built relationships with co-workers and clients, who are now close friends and a crucial part of Rusty's personal life. From the emphasis Rusty put on his family, I can tell this is the most fulfilling part of his life. Even with all of the success and insurance empire he has built, Rusty is most content with the relationships he has built with his kids, wife, and large group of friends. There are many lessons and advice that I took from the short interview with him.

RUSTY REID

Rusty Reid is the CEO of an insurance company, Higginbotham, in Fort Worth, Texas. Rusty is native to Texas; he was born in and grew up Dallas. He grew up in a house with his parents and siblings, but his home life changed when his parents divorced at age nine. His family expanded when both parents got remarried. From then, he remained in Dallas and attended Hillcrest High School. Rusty's high school experience involved many social and extracurricular activities, including athletics and student government. He made the decision to attend the University of Texas in Austin beginning the next fall. However, the death of his father pulled him to stay close to home, and with his family's support, he started school at the University of North Texas that year.

Beginning college, Rusty was pursuing a pre-med career track. As he got deeper into these classes, specifically organic chemistry, he decided to switch to the school of business. He was led to the insurance industry when he met his mentor, a professor in the business school. This man convinced and inspired Rusty to enter into the world of insurance. Rusty had family, his mother and grandmother, who had backgrounds working in insurance, and his mentor saw the potential for Rusty in that field. During his times at university, he made many lifelong friends, including two of his current business partners and his wife of over 30 years.

Rusty had job experience when he graduated into the working world; in fact, he worked many jobs in order to put himself through college. One of his collegiate business operations was a painting company, in which he was hired to painted local people's houses. He joined forces with Jim Hubbard, who is now his business partner again in

Higginbotham. In his later college years, he saw his first sight of insurance as he worked at an insurance agency locally. He continued this job until he graduated.

After obtaining his bachelor's degree, Rusty transitioned to a different insurance company, American General. He worked out of the Houston, Texas office as a territorial marketing manager and later transferred to the Fort Worth office. His job role included selling the products to existing agencies and recruiting other agencies to be new clients. Rusty did very well in this role and increased premiums from eight million to forty million dollars per year. The training and values at American General were something that Rusty greatly attributes to his success. The business model in this company emphasized learning all aspects of the product that you sell and selling all the items in your toolbox to each agency. As Rusty continued to grow his territory, he acquired a client, Higginbotham. He transferred his employment to Higginbotham soon after as the twelfth employee.

Shortly into his employment for Higginbotham, Rusty Reid had the opportunity to buy out the company from the owner at age 27 and took this opportunity. He structured Higginbotham much like American General. Rusty saw value in the ownership model, which allowed employees to sell to make their money and not simply manage other people. Employees were to be paid by the revenue they generated. The other technique he saw directly transfer to his new leadership in Higginbotham was training employees with technical knowledge, so that employees knew all aspects of the products being sold and of business generally. After holding the CEO job for a few years, Rusty reconnected with his college business partner. He brought Jim Hubbard on to grow the employee benefit

side of Higginbotham, a branch of the company that now generates the most business. 30 years later, Rusty is still the CEO and owner of Higginbotham.

Rusty has practiced a work life balance for many years, for he has been the CEO of Higginbotham for the majority of his life. He has been married to his wife for over 30 years and has three successful children. He considers his life in three buckets: work, life, and personal. However, these segments overlap and blend in his life. Since his work is a very dominate part of Rusty's life, many of his client and co-workers are his close friends. Many nonprofits and community organizations are opportunities and associations that Rusty has gained through his career. Rusty likes to say that he can't simply leave work at the office, but he has worked to develop the bridge and connect his family and personal life to work. Of all his accomplishments, Rusty is most proud of his family. His favorite time is the annual ski trips to Beaver Creek and beach trips to Seaside he gets to treat his wife and kids to. He enjoys working to be able to provide those experiences and opportunities to his family. The primary motivator of his professional success has always been and continues to be his family.

Although professional accomplishments are impressive, Rusty has a few regrets and things he wishes he had known earlier. Starting as a leader in a company so young, Rusty wishes he would have been less defensive and hostile in this position. He grew to learn and accept this lesson as he matured with age and experience. The other lesson was that things do happen for a reason. Early in his career and in college, Rusty found himself resisting experiences, rather than learning from them. As he reflects on his career and life, Rusty recognizes that the things that are uncontrollable happened for a reason and shaped his business and personal life. Rusty also advised me to notice and emphasize my

own strengths. He also stressed to importance of knowing my weaknesses, so that I can surround myself with people that compliment me.

Rusty has many aspirations for the future. He hopes to continue to support his family and friends. He wants to be a good business, but more importantly wants to be a good friend. In both his personal and professional life, Rusty wants to be able to stand for what he believes in and lead others by example.

CASE 4: MENTOR INTERVIEW

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

20 April 2020

INTRODUCTION

I spoke to Sarah Clancy, a senior from Boston, Massachusetts, about her recent internship experience. Sarah was an audit intern in the New York metro office for KPMG. She had a lot of insight to share about her 8 weeks on the job and the decisions and processes that got her there. She was very happy with her experience and had many great things to say about her firm and the recruiting leading up to it.

I learned more about the day to day experience as an intern. Sarah just finished the exact internship that I am accepting, so this was very helpful. I learned how many jobs she worked on and what each of those teams was like. Sarah had a very positive attitude throughout the interview, which was very encouraging and uplifting to hear. A stereotype of the New York internship is that the workload is miserable, but Sarah told me otherwise. She also claimed that her busiest weeks were some of her most enjoyable ones, which was also encouraging. She worked on more teams than I expected; she got to see the dynamics with four teams and clients. She was the only intern on many of her clients, but she said she did not feel intimidated or looked down on. It seemed as though she felt more like an employee rather than an intern.

The speakers and recruiters have enforced a good attitude throughout and leading up to an internship, and that was my biggest takeaway from my interview with Sarah. Although she enjoyed the work, her mindset and the environment established by her coworkers made the internship bearable and enjoyable. I appreciated talking to and networking with someone who could be my coworker in the next few years. This was a great opportunity to learn from her experience and make a connection that will be valuable in the following years.

SARAH CLANCY

Sarah Clancy is a current senior at the University of Mississippi, and she is originally from Boston, Massachusetts. She looked many places when college touring and applied to 23 colleges. School in Mississippi was not an expected choice for her, but with the appeal of the South, scholarship opportunities, and a great accounting program, Sarah made the decision to attend. As a rising freshman, Sarah knew she wanted to pursue a major and career in either business or accounting. As she got deeper in the coursework, she realized that accounting was where her skills and interests aligned. When junior year and the recruiting process arose, Sarah knew she wanted to be in a large city up north for her spring accounting internship. She grew up traveling to New York City and has family in the surrounding areas. For these reasons and the opportunities, she knew would be there, she decided to pursue internship options in New York.

Sarah enjoyed the recruiting process and was very successful through it. She had offers from three of the big four accounting firms. The worst part of the process for her was making the decision. The first factor she considered was how comfortable she was with each of the firms and how much the firms had recruited her. She knew immediately that she was more comfortable and knew more about KPMG and Deloitte. She attended both of their summer leadership programs and enjoyed those experiences. These programs were one or two days where she got to network with interns and employees, explore the city, and work on theoretical case studies. On the last day before her decision deadline, she made the hard decision to take her winter internship with KPMG.

Between her decision date and the start of her internship, Sarah was not required to do much. She attended the fall meet the firms on behalf of KPMG and filled out multitudes of paperwork in preparation for January. Her first day was at the very beginning of January. For the first two weeks, her and the other interns flew to Orlando to participate in training. Sarah found this time very valuable and advised me to really invest in learning during this time. The training involves becoming comfortable with the technology program to be used throughout the duration of your internship. The more you soak in and learn in Orlando, the more familiar you will be with the system when you return to the office. At the end of this small trip, Sarah got her client schedule. She got to work on four clients. Her daily schedule and workload varied significantly depending on each client she was on. The first client she worked with was a not for profit. The team was smaller, and the hours were less strenuous because these companies do not have to file by a specific date. She started by working on cash reconciliations and gained more responsibility as she worked more with the team. The team was composed of about five people, of which she was the only intern and most others were associates. Her next client was the most strenuous and time consuming, but Sarah also said that this was her favorite client and team to work with. For three weeks, Sarah worked very long hours, sometimes to midnight or later. This team was the largest she worked on, composed of around fifteen people. This large team was broken into subdivisions, so she worked specifically with revenue. The team had a couple interns, some associates, and also managers. Sarah enjoyed this client experience more than the others because although there were a lot of people, they were all respectful and accommodating; they created an environment that she enjoyed working in for most hours of the day. The last two clients Sarah worked with

were shorter assignments. These clients were less busy, and she did not feel like she got to know the team as well. During her last week, Sarah did many sign off lunches and talked to her recruiter. Sarah was offered and took a full-time position at the conclusion of her internship.

What surprised Sarah most about the internship was that she really enjoyed the experience. She said that the job is long hours and challenging, but the work environment and people at KPMG made her time in New York very enjoyable. Outside of work, Sarah enjoyed roaming around NYC with her roommates on the weekends. There was not much snow during her internship, so the weather was nice for exploring. She is very excited to return full time in September of 2021. Following her graduation this spring, Sarah plans to attend the master's program at the University of Mississippi while passing her CPA. She is hoping to take and pass two of the CPA sections this summer so she can be done by springtime.

Sarah had many positive things to say about her internship and advised me to enjoy the experience. Although she was scared, Sarah found that her superiors always guided her through steps and did not expect her to have prior knowledge. Sarah enjoyed having the network of Ole Miss students in New York with her and loved living with other Ole Miss friends. Sarah is very content with her decision during recruiting and her experience this spring.

CASE 5: FINANCIAL CRISIS

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

27 April 2020

INTRODUCTION

I explored multiple sources related the financial crisis of 2008. I have heard much about this recession because it is the most prominent economic occurrence in my lifetime, but I have never studied the causes and effects of the crisis. I did not have much prior knowledge about the financial services industry or the major players. One major opinion I have after exploring the resources available is about government involvement in this industry. Although in some cases I believe it is best to let the businesses support each other and the people, the financial services industry is an exception. It is dominated by few companies and terribly greedy people. This crisis was not an accident, for it was eminent.

I did not realize how much the banks and rating industries influenced our government and effected our lives. These large companies would be detrimental to the economy if they went out of business, so they bargain to stay in. When people lost thousands and millions of investments and savings in the great recession of 2008, the top employees of these companies were able to keep their salaries and even rewarded with government positions. These large players hold such a high stake in politics that the political leaders appear to be afraid to mess with them. President Obama did not pursue any of these men after obtaining office directly after and during the crisis.

I feel newly exposed and scared of these truths and industry. Reading about the many bubbles that Goldman Sachs has created makes me wonder what kind of manipulation are we enduring as a community? They immorally capitalize on the amount of power they have over the stock market and over small companies trying to gain capital, yet they will never be fairly punished.

BELIEFS ABOUT THE FUTURE

I did not have much of a basis about the 2008 financial crisis, therefore it was not something that I thought about much or that affected my opinions. I lived in a nice ignorance because I don't hold a job or invest my own money. However, as I look towards the future when it is important where my tax money goes or how my investments are manipulated, these things are greatly important.

My first new belief is more of a doubt of the government. It is a blissfully ignorant statement to think that the government always does what is best for its people. Some companies lobby for government support. This false form of capitalism wastes our taxpaying dollars and gives us lower quality products. I also learned that the government is partly run by the large companies in the financial services industry. The banks went years without regulation because former employees were in leadership positions in our government. There are huge lobbying checks and campaign contributions that come from the companies in this industry. A bankruptcy of one bank or rating firm could take down the whole economy. Due to all these facts, the government makes decisions on behalf of the financial services and not the people. Goldman Sachs and others creating strings of bubbles, and when the truth pops these bubbles, the companies pay a light fine and begin to create another bubble.

These bubbles made me have a new doubt and fear of my future investments. In the years leading up to the financial crisis, the knowledge on the inside was not replicated to the outside investors. A safe investment with a AAA rating was in actuality a very risky investment. Banks were betting against their own loans and banks were creating a lending Ponzi Scheme, in which they promised the investors' money that was never there

to begin with. I do understand that there is more regulation for this industry in this decade, but the fact that there are such few players in the game gives me doubt. Goldman Sachs and its neighbors will always have a hand over what happens in the market and seeing the greed that overtook the market in 2008, I am fearful of being wrapped into the bubble scheme.

ROLE IN SOCIETY

As a college student, I see my biggest role as being an informed member of society and my political surroundings. I feel as if I have been let in on a secret, but the financial crisis of 2008 and the other corruption of the financial services industries is common knowledge. I need to be informed about the problems in our economy and what the government plans to do about them. This is crucial due to the pending election. This is my first presidential election to vote in, and I feel a will to learn about the economic plans for each candidate, not just their side on the social issues. I want to have enough information and knowledge to be able to form my own opinions on our economy, rather than leaning on what I am told by my parents or hear at school.

I see my role expanding in the future as I begin my role as an auditor. As we explore the financial statements of companies, banks, not-for-profits, and others, my team can give correct information and restore the people's faith in these corporations and financial service companies. I see my role as exposing these bubbles and flaws in the financial services and other companies. After exploring this information, I have even more respect for the field I am going in to. I want to be able to give the most accurate information for the company and public's sake.

COVID 19 CRISIS

This crisis is changing every aspect of normal daily life. I have relied more on the government in their statements, updates, plans, and hopes for the coming days. In a crisis people unite for a common cause, so I think many people are coming together to support our country and the government. Although in normal times the branches of government are creating and executing plans, I am paying more attention to them now. The largest change is the people's reliance on the government for checks and a cure. It will take scientists and doctors to create a vaccine, but many Americans are determining the success of the government on whether they can contain and eliminate this virus. President Trump will be praised for the managing and containment of the virus in coming months or he will be condemned for letting the spread cause a second spike. With a rising election, the progression of this virus is the heaviest factor in who will run our country for the next four years. The election has become about the Coronavirus rather than the platforms each candidate holds.

The economy is about to be in another recession, and some professionals are saying that it could be as bad as the Great Depression. People have lost jobs and investments and unemployment is at a high. This is a time where the government needs to regulate the economy and markets until they can support themselves. Rather than creating a bubble for people to invest in false hope in order to get their savings back, we need solid numbers that can be backed by fact. This is not a time to employ use of high-risk investing; the people need something steady and reliable after all of this change. Wall Street and President Trump do not get along, but this is a time to unite. Together they are the strongest force and the only hope for a growing economy. From the past financial

crisis, the lesson is that the financial services should be regulated. The temptation is for banks to inflate stock prices or make promises of money that does not exist yet. However, I think the economy should be led by the president and Goldman Sachs and others can follow in support. The benefit of having a few large investment firms and banks is that they will survive this crisis. Unlike David Li's formula, there is no shortcut or quick fix to the economy. This will be a slow process that considers many correlations and factors. The housing market will have to be built back up, but it needs to do so honorably. The economy and government will never function the same after this crisis.

WORKS CITED

- Cohan, William D., et al. “‘We Don't Want Him to Have the Self-Satisfaction’: Why Wall Street Hates the Trump Economy.” *Vanity Fair*,
- Salmon, Felix. “Recipe for Disaster: The Formula That Killed Wall Street.” *Wired*, Conde Nast, 17 Oct. 2018, www.wired.com/2009/02/wp-quant/.
- Taibbi, Matt. “The Great American Bubble Machine.” *Rolling Stone*, Rolling Stone, 7 Feb. 2020,

CASE 6: CITY EVALUATION

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

16 September 2020

INTRODUCTION

We were assigned to explore two potential places to take an internship, and to dig deeper into the lifestyle and culture in those cities. I have previously accepted an internship in New York City for this following spring. I plan to look at New York under a microscope. Considering I will be living into New York in the near future, it will be beneficial to learn more about the city and the people there. I will look at the statistical facts about NYC and demographics. However, I also plan to look at the more unique details about culture and it being a melting pot. This experience will help me integrate myself into New York and the community I will be joining. I plan to use knowledge I have accumulated through the recruiting process and online sources to support my study.

This study was just as effective for me although I know where I plan to live. When I decided where to pursue an accounting internship, I knew the stereotypical lifestyle and living details, but I did not know what to expect for people my age or in my budget. I now see the importance of budgeting my money accordingly and precisely. My decision to live in New York for the next few years may not have been the most logical choice on paper, but the opportunities socially, professionally and otherwise cannot be outweighed. There is a reason the prices are so high in New York; the millions of people that live there find it that valuable and easily worth the costs. Decisions are about weighing options and compromising, so even if I am giving up my car, washing machine, and some personal space, there is much to be gained in other areas. As selfish as it is, this pandemic has made my costly decision more affordable and probably much different. New York will most likely not look the same after this crisis, but it is still a place I am eager to move to.

NEW YORK CITY

My first objective into investigation of New York City is demographic and statistical details, including population, climate, and geography. The population is a crazy 18,804,000 people in the metro, approximately. The weather includes long winters and a short warm summer. The winter includes snow starting early as September and as late as March. There is consistent rainfall year-round. This weather is polar opposite of what I have grown up in, so it will definitely require a large adjustment. Another factor to consider is that this extreme weather change will most likely require me to invest in a new weather-functioning wardrobe. The geography of New York is unique in its divisions. NYC is composed of five boroughs, two of which are islands. The land is relatively flat, with the highest point being 409 feet. NYC is on the east coast, so it touches the Atlantic Ocean and also has harbors and rivers that divide the boroughs.

What are the individual tax rates within the city (e.g., consider federal, state and local income tax, property tax, and any other taxes you'd be likely to pay? Quantify what this means based on a starting salary of approximately \$55,000/year)? New York City has a sales tax rate of four and a half percent and a use tax of four percent. For a salary of 55,000 a year, the NY income tax rate would be 6.21 percent for a single person. My starting salary is going to be \$65,000 so I will be in that same bracket. If 65,000 was my taxable income, I would be paying approximately \$3,750 in state tax. My federal tax rate would be 22 percent for a single taxpayer. If I took the single standard deduction and my \$65,000 salary, I would pay approximately \$7,362 in federal tax. My estimated total tax for the year would be \$11,112, which is about \$926 per month.

What are the transportation hubs in the city? New York has a well refined transportation system, but it looks very different than how people commute in Mississippi. The MTA New York City Transit is the city's subway and bus system. A metro card can be purchased for fixed periods of time, which is very cost efficient. The subway is the quickest way to travel around the city, with a price of \$2.75 for a single trip. Also, the city-wide bus system is available all hours of the day. Taxi and car services are also very common. These cars run twenty-four hours a day as well, and the cost starts at \$2.50 and increases \$0.50 per mile or minute, with a tip at the end. Most people do not own their own car because the traffic is infamous and parking spots are sparse and expensive (Staff, NYCgo.com).

What are the city's most prevalent industries? What are the city's five largest companies? New York is a hotspot for so much business and industry. The city is the "single largest regional urban economy in the country" and the state has third largest economy in the country. One of the largest industries is banking and finance, with NYC being the home to Wall Street and the New York Stock Exchange. The technology sector is also a growing industry that produces a large portion of GDP for the city. New York City is a large shipping port, which logically makes it a home to manufacturing. Early railroads were started in New York, so manufacturing has been a large industry in New York for years (Ross). The five largest companies in New York, respectively, are IBM, Deloitte, PepsiCo, JPMorgan Chase, and PricewaterhouseCoopers ("These Are").

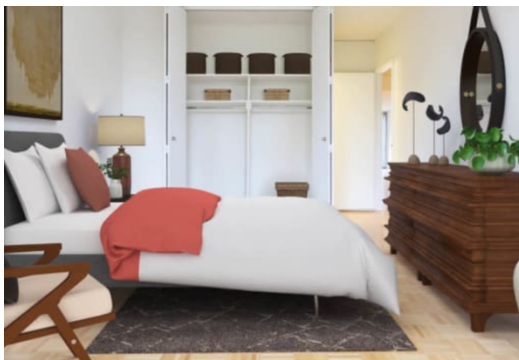
Describe the quality of the city's healthcare. Describe the quality of the city's school districts (K-12). Would you children attend public or private school? New York's healthcare system is one of the lowest ranking in the country. A large handful of hospitals

in the state received one-star ratings. There are many hospitals and adequate access to healthcare in the state, but many of these facilities need to take steps to improve the quality of care. As of January, New York was in a large budget crisis, so I can predict that the Covid-19 pandemic has only escalated these problems (Robinson). New York City hospitals and intensive care units were overflowing with patients in the spring. The state's previously weak healthcare system is going to need time and money to recuperate. As for schooling, there are private, public, and charter school that are spoken highly of. Public schools allow a sense of community and diversity, but the facilities are typically average. The competition of being accepted to the private schools and the cost of tuition are an evident drawback of public schools. However, a large group of parents preach that the facilities, teaching, and opportunity justify the cost. There are many good schools in New York and no obvious right choice, so choosing a school for a child should be based on fit (Anonymous).

What types of crime are common within the city and where are the locations within the city to avoid? As with most large cities, crime is very prevalent in the city. Although Harlem and Washington Heights have a reputation for being dangerous, the crime rates in those areas are not the highest. Brooklyn Heights is perceived as a safer neighborhood, but it is high on property crime. Manhattan also is one of the least safe neighborhoods in the city because of property crime and grand larceny (Goldschein). Not only is there crime, but there are other safety threats. Terrorist attacks are a fear that become a reality when becoming a New York resident. The city is a center for so many Americans and so much industry, that it can be a target to national enemies. Also, the recent Black Lives Matter movement has brought riots in the streets of New York City.

Crime and other threats are something to be cautious of in NYC, but there are usually many people and local law enforcement around at all hours.

Based on where you see yourself living for the first three years, how much rent do you expect to pay? Back up this assertion with sample properties from each location (including pictures). Describe the square footage, amenities, need for a roommate, availability of parking, etc. Rent and realty in NYC is one of the highest in the country. I can expect to be living with roommates for the foreseeable future and possibly in a studio apartment. Brooklyn Heights is a promising neighborhood for college grads. This area has a median rent of \$2,250 per renter for a two-bedroom apartment. This area is on the rise, with many restaurants following the people that move here. The Brooklyn area also has comparable rent and is an epicenter for young people with many trendy restaurants. The Upper East Side is a more expensive option, averaging around \$3,000 a month. Therefore, I can expect to pay around \$90,000 solely on rent in my first three years.



Upper East Side Apartment.

The apartment I attached above is a single bedroom in the Upper East Side, and rent is \$2,786 for 620 square feet. This apartment has stainless steel appliances, including a dishwasher. The building has on-site laundry, a workout room, and is pet friendly. The housing market in New York is considerably different because of the Covid-19

pandemic. Vacancies are at a high, which is causing many apartments that were more expensive to be in a college graduate budget.

What is the typical mode of commuting? Based on your answers identified in the prior question, what are your likely commute times? Per the previous question, I will most likely be traveling to work via subway. The subway runs very frequently and travels quickly, so the most of my commute time will involve walking to and from the subway station. The KPMG New York office is one Lexington Ave, so if I am traveling there, the



subway station will be within blocks of the office. Commute times will depend greatly on where I live, but if I lived in the upper east side, I would expect a short commute of 20 minutes.

Where will you do your grocery shopping? Grocery prices are slightly inflated, but not significantly different. The grocery store layout is different because it has narrower aisles and half sized carts. Although NYC stores are not as stocked as other cities, there are many grocery shopping options. Popular chain stores include Whole Foods, Trader Joe's, Fairway, Food Emporium, and more. The groceries you buy have to be carried home, so the average New Yorker buys six or seven bags of groceries and has to return the grocery store weekly. When an occasional large grocery trip is required, the

options include a grocery delivery service or renting a car to load more bags into and drive them home (Cafourek).

How will you do your laundry? Personal laundry machines are not a normal amenity in New York. If you live in an apartment building, it is likely there will be a communal laundry room or station. If there is no laundry provided, a local would have to travel to the nearest laundromat. There are also drop off services, but those consider weighing the cost of the service compared to the money saved. When shopping for apartments, the accessibility and laundry options should be a larger consideration and will affect the cost of an apartment (DiValentino).

Name at least three civic, religious, or charitable organizations you would like to be active in for each city? There are organizations of kind and size in a diverse city like New York. One program I would love to be involved with is the Big Brother Big Sister program. This is a national organization, but it is something my family is spoken highly of and look forward to exploring in the future. It allows you to get paired with a child and be an older influence and mentor. Another organization is a local Junior League. The New York Junior League is a great way to meet other women in the city and volunteer locally. An organization I found that sounds interesting as well is the KEEN group. This group allows people to coach teams and make exercise fun for kids. These organizations will allow me to invest in my new city and build a community (Hoeffner).

What are the sports, entertainment, or recreational activities that you would be most likely to engage in within the city? Name at least five activities. There are countless ways to entertain yourself in a city as playful as NYC. Growing up in the South, I would be drawn to the professional football scene. However, baseball is popular attraction in



New York that I would like to enjoy as well. Broadway is also a classic source of New York entertainment. Although the price of these shows may not make them a weekly event, it is an activity I plan to enjoy while in the city. There are many museums and sights to see in New York. There are numerous art museums, like the Metropolitan Museum of Modern Art, and there are also historical museums, like the 9/11 Memorial Museum. New York is the home of many retail businesses, so I to support these businesses and engage in the large amount of shopping options available.

Broadway Theatre.

What are the modes of traveling back to your hometown from this city? What is the average cost you'd incur for each trip back home? How long will it take to reach your home? The only way for me to return to Alabama will be by plane, specifically because I would not have a car in New York. From the Birmingham airport, you can get to one of the New York airports with one connecting flight and in around six hours. The flight prices fluctuate frequently, but one can expect to get a single ticket for around \$300.

Although it is not particularly cost effective, flying is more time effective than the 1,000-mile drive.

Based on your findings, develop a model monthly operating budget for each city for Year 2, assuming that with bonuses for being a high performer, your annual salary is \$60,000. With that annual salary, the monthly pay pre-tax would be \$5,000. As calculated above, I expect to pay around \$926 per month in tax, and with other paycheck withholdings, I will calculate what I can spend using \$3,800 of the month pre-tax pay.

RENT	\$2,786
UTILITIES	\$150
GROCERIES	\$250 (approx. \$60/week)
TRAVEL (metro card + taxis)	\$100 (\$30 metro card + taxi)
INSURANCE	\$300
FUN	\$100
MISC. EXPENSES	\$114

I allocated these expenses based on my research in this case and past experience of having a lease. I used the tax I calculated earlier and the rent from the Upper East Side apartment I found. I could easily estimate my grocery and travel expense based on what I have learned, but I used an educated guess for utilities and insurance costs. There was not money left to spend on travel expenses home or much of the extracurricular activities. Any savings or extra sources of outside income will be crucial in the budgeting process.

Finally, based on your full analysis, determine which one is your preferred city and why? Although I already have signed a contract for an internship in New York, this thorough study of New York has affirmed my decision. Life in New York is not cost

effective in most respects, but lifestyle changes and smart budgeting will make living in NYC on a first-year salary manageable and enjoyable. The laundry, rent, and transportation are the largest challenges. However, there is so much activity and culture in the city to indulge in.

WORKS CITED

- Anonymous. "Public or Private School in NYC? It's Not Just About Money: Mommy Poppins - Things to Do with Kids." *MommyPoppins*, MommyPoppins, 18 May 2018, mommypoppins.com/new-york-city-kids/schools/public-or-school-in-nyc-its-not-just-about-money.
- Broadway Theatre. <https://eastvillageapts.bysudha.com/wp-content/uploads/2010/07/Broadway-Theatre-NYC.jpg>
- Cafourek, Andrew, and About Andrew Cafourek. Andrew lives in Brooklyn. "Grocery Shopping in New York City." *Become A New Yorker*, 9 Dec. 2019, becomeanewyorker.com/grocery-shopping-in-new-york-city/.
- DiValentino, Ariana. "Everything You Need to Know About Doing Your Laundry in NYC: Doorsteps Rent." *Doorsteps*, Realtor.com, 17 Oct. 2018, www.doorsteps.com/articles/everything-you-need-to-know-about-doing-your-laundry-in-nyc.
- Goldschein, Eric. "The Most Dangerous Neighborhoods In New York." *Business Insider Australia*, Business Insider Australia, 8 Sept. 2011, www.businessinsider.com.au/most-dangerous-neighborhoods-in-new-york-2011-9.
- Hoeffner, Melissa Kravitz. "Be a Good Person and Volunteer All Over NYC This Holiday Season." *Thrillist*, www.thrillist.com/lifestyle/new-york/volunteer-opportunities-in-nyc-for-groups-individuals.
- Robinson, David. "New York Hospital Rankings: Why Empire State Has Worst Quality, Safety Ratings in U.S." *The Journal News*, New York State Team, 6 Jan. 2020,

www.lohud.com/story/news/health/2020/01/06/why-new-york-hospital-rankings-worst-u-s-based-feds-report/2798093001/.

Ross, Sean. "New York's Economy: The 6 Industries Driving GDP

Growth." *Investopedia*, Investopedia, 28 Aug. 2020,

www.investopedia.com/articles/investing/011516/new-yorks-economy-6-industries-driving-gdp-growth.asp.

Staff, NYCgo.com. "Getting Around: The Official Guide to New York

City." *NYCgo.com*, NYC & Company, 12 Nov. 2019,

Subway Station. <https://nypost.com/wp-content/uploads/sites/2/2020/07/second-avenue-subway.jpg?quality=80&strip=all>

"These Are The 100 Largest Companies In New York." *Zippia*, 29 Jan. 2020,

www.zippia.com/advice/largest-companies-in-new-york.

Upper East Side Apartment. <https://www.apartmentlist.com/ny/new-york/303-east-83rd>

CASE 7: FINANCIAL STATEMENT CONCEPTS

BY:

Celia Sullivan, Grace Anne Jones, Megan Jansen, and Megan Keel

Dr. Dickinson

Honors Accy 420

30 September 2020

INTRODUCTION

In this case, we were assigned to groups of four to explore new ways for the FASB to analyze and update GAAP. Our study focused on the valuation of assets and liabilities in accordance with the goals of financial reporting. The FASB provided some guidelines and viewpoints to base our discussions on. We used these contradicting viewpoints to spark a discussion about the goals of financial reporting and the valuation of assets.

We used our sparse accounting knowledge to analyze every detail of these viewpoints and find advantages and disadvantages of each idea. After challenging each side of the viewpoint, we collectively chose the method by which we think accounting and the FASB should follow. Our final task was to predict and analyze how the method of valuing would change the journal entries when accounting for assets.

Through this analytical and problem-solving process, we grasped the importance of GAAP and experienced the difficult role of the FASB in choosing accounting methods due to the complexity of financial accounting. Because these viewpoints did not have evident correct and incorrect statements, much discussion and debate arose around these concepts. We realized the necessity of carefully considering every different angle and perspective from each viewpoint. We learned that each viewpoint had positives and negatives and that it was not necessarily about choosing the right answer but rather the best answer. We challenged each other's opinions and learned to consider each other's point of view until we ultimately came to a united conclusion. Once we came to a conclusion, we realized that these slight changes to accounting methods can have compounding effects and even change journal entries. Overall, we learned that although

accounting is a rule-based profession, its rules and the industry as a whole is very dynamic.

FASB CONSIDERATIONS AND VIEWPOINTS

Question 1: Read and consider the following two viewpoints. Discuss which viewpoint should be the FASB's focus when promulgating new standards. Take excellent notes of your group's discussion and write a fully developed brief highlighting the pros and cons of each viewpoint culminating with a final decision based on the consensus of your group. Explain why that viewpoint won the debate.

Viewpoint 1:

The proper valuation of assets and liabilities is the primary goal of financial reporting, with income concepts occurring as the result of changes in the asset and liability values. Under this view, firms are essentially "asset greenhouses", where the primary mission 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.

Viewpoint one places a large emphasis on the physical assets and their valuation. An advantage of this viewpoint is that there is less transfer and disposal of assets. With disposal of assets, particularly long-term assets, there is risk of unrealized losses. Another benefit is that holding and growing of assets increases the value of said assets. Specifically, we thought about investment firms. These firms hold monetary assets with large values that are hard to exchange and/or dispose of, so they might think comparatively to this viewpoint when creating financial statements. On the other hand, this viewpoint contradicted what we know about prepaid assets and inventories. Growing inventories cause more expenses and reduce liquidity in a company and carrying too much of a prepaid asset causes the same risks. A disadvantage of this "asset greenhouse" is the reliance on valuation. If this viewpoint were true, it would be stating that the

purpose of reporting relies on estimates of asset accounts. Although these estimates are important for the decision makers, they are not the primary purpose of reporting.

Viewpoint 2:

The determination of revenues, expenses, and especially earnings is the primary goal of financial reporting, with asset and liability values being updated by changes in the income statement accounts. Under this view, firms are essentially “asset furnaces”, where acquired or internally created assets are continually sacrificed or transformed for the larger goal of producing revenue and earnings.

Viewpoint two places emphasis on the usage of assets to generate revenue. Revenues are not an estimated account, but instead come from actual sales. Generating revenue and having profits is a priority in most every business and is important to most every investor, so we think the reporting should prioritize this account as well. Retail businesses rely on inventory turnover to produce revenues, and although the inventory is a crucial part of the process, the sales process and producing revenues is the mission of the business. A flaw to this viewpoint is that the transfer of assets is expensive and risky. Long-term assets can have many unrecorded risks that are not accounted for or considered in the revenue or expense accounts.

We think that viewpoint two aligns more with the goal of financial reporting. Viewpoint one relies on estimates of assets and owned assets as a source of money. We think that the value in the assets is their ability to generate revenue, rather than the valuation of the asset itself. Viewpoint two is the superior way of accounting because it is less estimations and focuses on the accounts that create profit and value for the company.

Question 2: Read and consider the following two viewpoints. Discuss which viewpoint should be the FASB's focus when promulgating new standards. Take excellent notes of your group's discussion and write a fully developed brief highlighting the pros and cons of each viewpoint culminating with a final decision based on the consensus of your group. Explain why that viewpoint won the debate.

Viewpoint 1:

Assets should be measured as "value-in-exchange". Assets realize their contribution to firm value on a standalone basis in exchange for cash or other economically valuable assets. Use of such assets in combination with other firm assets generates little or no incremental firm-specific value.

Viewpoint one states that assets should be measured on a standalone basis. This allows a traceable and accurate value to be assigned to each asset. These assigned values make it easier to determine a sale price if the asset needed to be exchanged with an outside firm. This exchange-based valuation made us think about using fair market value to allocate values to assets. Viewpoint one, however, states the use of these assets with other assets within the firm, does not create incremental firm-specific value. We believe that assets can be worth more to a company than their stated value. For example, patents and copyrights have little to no value without the asset they are protecting.

Viewpoint 2:

Assets should be measured as "value-in-use". Assets realize their contribution to firm value by being consumed or used in combination with other assets. Use of such assets in combination is expected to generate firm-specific value incremental to the sum of the assets' individual values-in-exchange.

In contrast to viewpoint one, viewpoint two states that assets should be realized at an estimated overall value produced when combined with other assets of the firm. This favors intangible assets such as patents and copyrights that are worth almost nothing on their own. While this viewpoint will most likely state assets at a higher value, it is a less accurate and traceable amount. A downside of viewpoint two is that it is difficult to know how to account for values on the balance sheet. For example, if two or more separate items lead to a higher value when used in combination than they are worth individually, it is hard to determine where the excess value should be accounted for.

After considering both viewpoints, we decided that viewpoint one is more favorable. While viewpoint two is preferable for specific items, we believe viewpoint one is a better option for accounting as a whole. It allows for more accurate values to be placed on assets instead of estimations.

Question 3: Based on your answer in Question 2, how will current accounting have to change to accommodate this value definition? Provide examples of specific transactions and how their journal entries (either accounts or amounts) would change under this new definition.

If assets were measured as “value-in-exchange” and realized their contribution to firm value on a standalone basis, most of the rules and regulations of current accounting would not be affected. However, a few items would need to be changed. Assets that have little to no market value on their own, including copyrights and patents, would have to be accounted for differently. Journal entries pertaining to depreciation, amortization, and depletion would also be altered since they are meaningless without their respective assets.

Journal Entry Examples:

Current: Copyright	1,000	
Cash		1,000

Change: The copyright account would not be debited. Instead, the asset the copyright was for would be debited. The amount of the debit would be unchanged. This is because the copyright on its own means nothing; it must be paired with another asset.

Current: Patent	1,000	
Cash		1,000

Change: The new patent entry would be treated the same as the copyright entry referenced above. The patent account would not be debited; instead, the asset that the patent protects would be debited. The cost of the patent would essentially be capitalized to the protected asset.

Current: Amortization Expense	1,000	
Patent		1,000

Change: As stated above, if using the value-in-exchange method, a patent account would not exist. Therefore, the patent account would not be credited; instead, the account that the patent protects would be credited decreasing the balance of the asset over time.

Current: Depreciation Expense	1,000	
Accumulated Depreciation		1,000

Current: Depletion Expense	1,000	
Accumulated Depletion		1,000

Change: Since the accumulated depreciation account cannot stand on its own and is a contra-asset, this account would not be credited. Instead, the asset that is depreciating would be credited for the respective amount. This expense would still be debited into the depreciation expense account. We believe adjusting the actual balance of the asset, rather than using a contra-asset account, aligns with the value-in-exchange method of accounting for assets.

In conclusion, after analyzing the value-in-exchange method, we believe that many entries would involve the original asset account where they previously did not. This would delete the use of many accounts that have no value without their related asset. Although we picked the value-in-exchange method described in viewpoint one, over the value-in-use method in viewpoint two, we believe the current and best practices are a combination of both methods.

CASE 8: PRESIDENTIAL DEBATE

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

29 September 2020

INTRODUCTION

This week the first presidential debate was held and aired. We were assigned to watch this case and prepare our thoughts to relevant questions. Before watching the debate, part of our case was to analyze the dynamic of unity in the United States. I then watched the debate, composed of six social, political, and economic questions and listened to each candidate respond. From the candidates' answers and demeanors, I then created a prediction about what the next four years would look like under each reign. Furthermore, the assignment extended to predicting the attitude and way this country will function after the election concludes. There are many issues that two candidates cannot agree on, which reflects in the division of opinion between millions of Americans.

It was a unique experience to be able to analyze a presidential debate in a time where the election is so unknown. In the context of this case, I viewed this debate from a different perspective than others around me. These social and financial issues are relevant in my next four years; they do not simply affect my parents or family as a whole. Discussions that previously I viewed in a political context I now view in a practical, applicable way.

Overall, I was not encouraged or satisfied with the progression of the debate, but I did take away some key plans and hopes for each administration. The most applicable topic relating to my entrance into the work force was the discussion about the recovery of the economy. Vice President Biden has a large spending plan to create jobs and support those in distress. President Trump stated his plan to continue a free market approach to the economy and continue to open this country from the lockdown. These are two very different approaches, for the which the effects and consequences will be varied.

PRE-DEBATE DISCUSSION

I think that our country sufficiently warrants the name United States. The unity present is not a complete agreement or friendship among all, but it rather is in the form of common freedoms and mutual respect. Unlike other nations, our country does not have one type of person. Its people are different races with different backgrounds, and the areas our people live in vary greatly across the country. However, these spectra of people are allowed and thrive in a larger community under the same rules. There are so many differing political and social views, but this contradicting culture somehow unites us. The fact that there are so many different experiences to be had and ways to live unites us, as we all agree this is the best place and way to live our life.

Although views differ on healthcare or social issues, Americans love the choices they do get to make. The division of government and the power of the people allowing flexibility of lifestyle is a common ground for Americans. The right to choose the way we speak, worship, and express ourselves creates an environment of respect for those who are different. This coexistence supports a learning and changing environment; we are always seeing new parts of the broad group of Americans. Besides the land we all live on, the United States citizens are united on the founding principles and common respect for their neighbors to make decisions.

PRESIDENTIAL DEBATE ANALYSIS

As I watched the potential leaders of this country debate, I was challenged to think about the work and political environment I could be starting my career in. There was much discussion in the debate that was not insightful for our country's future, but there were key points affirmed at times.

The second question asked by the moderator was regarding the current pandemic. He asked the two men about recovering from the pandemic, examining actions taken in the past and looking toward the recovery in the future. Between the childish remarks made at one another, the emphasis from Joe Biden was on the individual people and families, and the emphasis from Donald Trump was on the population as a whole and the economy. President Trump talked about the unfairness of keeping states shut down; he references alcoholism and divorce rate and claimed that people want to go back to work. President Trump wants this country to be open physically, differently than before, yet open. This preference toward an open economy is a positive model for the job market when my class graduates. Even if jobs are a hybrid model or look different, giving structure to people and companies is a crucial part of a recovering economy. Vice President Biden tried to appeal to the voters through emotional appeal to protect their families, which is very important but does not help me visualize the job market in the coming years.

The third segment was targeted specifically toward the economy. These 15 minutes were more applicable to the future work environment. Vice President Biden talked about the importance of creating new jobs and increasing government spending. Biden highlighted the theory that Trump did not pay much money in income taxes. He

used this point to highlight the importance of supporting small businesses during this sensitive time. Under a Biden administration, I imagine that taxes will be high to support his large plan of government spending. His negative attitude towards big industry and their millions insinuates that Biden plans to charge high taxes for large businesses to help the smaller business and to pay to create more jobs. Although maybe beneficial for society as a whole, the company I am working for is a large public firm. Under a Biden administration, I would imagine higher taxes and more regulation for my firm. Employment as a whole will increase under Biden's spending plan, but with more jobs it could be predicted that wages will be on a downward. Donald Trump discussed his continued free-market approach to the economy. He highlighted states in which business is the best it has ever been. As a big business owner himself, Trump supports the growth of big business and the ability for corporations and businesses to grow the economy without great government intervention. Under a continued Trump administration, I see less regulation, except in regard to COVID-19 stipulations, which would allow businesses to make decisions regarding wages, hiring and firing, outsourcing, and other opportunities. A point to consider is that if I enter into the work force under a continued Trump administration, there will likely be limited change. However, if I begin my career under a Biden administration, I can predict that changes will be made in governing businesses and within business policy.

When each candidate got two uninterrupted minutes to vouch for themselves as candidate and focus on any platform, this shed light on what the most important projects will be in their administration. President Trump began by discussing the load of work he accomplished in the first three years. Again, he emphasized the booming economy before

the pandemic and the steady recovery he is seeing. As a businessman before a politician, a top priority of his is the economy. As a college student entering into the work force, I want to see a president that will work to regain an environment where hardworking and skilled people have the opportunity and means to work normal jobs. In his time slot, Vice President Biden talked about the division and violence he sees in the country. He sees those who have gotten sicker and poorer through President Trump's administration and plans to make this country a stronger place from each individual and build up from there. His ideology sounds appealing to those many young people who lost entry level job because he plans to start at the bottom.

Many social issues were discussed in the debate, including the Black Lives Matter movement, violence, and climate change. These social values under each administration may not seem to effect large businesses, but I know they will affect the work environment either directly or indirectly. Joe Biden was very passionate about climate change and protecting the environment. He has a plan in place to weatherize buildings and in the process create more jobs. On the other hand, Donald Trump claimed that tearing down and building new buildings will cost millions. He also addressed that he withdrew the United States from multiple climate change treaties because they were driving energy prices high. The prioritization of climate change initiatives could cause major changes to daily operations and in the manufacturing industry, specifically when I will live in New York. Racism and other social issues addressed will also affect the work environment I enter into. Both candidates claim to be supportive of equity and equality, but if one candidate prioritizes this issue, it could make for a more comfortable work environment for all employees.

POST-ELECTION DISCUSSION

The lack of composure and professionalism from the two candidates in a debate gives me doubt that there will be peace after a new president is announced. Both candidates did not appear to have respect for one another, with President Trump's constant interruptions and Vice President Biden's childish name-calling. The President is a man in power and a role model, so the way the losing candidate acts after the election is how his voters will follow. These men will have to be professional enough to respect the electoral college decision, and with that, people will respect it as well.

There has been uneasiness and tension after elections in the past, but this country always continues to flourish under rotating rule. As precedent has set, citizens who did not vote for the winning candidate have to respect the decision of their peers. This country has a system in place to elect the most fit and favored candidate, and this process has been relied on for years. The economic and social environment is less stable in years past, so that does have to be considered in this election and is why this election is the most important in history. As seen in weak times past, people in sensitive situations want someone who will support them and take charge. After the election, I can imagine among feelings of anger and frustration in the losing party, there will be peace that a decision is made, and expectations set for the next four years. Sometimes uncertainty can be the worst part of this process. Another unique circumstance to consider is the amount of mail in ballots that will be used. The counting and collection if these ballots take longer than in-person polling and provide less certainty. With these hinderances, it could take days or weeks after the election to have a result. In a time of unknown like that circumstance,

President Trump must contain the frenzy and people must continue to respect his power until and if he is voted out of office.

In the first part of this case, I found it hard to describe the culture of unity among so many divisions. Even in times of riots and violence, there is still a sense of pride and patriotism. The comfort after this stressful election process will be the opportunity given to make a choice. The hope comes from the possibility of a new candidate with new policies and changes of things people did not favor in the past few years. In the constant circulation of new leaders, one may not like every administration or way of governing, but it always brings hope for positive change. The other comforting thought is the choice. Whether my preference was chosen, I can sleep knowing that I was heard and valued in a way. There is a mutual respect for the citizens of this country, so I can respect the decision of my peers, even if it is not my own.

The culture and unity of the United States is so strong that people do not leave or move every time an opposing-party administration comes into power. There are many balances put in place so that even if a person's choice for presidential candidate is not in place, there are ways to support your view otherwise. The opportunities to vote, lobby, and support one's beliefs will continue after this election. People who do not like the new President-elect will continue to have these rights to speak their opinion and make their political voice heard.

CASE 9: CFI EXCEL CERTIFICATION

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

14 October 2020



801-750 West Pender Street, Vancouver BC V6C 2T8

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

Celia Sullivan

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

Excel Crash Course - Spreadsheet Formulas for Finance

National Registry of CPE Sponsors Number: 139079

Instructional Delivery Method: QAS Self Study

Finance: 3.0 credits.



Certificate number
95927338

In accordance with the standards of the National Registry of CPE Sponsors,
CPE credits have been granted based on a 50-minute hour.

Chair of the Board

Director

Director

Oct 21, 2020

CASE 10: TAX CUTS

BY:

Celia Sullivan

Dr. Dickinson

Honors Accy 420

28 October 2020

INTRODUCTION

This case involved a closer look at the tax law and tax evasion. Through electronic sources and a documentary, I was informed about the change in tax law under the Trump administration and the effects of a tax cut on the economy holistically. Specifically, the Tax Cuts and Jobs Act of 2018 was used as an example of the economic and social effects of tax cuts. The documentary looked more into comparative tax laws in other countries and the tax avoidance strategies that corporations use to hide their profits from taxation. The connection between the tax evasion strategies and the American Corporate tax rate is a direct relationship. As the corporate tax in the United States increases, the likelihood of multinationals running profits through offshore entities increases. The goal of this case is to find the appropriate balance between incentivizing corporations to pay their taxes in this country while also keeping the tax rate high enough to support governmental spending on roads, education, and other public projects.

The second part of the assignment was to assess my interest in tax after learning more about the subject. Although my career interest does not involve tax accounting, I did find the controversies and loopholes in the code interesting. Tax law is so intricate and detailed, so I enjoyed learning how professionals in different fields dissect and interpret this code. I learned about the problematic ways companies like Starbucks and Amazon find tax havens to shelter their profits. The company executives recognize the fact that taxes are supposed to be paid in the country in where they are earned, but they continue to work alongside the big four accounting firms to find these havens and “free zones”. Although this dilemma was helped by the tax cut in 2018, it has not been eliminated.

WHAT SHOULD THE CORPORATE TAX RATE BE?

The corporate tax rate and laws are always a topic of debate among presidential candidates, so this discussion of the ideal corporate tax rate feels especially relevant in this time. The corporate tax rate was cut by a large percentage in 2018 under the Trump administration. Previously, the tax rate was at 35 percent but was reduced to 21 percent (“U.S.”). After the Tax Cuts and Jobs Act, the economy saw many positive effects and much growth. Unemployment rates were at record lows, and manufacturing jobs were created in large numbers (“U.S.”). The resulting economic job growth came indirectly from these tax cuts because when tax rates go down, the cost of capital decreases and makes more projects worth investing in. This increase in investment causes an increase in stock worth and worker productivity, which drives corporate expansion (Hodge). However, the issue with decreasing corporate tax rates is the concentration of wealth in large businesses. Lower corporate tax rates allow these billionaires to harbor much of the wealth of the nation. In considering the most appropriate corporate tax rate, it is important to look at the comparable rates in other countries.

Tax evasion is another concern when applying a corporate tax rate. Multinational companies, like Walmart and Apple, run profits through subsidiaries in other countries and end up paying extremely low effective tax rates. Although the goal of taxation is to pay the return of profits to the nation in which profits are made, these large companies find loopholes with the help of large accounting firms, lawyers, and banks. Trillions in profits are hid in offshore accounts and avoid taxation. One way this money is “protected” from taxes is through mailbox companies in the Netherlands. These corporations first transfer their intellectual property to these mailbox companies, and then

they flow their profits through foreign subsidiaries, some in countries where the corporation does not do business. The royalties are paid on profits in the foreign country in which the subsidiary is held (Taxodus). As a result, the large amount of tax abuse and attempts to achieve tax neutralization should be considered when setting the corporate tax rate.

The relationship between the global offshore industry and the corporate tax rate is a direct relationship. As the United States increases the corporate tax rate, corporations look to foreign subsidiaries and tax havens to lower the rate they will pay on profits. If the government lowers the tax rate, corporations are incentivized to keep profits in the United States and look for less loopholes. Capital is extremely mobile, so a company can legally move its profits to a territory with lower tax rates (Hodge). However, the United States cannot set corporate tax as low as the Netherlands or some of the Caribbean Islands, which have little to no corporate tax. It appears that when the United States raises corporate tax rates too high, like the 28 percent rate proposed by a presidential candidate, more money for the public safety is not gained. A higher tax rate does not guarantee more tax money because multinationals have the means to pay their part on profits elsewhere.

After looking at the vast effects of tax cuts and increases, I believe the best suited tax rate is low, being around 21 percent or slightly lower. In modern day, companies can do business and invest anywhere in seconds, so I find it important to motivate companies to invest and expand in the United States. When companies grow in the United States, the people involved with these companies experience growth and more job opportunities are formed. One of President Trump's campaign points is that the economy was booming before the pandemic, and after examining these sources, I see the support of the TJCA on

the previously thriving economy. In relation to tax avoidance, evasion, and neutralization attempts, I think this issue can be muffled by lower corporate tax rates but will not be expelled this way. Although I have only scratched the surface of the tax evasion crisis that persists, I believe that even at a 19 or 20 percent corporate tax rate would not deter many corporations from reverting to tax havens and free zones. For example, the Kenya government tried to incentivize large companies to invest and operate in their country by giving a 10-year tax break to small economic zones. This did bring multinational companies to Kenya, but every 10 years these companies would move zones or change leadership, which results in no tax paid by the companies (Taxodus). Although this situation is different than that of the United States, this affirms my view that changes in tax law alone cannot fix or persuade companies to pay taxes as the law intends. Companies, particularly multinationals, are strongly profit motivated and will go the route of less loss where it is available.

A large part of this problem appears to be in the accounting industry. The big four accounting firms create and study these holes in the code. This phenomenon may appear to be unethical, but the accountants are not subject to large scrutiny like the large corporations are. Instead, accountants are not expanding their role into regulatory roles, meaning that they are only being watched by themselves (Taxodus). The country and industry need more division of responsibilities to ensure that companies are paying their fair share of taxes to the country that is entitled to them. A tax rate similar to the current rate (21 percent) I think would be most effective more economic growth in the United States and the best deterrent for tax evasion.

PERSONAL INTEREST IN TAX

I found the information from the provided sources and documentary very interesting. This is a topic that is very complex and controversial, so I enjoyed reading and listening to the numerous sources and perspectives. This information also helped me understand each side of the political argument in this environment. I have chosen to not pursue a career in tax, and my decision was not changed after this case. I do have a respect for the rules and complexity of tax law, but I do not have any interest in practicing tax as a career. My view did change on tax, however. As I have studied the rules in a classroom, I found the subject to be less interesting than other accounting topics; instead, the subject is very interesting and complex when it is not your job to learn every rule.

I do have a desire to have a basic understanding of tax law in a corporate and individual sense. Tax law is something that is applicable to everyone. I will pay taxes on my income and KPMG, the company I plan to work for, will pay corporate taxes. Beyond being interested, tax law is very applicable to my future. I found the concept of tax avoidance and invasion very enlightening but also concerning. The way these large firms abuse the tax code through complex means is concerning for the future of American-based corporations. It will take very smart and dedicated professionals to fix the low effective tax rates of multinational companies. I look forward to learning about the innovations and adaptations tax law makes to limit “tax neutralization” attempts of these corporations.

I do find more interest in learning about corporate tax than individual tax. I had no basis for this information because I have not studied corporate tax yet. The complex operations of companies, specifically international corporations are so intricate and filing their taxes and applying all the rules is fascinating. The many exceptions and interpretations that different accountants, lawyers, and corporate executives see makes tax a field that seems unique. Although I did not find a new career aspiration from this case, I did take away useful knowledge.

WORKS CITED

- Arctree. *Taxodus - Playing The Global Tax Avoidance Game*. YouTube, YouTube, 4 May 2013, www.youtube.com/watch?v=tvLLO_pTmeY.
- Hodge, Scott A. "Testimony: Positive Economic Growth Effects of the Tax Cuts and Jobs Act." *Tax Foundation*, 30 July 2020, taxfoundation.org/tcja-economic-growth-effects-testimony/.
- "U.S. Department of the Treasury." *More Jobs and Bigger Paychecks* | *U.S. Department of the Treasury*, 14 Oct. 2020, home.treasury.gov/policy-issues/top-priorities/tax-cuts-and-jobs-act/more-jobs-and-bigger-paychecks.