

A COMPREHENSIVE EVALUATION OF ACCOUNTING: A SERIES OF CASE  
STUDIES

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

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Approved by



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## ABSTRACT

### EMMA ACHESON: A COMPREHENSIVE EVALUATION OF ACCOUNTING: A SERIES OF CASE STUDIES

(Under the Direction of Victoria Dickinson)

The following thesis is a compilation of the evaluation and solutions derived from a variety of case studies provided regarding a variation of accounting topics related to financial accounting. Each case presented in this thesis is accompanied by an analysis describing the valuable knowledge that was extracted from each unique study. Through these case studies, real-world accounting concepts can be observed in accordance with the Generally Accepted Accounting Principles as set by the Financial Accounting Standards Board. In addition to the analyses of these case studies, the completion of this thesis involved participation in two accounting case competitions. These presentations promoted public speaking skills and problem-solving strategies within the professional business setting. The case studies were completed under the direction of Dr. Victoria Dickinson in fulfillment of the requirements for the University of Mississippi, Sally McDonnell Barksdale Honors College, and Patterson School of Accountancy ACCY 420 course in the 2019-2020 academic year.

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Case 1: CITY SELECTION CASE

The purpose of this case is to research and identify the key similarities and differences between two cities that I am interested in working and living in long-term. I am interested in Charlotte, North Carolina and Atlanta, Georgia. From the outside, both cities seem fairly similar in many ways, but after taking a closer look, there are several key differences between the two. To complete this case, I analyzed and explored facts about population, climate and general features of each city. Additionally, I developed a better understanding of the tax rates, average rent costs, and what living on a budget would look like. I was able to set up a theoretical life for myself based on real life rent, insurance, loan payments, and more with a hypothetical salary which allowed me to see the amount of flexibility that I will realistically have, monetarily speaking. This case allowed me to dive deeper into the important aspects of life in each city, the quality of my future there, and what every-day life would look like. Work-life balance is a necessity, and I was able to research recreational activities, volunteer activities, and religious affiliations that I would have the opportunity to become a part of or participate in. Both cities have their advantages and disadvantages, in my opinion, and this case provided me with insight about several different parts of life that I would not have researched previously. I have opened my eyes to important details about each city that, although I might not have to worry about now, including school systems and optimal neighborhoods to live in, I will have to worry about these in the future if I have a family and children, which is eventually my goal. The aspects that I have analyzed as part of this case are important to know before building a long-term life in the city that I will eventually choose to work in.

The population of Charlotte, North Carolina is 859,035 as of the end of 2017 and the population of Atlanta, Georgia is 486,290 as of the end of 2017. Charlotte is almost twice as large as Atlanta in terms of population, which is not a determining factor for me, but it is interesting to know that Charlotte might feel like a much larger city.

The climate and seasonal fluctuations of Charlotte and Atlanta are fairly similar. Both cities have a similar level of rainfall and snowfall. The average high temperature for Atlanta in mid-summer is 88 degrees, while the average high temperature for Charlotte in mid-summer is 90 degrees. The average low temperature in mid-winter in Atlanta is 33 degrees, while the average low temperature in mid-winter in Charlotte is 30 degrees. The U.V. indexes are generally similar as well. I am accustomed to living in this type of climate, because my hometown is Raleigh, North Carolina, which has extremely similar climates and seasons as both Charlotte and Atlanta.

Both cities have similar topographies and geographical features. Both cities have creeks that run through and nearby, offering nature trails, water attractions and more. Charlotte is located near the mountains, so the land slightly more elevated than average, however, Atlanta lies a few hundred feet higher above sea level. Charlotte does not have any major bodies of water in the city, but there are several rivers and lakes located several miles West. Atlanta rests below the Chattahoochee River and has several smaller creeks and bodies of water.

The differences in specific types of taxation between Charlotte and Atlanta can be shown in the following chart, based on a starting salary of approximately \$55,000/year:

Type of Tax:	Federal Tax	State Tax	Local Income Tax	Property Tax	FICA	Sales Tax
Atlanta, GA	11.27%	5.11%	0.00%	0.93%	7.65%	8.9%
Charlotte, NC	11.27%	4.45%	0.00%	0.965%	7.65%	7.25%

In comparison, Atlanta and Charlotte residents are subject to similar taxes.

Atlanta has a slightly larger state tax, about 1 percent higher than Charlotte, and Atlanta’s sales tax is nearly 2 percent higher than that of Charlotte. When comparing the taxation rates to an annual income of approximately \$55,000, it can be estimated that the semi-monthly take home pay would be around \$1,741 in Atlanta, while the semi-monthly take home pay in Charlotte would be approximately \$1,756. The difference between these bi-monthly incomes is a mere fifteen dollars, totaling a difference of approximately \$360 a year. Below are two charts which describe each bi-monthly income and a breakdown of each tax that income is subject to.

Gross Paycheck		\$2,292
● Taxes <small>DETAILS ▾</small>	16.38%	\$375
● FICA and State Insurance Taxes <small>DETAILS ▾</small>	7.65%	\$175
● Pre-Tax Deductions <small>DETAILS ▾</small>	0.00%	\$0
● Post-Tax Deductions	0.00%	\$0
● Take Home Salary	75.97%	\$1,741



Gross Paycheck		\$2,292
● Taxes <small>DETAILS ▾</small>	15.72%	\$360
● FICA and State Insurance Taxes <small>DETAILS ▾</small>	7.65%	\$175
● Pre-Tax Deductions <small>DETAILS ▾</small>	0.00%	\$0
● Post-Tax Deductions	0.00%	\$0
● Take Home Salary	76.63%	\$1,756



Both Charlotte and Atlanta have large airports, however the Atlanta airport is substantially larger. The Charlotte Douglas International Airport has 106 gates and five concourses, spread out over around 5,558 acres of land. The Hartsfield-Jackson Atlanta International Airport has 192 gates and is spread out over 4,700 acres of land and is one of the largest connection hubs in North America. More than 107 million passengers pass through the Atlanta airport every year, while an estimated 12 million passengers fly through Charlotte. Both Charlotte and Atlanta also offer other transportation options including bus and train. Because traffic is much more of a limiting factor in Atlanta, it might be more necessary to investigate alternative methods of transportation.

Atlanta's top five largest companies are Delta Airlines, Emory Healthcare, The Home Depot, Northside Hospital, and Piedmont Healthcare. Charlotte's top five largest companies are Lowe's Companies, Bank of America, U.S. Trust, Compass Group, and Duke Energy. Atlanta's most prevalent industries are healthcare, biomedical, manufacturing, and logistics. Charlotte's most prevalent industries are manufacturing, real estate, transportation and warehousing, and educational services.

Georgia's healthcare was ranked sixth worst in the country, and the state has one of the lowest percentages of insured adults over the age of eighteen. The state also had the fifth highest infant mortality rates. On the other hand, North Carolina's healthcare was ranked second worst in the country, and has an even lower percentage of insured adults over the age of eighteen. Healthcare in Georgia is more affordable than healthcare in North Carolina, but it is not easily accessible in either state. Public schools in Atlanta are ranked at approximately a 6.7/10, according to US News. The approximate student-

teacher ratio is 15:1 and there is a total of 353,768 total students in the public-school district. Public schools in Charlotte are ranked at approximately a 6.6/10, according to US News. The approximate student-teacher ratio is 15:1 and there are 151,842 students in the public-school district. Atlanta has more total students in the public-school district, but there are more schools in total and the student-teacher ratio remains the same as Charlotte. Both Atlanta and Charlotte were ranked lower than similarly sized metro areas, however I would still send my children to public school in both cities.

Atlanta has an alarmingly high crime rate, with 61 per one thousand residents. This is one of the highest crime rates in the country, in comparison to all cities of all sizes. The chances of becoming a victim of a property crime or a violent crime in Atlanta is one in sixteen. Both property crime rates and violent crime rates are exponentially higher than that of other cities in Georgia. There are several neighborhoods in Atlanta that are considered to be the safest places to live, including North Kirkwood neighborhood, Oak Grove neighborhood, S Johnson Ferry Road, and W Wesley Road. The areas to avoid seem to be those closer to the inner city and the areas on the very outskirts of the city. Charlotte has a higher crime rate than other comparable cities in North Carolina, but the rates are about half as high as those in Atlanta. The crime rate in Charlotte is approximately 42.14 per one thousand residents, with a less percentage of those being violent in comparison to Atlanta. The chances of becoming a victim of a violent crime in Charlotte is approximately one in 296. The safer parts of Charlotte seem to be the outskirts of the city, closer to the suburbs, while the places to avoid are closer to downtown, inner city Charlotte. According to Neighborhood Scout, Charlotte is safer than 8% of U.S. cities, while Atlanta is safer than 3% of U.S. cities.

For my first three years of employment, I plan to be living in an apartment. The average cost of a basic one-bedroom apartment that includes a washer and dryer, a kitchen, a bathroom, and a dishwasher in Atlanta ranges from about \$1,000-\$2,500 a month. The average cost of a basic one-bedroom apartment that includes a washer and dryer, a kitchen, a bathroom and a dishwasher in Charlotte ranges from about \$800-\$1,800 a month. If I were to be living in Atlanta, I might want to get a roommate, or possibly live outside of the city. Most apartments in both cities have available parking, but it is outside. The one-bedroom apartment I found in Charlotte is approximately 621 square feet and includes all the necessary amenities as well as a pool and a gym. Rent would be approximately \$1,300. In the same apartment complex, if I were to live with one roommate, rent would be around \$650, and the unit would be 824 square feet. A reasonably priced apartment complex in Atlanta with all the same amenities cost \$1,505 a month for a 718 square foot unit. In the same complex, for a two-bedroom apartment with a roommate, rent would be around \$900 for a 993 square foot unit. Each unit includes a washer and a dryer, so doing laundry would be quite convenient and easy. Both apartments are located in the middle of the city which would make for an easy commute to work. Below are photos of both units in Charlotte (left) and Atlanta (right):



The typical method of commuting in both cities would be by car, however if I lived close enough to my workplace, I would be willing to walk to work to avoid traffic. If I were to choose to live inside of the city, my commute times would be much less, especially for Atlanta, because at typical commute times, traffic makes travel time extremely lengthy. In Atlanta, I would try and find a place to live that was close enough to my office that I might be able to avoid the traffic altogether.

There are several grocery stores in both downtown Atlanta and downtown Charlotte. Depending on where my apartment was located in Charlotte, I could possibly do my shopping at Harris Teeter, and go to Whole Foods Market or Trader Joe's for special produce or other specific items. In Atlanta, I could do my grocery shopping at Sam's Club, if I wanted to buy a membership, Publix, or Kroger. Whole Foods Market and Trader Joe's are also available.

I have a strong desire to be active in my community and make a life for myself outside of work. At home, I attend Hope Community Church, which is a large mega-church with several campuses. There is a Hope campus in Charlotte, so I would definitely become involved. I would also like to be active in Hands On Charlotte, which is a charitable organization that focuses on impacting the economic mobility and generating sources of income to support families in Charlotte. With Hands On Charlotte, a calendar is released prior to each month detailing each volunteer opportunity available, and they search specifically for volunteers with experience in specific fields such as IT, Human Resources or Finance. I would also like to become a part of the Big Brothers Big Sisters Organization of Central Carolinas. Big Brothers Big Sisters is an organization that aims to mentor children of all ages who may not have a strong support system in their home.

Each volunteer is paired to a child and is able to mentor and guide them, while creating a lasting relationship. As a big sister to two younger siblings, I think this would be a great way for me to get involved and make an impact on the community that I live in. In Atlanta, I would like to join a non-denominational church. Passion City Church is in downtown Atlanta and I would be interested in attending. I would like to become involved in Trees Atlanta, which is a non-profit organization that aims to restore Atlanta's environment. Volunteers meet each Sunday and work in a different neighborhood planting trees, gardening, and picking up garbage. Atlanta also has a Habitat for Humanity organization. I have volunteered with Habitat for Humanity in the past, and it was one of the most fulfilling and rewarding experiences. Habitat for Humanity volunteers are placed on a project, which could be restoring an old home, repairing certain parts of a home, painting the outside of a house, or assisting in the construction of a completely new home.

Charlotte and Atlanta offer a great number of recreational activities and events. Exercising is a passion of mine and Lake Norman has miles of trails to hike or run. The Charlotte Metro Credit Union Amphitheater is in downtown Charlotte and hosts several different events including comedy shows, concerts, and conventions. PNC Music Pavilion is also located downtown and is a much larger arena that hosts top artists often. Charlotte also has several urban parks, which make for a fun day downtown. Downtown Charlotte hosts several music festivals each year as well as art festivals and international food festivals. Atlanta has several outdoor recreational activities available, including the Chattahoochee River National Recreation Area and the Atlanta Botanical Garden. The Chattahoochee river offers kayaking, boat rides, and miles of trails to run. The Botanical

Garden contains countless exotic plant collections to view. The Atlanta Magic Theater is located downtown and hosts numerous types of performances including stand-up comedy, music, and magic shows for adults. The Mercedes-Benz Stadium hosts sporting events including Atlanta United FC soccer games and Atlanta Falcons games. Just outside of Charlotte is Stone Mountain Park, containing tall mountains made for hiking that offer beautiful views.

To travel home to Raleigh, from Charlotte, it would take me approximately three hours driving time. It would cost me about \$35 in gas one way on average, but it would be a fairly easy trip that I could do often if necessary. To travel home from Atlanta, it would take me approximately six hours driving time. It would cost me around \$50 dollars in gas one way on average, but I could make it home with only one stop to fill up with gas about halfway. My trip from Charlotte would be around 180 miles while my trip from Atlanta would be around 405 miles.

Assuming my yearly salary is \$60,000 including bonuses, a monthly operating budget for both cities can be shown below (Atlanta on the left, Charlotte on the right):



To support my calculations for monthly income, I took the previous bi-monthly income that I had calculated for an annual income of \$50,000 in both locations, and I added the \$10,000 bonus, taxed over a twelve-month period. Because I would be making slightly more money in Charlotte and rent would be a few hundred dollars cheaper, I was able to budget more money into paying off my student loans that I will have accumulated at the time of graduation. However, in both of these locations, I might end up choosing to pay off less money each month so that I can save more money in case of emergency. Each month, after my living and other expenses, I will only be able to save around three hundred to four hundred dollars, unless I choose to pay off my debt over a longer period of time.

I can envision myself starting a life in either of these cities. Each has something special to offer and I truly think that I could thrive in both locations. All in all, though, the distance from my hometown and family, slightly lesser living costs and taxes, and lower crime rates are drawing me towards Charlotte. Although the costs of living and income after taxes are similar, I would be making more money and paying less rent for the same style apartment in Charlotte. On top of that, I would be half the distance from my family, which is a determining factor for me at this point in my life. I hope and plan to have a family of my own and several children, and the crime rates in Atlanta are slightly alarming, and I feel as though the search for a safe, family-friendly neighborhood that was close enough to my workplace could be a struggle. I am accustomed to living in North Carolina, and I think Charlotte is the perfect place to continue my life post-graduation.

## Case 2: BREXIT CASE

The purpose of this case was to analyze the economic effects of the United Kingdom's membership in the European Union. The European Union is an economic union comprised of twenty-eight European countries which allows and promotes free trade and travel between participating countries. The United Kingdom joined the European Union in the early 1970's expecting exponential economic growth and flourishing yet received quite the opposite. In reality, the EU rules every aspect of daily life and imposes strict policies and tariffs that will never allow for the economic growth that was promised. Over thirty million UK citizens voted in a referendum during the summer of 2016, in which the results showed a majority of people wanted to leave the EU. The term "Brexit" simply means the UK leaving the EU, and the United Kingdom would be the first country in history to do so. A withdrawal agreement was formed and presented to Parliament where it was later rejected. The United Kingdom government is attempting to have a new deal agreed upon and UK voters are requesting a new referendum. The outcome of Brexit will affect all other countries that interact with the UK economically, including the United States. The effect that Brexit could have on the United States economy depends on the outcome of the UK and EU's relationship post-separation. As of now, the outcome of Brexit is uncertain and unpredictable, making it nearly impossible for other countries to prepare. This case allowed me to dive deeper into the economies of the countries in the European Union, especially the United Kingdom, and it provided me with insight about the possible outcomes of Brexit and how they might affect the United States and other countries involved.

UK citizens are referring to the upcoming referendum as the most important vote of their entire lives. The United Kingdom joined the European Union in 1973 and became one of twenty-eight countries that make up the EU. The UK citizens had hope that joining the EU would bring a plethora of opportunities for growth politically and economically, but over the years it has become a roadblock to this desired growth. UK citizens describe the EU as a dictatorship that has obliterated entire industries and caused exponential harm to the country. An overwhelming majority of voters believe that common people should have the power to remove who governs you, and with the EU, this is not possible. The EU is made up of seven institutions, there are multiple presidents, and the names of each different branch are incredibly similar. When asked, common citizens cannot identify who makes the rules, who imposes the rules, who elected the people in power, and how nearly anything works. The EU is devised to make sure that the general population could not control those who governed them, and the UK citizens are powerless and crying for help. There is no sense of accountability and there is nothing the voter can do to change the rules that are being imposed on them. The EU has been described as “heaven” for the political party because it is power without accountability. On top of this, the members that are given power are paid alarmingly high wages and are given the power to tax themselves at a lower rate than everyone else. The loyalty of powerful people has been purchased in the past, creating a chorus of noise in favor of the EU.

To understand why the United Kingdom joined the European Union in the first place, we must look at the history of the UK economy. World War I and World War II resulted in heavily regulated industries which prevented growth. Post-war, the government did not give the industries their power back and continued to strengthen rules

and regulations. This ended competition, thus there was no promotion for productivity or innovation. Goods eventually became unavailable, unaffordable, or heavily rationed. On the other hand, Germany was in shambles after losing World War II. Fairly soon after the end of the war, Germany was successfully rebuilding and flourishing and slowly was transforming into the powerhouse of Europe. At this point, Europe was the future and the United Kingdom joined Germany and the other countries in the European Union in a desperate attempt to expand and grow in a similar way. However, shortly after joining the EU, the common people realized that in reality, the “elite” members decide how the general population live their lives down to every single detail. They feel as though they are thought of as “less than” or “incapable” of making basic decisions and the list of rules imposed on them is so complex that it is seemingly endless. While the rules imposed on businesses restrict their abilities, it is almost impossible to open a new business. This sort of protectionism is impoverishing Europe because with uncompetitive industries, costs rise resulting in a rise in prices, driving down sales. In the long run, downsizing must occur, leaving youth unemployment rates at an alarming new high. Therefore, regulation is the enemy of growth.

Many fears come with the thought of Brexit and leaving the European Union. If the United Kingdom leaves the EU, could they cope? Will anyone trade with them? It seems as though the answers to these questions could be found by looking at the incredible economy of Switzerland. Switzerland refused to join the European Union and it has not been a problem, in fact, they have the highest employment rates and export per head than any country in the EU. The average wages per person are twice as much as those in Britain and Switzerland has managed to have astoundingly low tax rates and high

levels of income equality. In Switzerland, regulation happens by the people. Another fear that UK citizens have is the limitations on trade that could arise from leaving the EU. However, most seem to agree that this is not a valid concern because a trade deal is not required to trade with a country. Britain is the biggest market for the rest of the European Union and most other countries have trade deals worth exponentially more than those of the EU, so being in the EU is quite irrelevant in this sense.

Being part of the European Union has cut the United Kingdom off from the rest of the world and has set drastic limitations on the development of the country's economy as a whole. If the UK left the EU, they could create trade deals and relationships with the rest of the world that they have been cut off from since joining. Right now, growth is stagnant and if the UK remained a member of the EU, the future looks stagnant. The citizens of the United Kingdom no longer want to be governed by people they did not elect nor vote for, who impose laws that were undiscussed by the common population. The European Union has become a battle between the elite and the general population and Brexit is the only way out.

Case 3: COMPANY CASE 1 : CAREMARK RX

This case consisted of a detailed financial analysis of a large company. The company that our group was given is Caremark RX, a widely known subsidiary of CVS. We were prompted to evaluate the makeup of our company through analysis of the 10K as well as other financial statements and related footnotes. We were able to look in depth at the nature of the business, where and how their profit is generated, as well as locations and their purposes. The 10K also provided us with details about Caremark's auditors and their signature of approval on their financial statements that were released to the public. We were also able to dissect each part of the company's balance sheet as well as identify certain accounting principles that they have adopted regarding inventory and revenue recognition. This case allowed us to identify Caremark's customer base, specific sources of revenue from this customer base, Caremark's suppliers and what they supply. The financial reports provided us with a detailed understanding of what costs are incurred and which costs are placed into cost of goods sold, and why. We examined the progress of the company over the past few years regarding revenues, expenses, net income, cash flow. Lastly, we were able to understand which sections of the balance sheet contained judgements or estimates in reporting and how these are used in a real-life setting. This case as a whole allowed us to apply our previous accounting knowledge while evaluating real financial reports from a large company in analyzing what is changing and occurring in the business and how this might affect different sections of the end of year reports that are visible to the public and stockholders.

Caremark RX defines themselves as the pharmacy benefit management portion of CVS's business that processes prescription claims. It is distinct from CVS's pharmacy operations in that CVS is a high-volume operator that deals directly with drug

manufacturers, setting prices, and handling mail orders. Caremark RX can generate profit from prescription drug sales as well as name brand merchandise. The two revenue streams are labeled as “Pharmacy” and “Front store and other” on the related revenue statements. Front store and other refers to products such as over the counter drugs, personal care items, and cosmetics. These are the two main categories in which Caremark provides business for CVS which are shown below:

	Percentage of Revenues		
	2018	2017	2016
Pharmacy <sup>(1)</sup>	76.4%	75.0%	75.0%
Front store and other <sup>(2)</sup>	23.6%	25.0%	25.0%
	100.0%	100.0%	100.0%

Caremark is headquartered in Woonsocket, Rhode Island and they do business in 49 of the 50 states in the United States as well as in Washington D.C, Puerto Rico and Brazil. Caremark’s fiscal year regarding financial reporting ends on December 31st, the end of the calendar year. Caremark RX’s auditors are Ernst & Young LLP, at the Boston, Massachusetts location.

Caremark RX’s asset portion of the balance sheet consists of cash and cash equivalents, short-term investments, accounts receivable, inventories, other current assets, property, plant, and equipment, goodwill, and intangible assets. Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased. Caremark also invests in short term money markets and other debt securities that are also considered cash equivalents. According to the 10-K, “These funds are highly liquid and readily convertible to known amounts of cash.” Caremark has short-term investments, consisting of “certificates of deposit with initial maturities of greater than three months when purchased that mature in less than one year from the

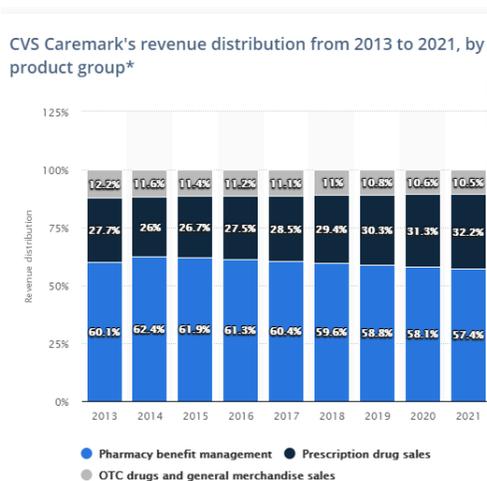
balance sheet date.” An example of a short-term investment would be an entity such as a savings account or government bonds. Accounts receivable are outstanding balances that are owed to the reporting company. This amount is reported as “net”, meaning the balance of estimated receivables that will be uncollectible at the end of the period are deducted from the total amount receivable. Caremark’s main source of receivable balances are amounts due from third party providers, clients, and vendors. Caremark’s inventories are stated at the lower of weighted average cost or market. Inventory counts are taken on a regular basis in each store and pharmacy and are continuously counted throughout the cycle to validate inventory balances on hand at any given time to ensure that physical amounts match reflect those reported in the accompanying consolidated financial statements. Other current assets are generally a group of different things that Caremark values and benefits from that are not under one of the main current asset categories. Property, plant, and equipment (PPE) includes property, buildings, equipment and improvements to leased premises. According to the 10K, “They are depreciated using the straight-line method over the estimated useful lives of the assets, or when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings, building improvements and leasehold improvements and 3 to 10 years for fixtures, equipment and internally developed software.” Goodwill represents an intangible asset that is acquired when a company buys an existing business. Goodwill is not amortized over time, but it is subject to frequent reviews to evaluate its value. Intangible assets include things such as trademarks, leases, and patents. For Caremark, purchased customer contracts and relationships are amortized using the straight-line method over their estimated useful lives between 9 and 20 years.

The liabilities section of Caremark RX's balance sheet consists of accounts payable, accrued expenses, short-term debt, current portion of long-term debt, long-term debt, deferred income taxes, and other long-term liabilities. Accounts payable are generally amounts that are due to parties for services or products that have already been received but have not been paid for. In other words, they are purchased on credit. Caremark's accounts payable are generally comprised of purchases for goods, interest, and insurance. Accrued expenses are expenses that have been incurred, but not yet posted in the general ledger. These appear on the financial statements due to an adjusting entry made at the end of the period to account for expenses that are yet to be posted. Short-term debt is debt that is expected to be paid off within one year or before the end of the accounting period, whichever is longer. Caremark's short-term debt is solely consolidated of commercial paper. Commercial paper is money issued by a corporation, usually to finance accounts payable or inventory accounts for the short-term. Long-term debt is any other form of debt which will be paid off after one year or after the current accounting period. As long-term debt matures, portions become current, because they will be paid off in the current year but were originally considered to be long-term. This section of the balance sheet is dedicated to long-term debt that will be maturing this year or within the current accounting period. As previously mentioned, long-term debt is any debt that will not be paid off within one year or within the current accounting period. Caremark's long-term debt is comprised of multiple notes due. These notes are due at different times in between 2018 and 2045. Under long-term debt, Caremark has a section labeled "deferred income taxes". When income taxes according to tax laws differ from those according to the company's statements due to a difference in income recognition, the difference can be

recorded as a liability under deferred income taxes. Any liabilities due after one year or the current accounting period that do not match the definition of any of the terms above, can be categorized under other long-term liabilities. The equity section of Caremark RX's balance sheet consists of preferred stock, common stock, treasury stock, shares held in trust, capital surplus, retained earnings, accumulated other comprehensive income, and noncontrolling interest. Preferred stocks are shares of stock that provide a fixed dividend. The payment of preferred stock is prioritized over the payment of common stock. Caremark has no preferred stock on their balance sheet and reported a balance of zero. Common stocks are general shares of a company. Owning shares of common stock give the stockowner a portion of ownership and may provide payments, referred to as dividends, after certain periods. Caremark's common stock shares have a \$0.01 par value. Caremark authorized 3,200 million shares, issued 1,705 million shares, and had 1,060 million shares outstanding at December 31. Treasury stocks are shares outstanding that are purchased back from the issuing company. Caremark values their common stock at the cost at repurchase and as of December 31, they had repurchased 697 million shares of treasury stock. The sum of these shares is 37,765 million which is deducted from the Stockholders' Equity section of the balance sheet. Shares held in trust are designated for use under various employee compensation plans. Because the company owns these shares, they are excluded from the computation of shares outstanding. Caremark maintains grantor trusts, which holds approximately one million shares of its common stock as of December 31. Capital surplus is the amount of money that is made on the sale of common or preferred stock that is over par value. When shares are sold for more than the company values them, the excess is added to Stockholders' Equity under the capital

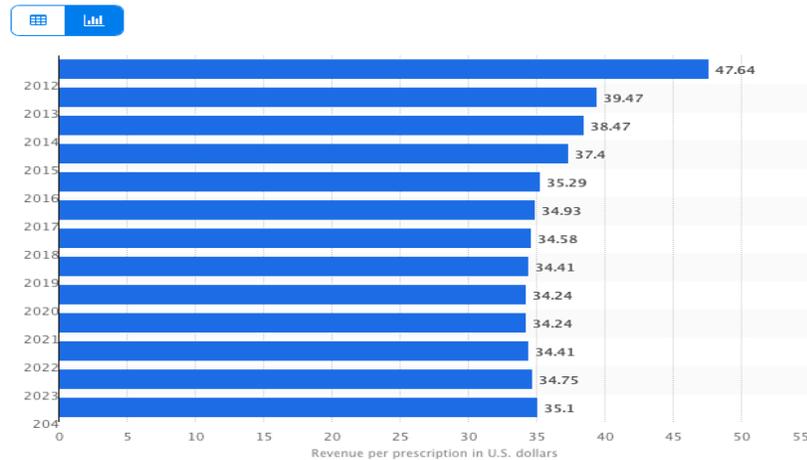
surplus section. It may also be referred to as additional paid in capital. The amount of accumulated net income a company has at a given point in time is referred to as retained earnings. Retained earnings are carried over from period to period. Retained earnings is reported less any dividends declared to pay to shareholders. Accumulated other comprehensive income consists of changes in revenues, expenses, gains or losses that have not yet been realized. Generally, it consists of gains and losses on investments, pension plants, or hedge funds. Caremark's loss due to accumulated other comprehensive income was due to losses associated with retirement benefit plans, hedge funds, and cumulative foreign currency translation adjustments. Noncontrolling interest is the portion of equity ownership in a subsidiary not attributable to the owners of a corporation. Due to the acquisition of Omnicare in 2015, Caremark obtained a 73% ownership interest in an LLC. This ownership was valued at fair value and the company purchased the noncontrolling interest in the LLC for \$39 million.

Caremark describes their clients as primarily employers, insurance companies, unions, government employee groups, health and Medicare plans, managed Medicaid plans, and individuals. Clients have access to their services through both public and private exchanges. The specific sources of revenue include pharmacy benefit management, prescription drug sales, OTC drugs, and general merchandise sales. The breakdown of revenues by specific sources can be shown in the graph below:



According to the footnotes of the financial statements, revenue is recognized when, “persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller’s price to the buyer is fixed or determinable, and collectability is reasonably assured. Revenues from mail service prescription drug sales are recognized upon delivery. Additionally, revenues from third party pharmacy prescription drug sales are recognized at the point-of-sale, which is when the claim is entered in a processing system. Most of the revenue comes from inside of the United States, as almost the entire business is located within the United States, and drug sales outside of the country are subject to extremely high regulations. Revenue from inside of the United States is shown in the following graph:

Revenue per retail prescription at CVS Caremark in the United States from 2012 to 2024 (in U.S. dollars)\*



Caremark's main supplier is CVS. They provide Caremark with their prescription drugs, which is the majority of Caremark RX’s business. Cost of goods sold includes physical costs of the products sold as well as buying and warehousing costs. These costs are added together and deducted from total revenues to evaluate gross profit. Operating

expenses in the Pharmacy Services Segment include selling, general and administrative expenses, depreciation and amortization related to selling, general and administrative activities, administrative payroll, employee benefits and occupancy costs. Operating expenses in the Retail Segment include separate selling, general, and administrative expenses as well as depreciation and amortization expenses. These expenses help generate productivity which in turn generates revenue through sales of products and services offered by Caremark.

Revenues and expenses have fluctuated throughout the past three years. Revenues have increased consistently from 2016 to 2018. Revenue in 2018 was equal to 194,579 million. Revenues increased from 184,786 million in 2017, and 177,546 million in 2016. Expenses have also been steadily increasing from 2016 to 2018. Total expenses in 2018 were equal to 190,558 million, 175,248 million in 2017, and 167,160 million in 2016. According to related footnotes, the increasing revenues are increasing primarily due to an increase in the pharmacy services segment. Increasing expenses are due to increased goodwill impairment charges and an increase in acquisition- related expenses. CVS Health is primarily made up of Caremark, and CVS Health bought Aetna, a health insurer, in 2018 which is a large contributor to the increasing acquisition costs that increased total expenses.

Caremark's had a net loss of 596 million in 2018. However, Caremark's cash flow statement showed an increase in 2,395 million in cash throughout the course of 2018 due to operating, investing, and financing activities. The net loss was due to expenses attributable to mergers and acquisition costs. These expenses are not expected to recur because they are a result of the purchase of Aetna and merging of CVS Health and the

health insurer. There was an increase in cash flow primarily due to the closing and selling of multiple stores around the United States. The selling of these assets compensated for the high expenses in the cash flow statement.

There are accounts included in Caremark's balance sheet that contain estimates and/or judgement to report. Estimates must be made for various assets and liabilities arising from Caremark's participation in the Medicare Part D program based on past information and predicted future events. Estimations due to the Medicare Part D program include estimates of low-income cost subsidy, reinsurance amounts, coverage gap discount amounts payable or receivable, and estimates for claims that have been reported and are in the process of being paid or contested and for claims that have been incurred but not yet reported. Regarding past estimations of these assets and liabilities, the effect of these estimations has not been material to Caremark's financial position. Allowance for doubtful accounts is estimated as a predicted number of receivables that will eventually be uncollectible. Estimates for inventory losses are also made for eventual losses that will be incurred, meaning the inventory that will never reach the customers. Both allowances for doubtful accounts and estimates for inventory losses are estimated based on past performance and management's predictions for the future. Amounts assigned to identifiable intangible assets and goodwill are established from management estimates and valuation techniques. When preparing these estimates, historical results, current operation trends, sales, profitability, cash flow, and forecasts are considered. Significant judgement is required for determining income taxes and the related taxes payable since, in the ordinary operations of the business, there are transactions where the ultimate tax incurred is uncertain to management. Caremark

believes that their estimates for income taxes and related taxes are reasonable and estimated to the best of their ability given the available information, actual results could differ from these estimates in a material way.

Throughout the analysis of Caremark RX, we scrutinized the financial information provided primarily in the 10K. The information we found was primarily able to show the different types of accounting principles that are in use by Caremark. We practiced looking at the financial statements and recognizing the parts of the statements from our previous knowledge. After recognition, we followed the progress of the company and saw the growth over the years. Given a large company, there were many aspects that branched off from the main statements that provided more information about how Caremark operates. The case study aided in our understanding of how companies, specifically a large subsidiary performs.

Case 4: THOMAS SOWELL INTERVIEW

For this case, we watched an interview with an economist, Thomas Sowell. Sowell is an author of over thirty books and is widely recognized for his intelligence and economic perspectives. This case was an analyzation of his thoughts on certain points of view and his intellectual journey to get to where he is now. We were able to hear about Sowell's changes in economic beliefs and hear the reasoning behind such changes. The interviewer dives deep into specific parts of Sowell's writing and asks him his thought process behind certain ideals. The interview also touches on Sowell's childhood and upbringing as well as his young adulthood and rather atypical educational journey and how his economic views were shaped. We then were able to see how his views changed and how he taught in several universities to students from all around the world. This interview taught me about different economic views and why someone may or may not agree with certain arguments. It was interesting to hear about Sowell's views as a young adult and how certain events in his life gradually changed his view completely. Not only this, we were able to hear excerpts from his book which explained certain pressing topics about the economy. He explains that the purpose of his books was to merely educate people on what there is, and to let them form their opinions and views by themselves. His books were not written to be opinionated, rather they were written to help people understand the facts of what exists in the world. I learned that when it comes to economic views and standpoints, education and experience are key. Sowell is still learning and educating himself as well as using his knowledge to educate others through the classroom and his writing. As we grow and the world continues to change, people's views will continue to evolve as well.

Thomas Sowell grew up with the ideal that the rich became rich by taking from the poor. He considered himself a Marxist for most of his young adulthood, until he was a summer intern and worked in the US Department of Labor. He came to realize that Marxism may not be the sole explanation for why the world is the way it is because he came to believe that the government was trying to maintain their power. This was his first revelation and change in main economic views. Sowell said a few main things that stuck out to me during the interview. He explained how when poor people were generally poorer than they are now, crime was lower, and people were even more civil. When the government decided to help them financially, crime rates spiked, and society became less civil than ever. He also explained that there is a dissolution of the family structure now in the modern world. Most African American children prior to 1960 were being raised by two parents, whereas right now, most are being raised by a single parent. Over 30% of white children, over 50% of Latino children, and over 70% of black children are being raised in a household with separated parents. Sowell relates this to welfare. He claims that the government is creating a situation where if the father stays in the picture, the government will not give the woman welfare and if the father leaves the picture, the government will provide financial aid through welfare. In simpler words, he states that the government is paying people to not get married and as a result less people are getting married. However, he believes that it would be extremely difficult to abolish welfare because people aren't necessarily expected to work as they were expected to in the past. Sowell ended the interview on an important note, "Decent education is the one thing people need to have a better life, not money". I absolutely agree with this viewpoint and I

believe that to be educated is worth more than physical money when it comes to actual quality of life.

Case 5: REGULATION FAIR DISCLOSURE CASE

This case was an introduction of the Regulation Fair Disclosure issued by the Securities Exchange Commission in 2000. We were able to analyze the meaning of Regulation Fair Disclosure and how these rules and regulations effect everyday decisions from within a company when it comes to disclosing information. In addition, we were able to connect real world events through the articles given to explain the reasoning for Regulation Fair Disclosure. We were also able to look at the effects of social media on Regulation Fair Disclosure and what the Securities and Exchange Commission has to say when it comes to disclosing certain information, whether it be financial or nonfinancial, on the internet. When initially assigned this case, I had no knowledge on the Regulation Fair Disclosure. However, after some research it became apparent that this is a very important topic in today's day and age especially considering the technology that is available to businesses and how quickly information can be transmitted. Throughout my accounting courses this year, I have learned an incredible amount about how to physically disclose financial information and how to determine the materiality of information when disclosing to the public. What I was not familiar with were the laws and regulations behind reporting information and disclosing certain things from within a company or organization. This case assisted in broadening my knowledge of the rules behind reporting information as an issuer and the consequences if these rules and regulations are not followed.

Regulation Fair Disclosure (Regulation FD) focuses on the issue of selective disclosure of information pertaining to a company and clarifies prior existing laws. The new rules under Regulation Fair Disclosure deal with selective disclosure by issuers of information of material information that is not public knowledge. They also deal with transactions that arise in connection with a trader's knowledge of material information that is nonpublic. The main purpose, though, is to eliminate selective disclosure. Selective disclosure takes place when issuers release material nonpublic information about a company or organization to selected people before disclosing to the public as a whole. This information can be considered material if the possession of the information can influence people to act in one way or another pertaining to statements, transactions or economic decisions. Regulation Fair Disclosure requires that when an issuer discloses information that is considered material, it must be disclosed publicly, and never solely to a selective audience. In addition to this, if a disclosure of material nonpublic information is made selectively unintentionally, it must be disclosed to the general public immediately following. This regulation of selective disclosure is necessary in ensuring that everyone involved in the market is receiving identical information and that all material information disclosed is available to the general public. This affects the way that you, as a company, will be required to report your financials. If any material information is being shared at all, it must be shared with the public at the same time as any other entity, person, or group.

There are many reasons why Regulation Fair Disclosure exists. Regulation Fair Disclosure prohibits certain people from obtaining information that they are able to use, consciously or subconsciously, in making certain decisions that others would not have the

ability to make. For example, Jack Grubman was a top analyst who has admitted to attending three board meetings for WorldCom. This was called into question regarding Regulation Fair Disclosure because it was discovered that Grubman had access to information that no other analyst had. Because analysts provide advice to investors, this information could have been shared with investors to make informed decisions that would benefit them economically. As a result, many felt that he was responsible for inflating the price of WorldCom and giving insiders the opportunity to sell their stock at incredibly high prices while the rest of the public suffered the consequences. This is simply one example of many as to why Regulation Fair Disclosure is necessary. In an article written by David Smith, a former analyst of twenty years, he says that he believes that “Regulation FD has been more effective in keeping analysts and companies at arm’s length from each other”. This distance keeps analysts from gaining the kind of detailed and important information that can later be passed down to investors. It is important that everyone has access to identical information so that all decisions made can be based on the same exact foundation of knowledge.

When current nonfinancial performance metrics are disclosed on social media, the Securities and Exchange Commission requires that investors be alerted about which social media will be used to disclose such information. This way, investors will be able to reach the information as soon as everyone else if it is material to the company. Because these performance metrics have been disclosed on a personal Facebook page, the page must be accessible to the entire public and investors must have been informed of the Facebook page where information would be shared prior to the disclosure of the information. The Securities and Exchange Commission states that “One set of

shareholders should not be able to get a jump on other shareholders just because the company is selectively disclosing important information. Most social media are perfectly suitable methods for communicating with investors, but not if the access is restricted or if investors do not know that is where they need to turn to get the latest news". Therefore, Regulation Fair Disclosure was not violated as long as investors were aware that information would be disclosed on this Facebook page and if it is available to the public to view.

One of the most infamous cases of the misuse of social media corresponding with the violation of Regulation Fair Disclosure is the incident involving Elon Musk, the CEO of Tesla Inc. Musk took to Twitter to share that he was planning on taking his company private at \$420 a share. As a response to this, Tesla's stock rose 8.5 percent following the tweet before trading was suspended. One problem with Musk's claims on twitter were that they were not supported factually in any way. He had claimed that funding for the move to become private had been secured, however no additional details were offered. Bankers were said to have never had any idea or knowledge of financial plans to take Tesla Inc. private. Although it was extremely nontraditional to announce this plan over Twitter, Musk's legal concerns stem mainly from his claims about how far along the process was. Disclosing information on social media is permissible if the rules that the Securities and Exchange Commission has implemented are followed precisely.

## Case 6: BLOCKCHAIN CASE

This case was an introduction to Blockchain and its main uses and functions. As accounting students, we hear about the rise of Blockchain almost daily and are advised to learn as much as we can about the system and the way it works. Before this case, I had a general idea about what Blockchain was and what its general purpose is, however I have never quite fully understood how such a complex and unique system is used and implemented in the accounting field. This case allowed us to create a real-life simulation in order to understand the complexity of Blockchain and see how transactions take place in the system. I was able to see how Blockchain could possibly slow down transactions because each and every party involved in the system had to check and recheck every detail attached to each purchase or payment. There were several functions of Blockchain that I was unaware of prior to this case, such as the amount of record keeping that is necessary for all parties involved, and the use of the cloud during transactions. We each used unique ID's, similar to those that the Blockchain system uses to identify each entity in the system. We were able to see the importance of possessing a unique ID and how these helped keep the system and record of transactions concise and easy to understand. Ultimately, this case was a way for us to visualize the way that Blockchain is utilized in everyday transactions, specifically purchasing, selling, and other forms of recurring payments. When thinking about beginning a career in the accounting field within the next few years, it is important to remember that our jobs are using increasing amounts of new technology and programs, including Blockchain. Once we begin our careers, we will be expected to understand how these programs work and what their purpose is for each entity involved in these business transactions.

Essentially, Blockchain is a digital database existing in the cloud that can be accessed by multiple parties at the same time. It is constantly recording information and growing as each transaction and piece of information is linked together, forming the “chain”. In this simulation, I was a business manager for one of the states involved in the system. We were responsible for recording each transaction we made, letting the runners know what transactions we were making as well as letting Big Mama and Big Papa record the purchase or payment along with our unique ID’s. Initially, the system was completely chaotic and the runners, business managers, and cloud were moving very slowly in order to make sure that every piece of each transaction was in place each time. When purchasing a property, if you purchased the property in another state, you would receive half of the rent when paid, and if you purchases the property in your own state, you would receive the full rent amount when paid. Because it was possible for people to own properties in others’ states, it was necessary for the runners to keep track of who owed rent to who, and to inform each business manager that they had received rent from another state. In addition to this, if money was being exchanged within states, the runners were also responsible for recording this for the business managers so that on each side of the Blockchain system, the amount of money that each business manager possessed would be reflected identically. While the simulation was unorganized at first, after about an hour and a half, each person in the system knew what their purpose was and knew how to execute each action appropriately and things began to run much more smoothly. I began to understand how Blockchain could assist accountants and businesses with everyday business transactions, by making identical information accessible by all entities in real time.

In an article by The NY Times, I read about Blockchain and its uses, specifically with cryptocurrency and virtual transactions. The article explains that each piece of data is chained together using a very sophisticated and complicated form of mathematics. The uniqueness and complexity of the mathematics involved makes it difficult to rewrite or alter records that have already been recorded in the past. What makes Blockchain different than any other form of recording transactions is that there is no central entity that is solely responsible for the recording of each action. Instead, each transaction is recorded on the part of each party and chained together to create one unique entry for each transaction that can be accessed by all involved. This is particularly helpful when it comes to cryptocurrency, such as Bitcoin, because there is no central authority involved in cryptocurrency transactions. Each transaction is recorded through the virtual database for each party and they are linked together to match. For these transactions, it is not necessary to have a central entity keep records because records are kept communally and can be accessed with each party's unique ID in the Blockchain system. Although Blockchain has been used to track purchases and payments through cryptocurrency, this is not its' only use. Blockchain was designed to handle all types of physical transactions as well. Blockchain is likely to overtake several other types of databases because the likelihood of the data being compromised is decreased exponentially. All people with access to the database can keep up with their data and keep copies of their own in order to protect themselves from possible data breaches or hacks. Because of the way that Blockchain is designed, it is nearly impossible for someone to alter the data or old records and it has been proven to be one of the most efficient forms of databases created thus far.

It is completely plausible to say that Blockchain could work for the entire global economy at some point in the future. However, this would be contingent on each party possessing the right type of technology in order to keep up with, update, and save the database and the information regarding their transactions. It is also necessary that all entities involved in the global economy would be able to receive the information necessary to completely understand Blockchain to the fullest. If certain people involved in the Blockchain database lacked an equal foundation of knowledge, the system would not work to its full potential. So, as of right now, it would be difficult to implement Blockchain as the main source of data for the entire economy globally, but in the future, this could absolutely be a possibility.

Case 7: INTERVIEW CASE

For this case, we were prompted to interview someone we know in the business community. I have chosen to interview my father, David Acheson. He has worked in pharmaceutical sales for over twenty years but began his career in the agricultural sales field. I have always just known David as my father and not necessarily a business man, but recently I have been able to have more in depth conversations with him about what he does and the things that go on behind the scenes at a pharmaceutical company. This case provided me the opportunity to learn more about my father's career and what it took to get him to where he is now. He has been extremely successful in many ways and has always been a hard-working role model for not only me, but my entire family to look up to. I have always admired his work ethic and passion and it was interesting to be able to hear his story throughout his experiences in the business world. As a child, we moved about every two years because his career would take him in a different direction fairly often. I never had any detailed conversations about what he does and what was prompting each move that our family had to take, so it was especially interesting to hear about each move and what led to each change in his career path throughout the years. He has always taught me that if you work hard, you will get to where you aspire to be, and being able to hear his story from a bit of a different perspective was an enlightening experience. I asked David a series of questions about his childhood, college years, career, and personal life in which he explained each stage in his life and how it led him to the life that he lives today.

David grew up in the small town of Kimball, Nebraska, with a population of about 2,500. He lived on a farm and was raised by his parents along with his younger brother and sister, Dean and Danielle. When he was just a teenager, he started his own business alongside his brother, breeding and selling purebred Suffolk sheep and Angus cattle. When he was eighteen, he made the decision to move five hours East and attend the University of Nebraska, Lincoln. He was highly involved in college and took advantage of the plethora of opportunities that arose at UNL. David was the president and recruitment chair of his fraternity, Alpha Gamma Sigma, and vice president of Interfraternity Council. He was FFA (Future Farmers of America) state secretary, on the Nebraska Agricultural Youth Leadership Council, and was a National Ambassador for the university. In addition, he had the opportunity to participate in two internships during his college years, one being a marketing internship for the State Department of Education, the other being a sales internship with Cyanamid, a chemical company. I asked David about his decision to go to college and he explained that it was out of the ordinary for someone from his town to attend a university at all, let alone a large four-year university. However, he says for him, it was never a question and he knew that if he wanted to create a different type of lifestyle for himself, he would have to make the choice to go to college. As a freshman, he declared his major as Agricultural Sales, but eventually moved into the pharmaceutical sales field post-graduation.

David secured his first job offer in October of his senior year and accepted with the intent to begin immediately following graduation. He worked as a sales rep for Cyanamid in Nebraska where he says he learned how to be customer-focused and gained experience on selling product based on customer needs. A few years later, he left

Cyanamid and became a hospital sales manager for Roche, in Kansas City, where he says he learned the value of creating contracts and leading a team of extremely talented people to success. Following his job at Roche, he became a national sales director at MEDA Pharmaceuticals, in New Jersey, where he was able to experience the value of collaborating with people corporately. He then accepted a position at Circassia Pharmaceuticals, in North Carolina, as senior VP and general manager of the United States operations. There, he learned how to lead incredibly talented senior leaders. Most recently, David has accepted a new job at Apellis Pharmaceuticals in Boston as senior VP of North American commercial operations. So far, he says he has learned the value of building a company prior to having launchable products.

While David has had a hectic work life that has moved him around the country nine times since college, his family has been a constant in his life. He has four children, two sons and two daughters aged 22, 20, 18 and 15. He has been married to his wife, Sarah, for 24 years and has two dogs as well. He says although his work is very important to him, his life has ultimately been about watching his children grow up, and he expresses extreme pride for the people that they have become. Although he works long weeks all year round, David and his family take one week every summer to go on vacation, which he says is his favorite week of the year. His favorite family vacation was during summer of 2018 when they travelled to the island of Saint Kitts, in the Caribbean. He also says that his favorite vacation with his wife was a trip they had taken to Hawaii recently.

I asked David what two things he would change about his life if he could, and he said that he would have travelled more internationally with his wife in the beginning of

their marriage before they had children. He also said he wishes he would've found a better work-life balance when he began to have children so that he could've been there for more of the big milestones. I then questioned him what he wishes he would have known when he was twenty-one years old and asked him to share any advice he may have. He said the advice he can give that he wishes he would've gotten is that "Even though you're young and you want to move fast in your career and be aggressive, sometimes it is beneficial to take your time and think about the decisions that you really want to make". He also says that he would encourage young people to enjoy life while working hard and to try to find a happy medium. David says that he is most proud of his children and his family and he believes that his purpose in life has been to teach his children what it is like to have a loving and constant support system, alongside his wife.

David believes that the biggest challenge for his generation will ultimately be figuring out a way to preserve the environment and the world that we live in. He says that this is absolutely crucial for generations beyond his to have what we have today as we know it. Alternatively, he says that the biggest challenge for my generation will be planning for the future. David says, "I do not think that the general population in your generation knows what it is like to plan for the future because you all live in the moment. You all need to think ahead and set yourselves up for success in the long-run".

Case 8: INTERNSHIP INTERVIEW CASE

For this case, we were prompted to interview a senior honors accounting student at Ole Miss who had just undergone their internship. I was paired up with Dorothy Meachum, who has just completed her audit internship for Deloitte in Atlanta, Georgia. I will be interning in Atlanta next spring, and it was interesting to be able to hear from someone who was in my exact position a year ago who has now completed the internship and had some advice and wise words to offer. When interviewing Dorothy, I aimed to gain some insight on who she was as a person and a student and what her deciding factors were when it came to choosing her internship. I was also looking forward to hearing about her personal experiences with the firm of her choice. Being on the side of this process that I am currently can be stressful and confusing to say the least, but being able to have these conversations with Dorothy made me feel more comfortable in making a decision, as well as calmed my nerves about the internship itself. It was enlightening to hear about her great experiences that she has already gained in her short time in Atlanta, and how thrilled she is to be going back after she graduates. Dorothy has just signed her full-time agreement to return to Deloitte in Atlanta post-graduation, and she expressed great joy and pride to be representing such a strong firm. Speaking to Dorothy was insightful and I learned a lot about what to expect during the internship experience, both professionally and socially. She spoke extremely highly of this entire experience and encouraged me to be excited about everything that is to come. I feel more prepared for the internship process after talking to Dorothy, and I have her to thank for ultimately making me feel more comfortable about my decision to intern in a city that I'm unfamiliar with.

Dorothy is from Dallas, Texas originally and came to Ole Miss as an out of state student. She knew that she wanted to do something different and knew that going to

school out of state was ultimately the right decision for her. Ole Miss offered her several incentives including the honors college, the accounting school, and generous scholarships, and she decided that she wanted to take advantage of all that Ole Miss had to offer. Since freshman year, she has become involved and excelled on campus. Dorothy is involved in the Sally McDonnell Barksdale Honors College, the Tau chapter of Chi Omega for which she is also on the Leadership team, Associated Student Body, Student Activities Association, and RUF. In addition to her philanthropic services performed through Chi Omega, she also volunteers for RebelThon and the Big Event.

I asked Dorothy about her academic journey and how she chose accounting as her future career path. She explained that her father worked in the accounting field for about ten years and he encouraged her that accounting could be an extremely valuable degree for her in the long run. She declared accounting as her major from the very beginning and has never looked back. She has excelled in the Patterson School of Accountancy as well as the Honors College and has only become more passionate about accounting throughout her college career thus far.

Last year, Dorothy accepted an audit internship offer for Deloitte in Atlanta, Georgia. When I asked her about her choice of audit over tax, she explained that she never saw herself in tax and decided on audit from the start. After taking both tax and audit courses her senior year, she knew she had made the right decision. Dorothy chose Atlanta for several reasons. She has family from Atlanta, so while it was not home, it was familiar. She knew she wanted to stay in the South and decided that the cost of living was sustainable, and it was just close enough to Oxford that she could easily make the trip back. So far, she has loved Atlanta and she says her favorite thing about the city is the

endless selection of activities. During the internship on the weekends, the interns had free time to explore all that Atlanta had to offer, including concerts, bars, restaurants and more.

During the internship itself, Dorothy was able to work on three different clients. Her day-to-day work differed depending on which client she was on at the time, because each was at a different stage in the audit. First, she had a commercial real estate client where she mainly sent out regal letters, did A/R confirmations and spent time prepping for testing. Her second client was a landscaping company and during this portion of her internship, she was mostly doing control testing. During the final weeks of the internship, she worked on a private client for which her team was in the process of completing the audit. She was updating memos and helping wrap up the finishing parts of the audit. Dorothy said that while she learned a substantial amount of accounting material during her classes thus far at Ole Miss, nothing compares to the knowledge that she gained during her internship. She says that her favorite part of the internship was being able to put all of her accounting skills to the test and bring a whole new layer to the foundation of knowledge that she already had. She explained how much easier it becomes to understand different facets of accounting when you begin to analyze real financial statements and real-life situations.

When asked what advice she would give someone in my position, Dorothy told me that it's all about the people, at the end of the day. The work between each firm is going to be so similar that it cannot even be a deciding factor, but that someone who is in my position needs to find the right fit of people that you want to surround yourself with day after day. She spoke extremely highly of her intern class and enjoyed telling stories

about how close of friends they became and the fun activities they did together outside of work. It was apparent that the connections that she had made at Deloitte were the solidifying factor for her and she made it clear that the relationships are what differentiates a firm from a family. She encouraged me to find the people that I would ultimately want to make these relationships with and use that in my decision. I then asked her what one thing she wished she had known before the internship was, to which she explained that she had wished she knew that the firms don't expect you to know everything right away. Interns are expected to have the background knowledge that they have gained from school, but she found that doing the actual job was quite different from the classroom. She found herself becoming frustrated not being able to find the answers right away and found it to be a humbling experience having to ask questions constantly. She encouraged me to keep in mind that it's always better to ask a question first, rather than doing something incorrectly and needing someone to fix the issue.

Dorothy spoke incredibly highly of Deloitte, the relationships and connections she made, and her overall experience. She expressed great gratitude for the experience and being thrown into a completely different environment with all new people. She made relationships, not only with students from other universities, but with fellow Ole Miss students that she would have never connected with if it weren't for this experience, and she says that this was one of the biggest blessings. She looks forward to returning to Atlanta and living with three other girls she met during the internship. She says that signing her contract was extremely exciting and she is looking forward to continuing her career at Deloitte in the coming years.

## Case 9: FINANCIAL CRISIS CASE

This case was mainly centered around the financial crisis of the early 2000's and the ingredients of the entire downfall of the United States economy. We were able to watch a video, a documentary, and read three articles that explained how and why certain financial crises have occurred in the United States and the world as a whole throughout history. Being born in 1999, I have lived through a huge financial catastrophe, but being only eight or nine years old at the time has left me with little knowledge or foundation of information about the situation. This case allowed me to dig deeper into the causes and effects of such a drastic economic crisis in the United States and how a disaster in one country can spread globally. The sources provided for this case also analyzed the connection between politics and the economy and how they operate hand in hand, for better or for worse. The opportunities for corruption and loss skyrocket when there are not enough regulations in place regarding the relationship between government and the economy and the dangers of these political-economic ties were highlighted. The future for the United States—and much of the global—economy is uncertain due to the current circumstances in connection with the coronavirus (COVID-19) and the seemingly endless domino effect of problems that are to follow. The unemployment rate in the United States has surpassed twenty percent, and more than 4.4 million weekly unemployment claims are being filed, bringing the total claims since the COVID-19 outbreak to more than twenty-six million. In a time of such uncertainty, it is imperative to analyze the past financial crises that have come and gone. These sources presented a plethora of information about the systematic—or perhaps nonsystematic—borrowing of money in the current economy, and the difficulties and risks attached to this economic structure. I was able to gain knowledge on the past and current political and economic issues in

connection to America's financial history, and what is important moving forward considering the coronavirus pandemic and everything that is to follow as a result.

The first video, *What is Crony Capitalism?*, was an explanation of what crony capitalism is and the effects of this type of corruption in the United States. In short, crony capitalism is the lobbying and bribing of the government to buy certain goods and services at a higher price than a lower price alternative as a result of personal gain by politicians. These goods and services are purchased by the taxpayer's money, and essentially the government is taking advantage of the taxpayer by knowingly disregarding the lower priced option. While capitalism is moral, crony capitalism is immoral because one party involved in the transaction, in this case the government, has essentially been paid off. It is no longer a consensual double-sided transaction. Three issues arise from this form of capitalism, including the unfairness, the wastefulness, and the temptation of politicians to break the law.

The documentary that followed, *Inside Job*, highlighted the financial crisis of the early 2000's and the relationship between the large investment banks and the devastating recession. The downfall began with an initial fight for deregulation in the financial industry in the United States. In the 1980's, the industry was slowly becoming more and more deregulated and the economy exploded. During this time, investment banks went public and could be invested in by stockholders. Since then, the rise of the United States financial sector has led to a series of financial crises that have each become more severe for the average American while the industry has continued to make larger profits. The investment banks ultimately had monopoly power over the entire economy and have continuously been found guilty of laundering money and altering their books in order to

maximize their profit illegally. Deregulation and advanced technology eventually led to derivatives that created completely unstable markets. Such derivatives were exempt by lawmakers from being regulated. As a result of the booming monopoly power in the financial industry, very few companies had complete control over trillions of dollars in mortgages and other loans. There was a large increase in the riskiest types of loans, and because of corrupt reasons, these loans were still receiving triple A ratings—the highest rate that could be given. Essentially money was being created by the system, and in retrospect it was never real income or tangible profits. The Securities and Exchange Commission was lobbied into letting the investment banks have less regulation on these loans and the credit default swaps attached to them. Most of these credit default swaps defaulted and people lost millions of dollars while the investment banks continued to make money. Triple A ratings reports were paid for and earnings were higher for the rating agencies than ever before. The Federal Reserve Board disregarded red flags that were brought to their attention, and eventually the market for credit default swaps collapsed, leading to a recession that spread nationally and even globally. The loss of money resulted in a decline in demand for goods and services. Companies profits were lower than ever, leading to a large increase in unemployment. After this catastrophe, the leaders of the investment banks were still able to take away millions of dollars and the inequality of wealth in the United States continues to be higher than any other developed country in the world.

The first article provided, *Recipe for Disaster: The Formula that Killed Wall Street*, described the formula created by Li that allowed complex risks to be easily modeled in a single numerical digit. This formula was adopted by everyone in the

financial industry, from investors and banks to rating agencies and regulators. It was allowing these people to make so much more money than ever before and ultimately led to a previously unimaginable expansion of the financial market. Li's function measured the likelihood of the correlation of multiple defaults at once, which was exactly what investors were aiming to have. This model of correlation did not require any historical default data, and instead used market data about the current prices of credit default swaps. Once this formula was created, there was an enormous increase of new triple A rated securities. At the end of 2007, more than \$62 trillion in credit default swaps were outstanding. However, Li's approach made no consideration for unpredictability, but when brought up, this issue was ignored and dismissed. When this system completely crashed, people lost incredible amounts of money and all previous gains and more were destroyed.

The second article, *The Great American Bubble Machine*, described the role of former Goldman Sachs employees on multiple economic bubbles that the United States has seen in the recent past. The article outlines the history of five bubbles, and the bailouts that followed. These bubbles were known as the Great Depression, tech stocks, the housing craze, \$4 a gallon (the extreme rise of oil prices), and rigging the bailout. The sixth, and current bubble, is linked to the global warming crisis. The article describes the bank as "a huge, highly sophisticated engine for converting the useful, deployed wealth of society into the least useful, most wasteful and insoluble substance on earth—pure profit for rich individuals". In summary, these individuals in top positions at Goldman Sachs have historically and repeatedly acted in ways that wastefully benefit only the

wealthy and powerful. Some citizens must play by the rules while others do not, and this is a main flaw in our current system.

The last article, *Why Wall Street Hates the Trump Economy*, picks apart the reasons for the booming economy and whether they are linked to the presidency of Donald Trump. The article describes that the new tax regulations passed under Trump's power will be negative for growth in the long run. When many manufacturers rely on acquiring their supplies and materials from overseas, they will bear many more expenses in the form of tax dollars. These expenses will either need to be passed down to the consumer or result in a reduction in profits, which are both negative for economic activity. The article also explains that since Donald Trump's victory in the 2016 election, the Federal Reserve's balance sheet has increased its assets to around \$4.5 trillion and the rising national debt is over \$21 trillion. So, while the economy may seem like its exploding for now, a recession could be near.

In my opinion, every one of these sources solidified the need for more regulation between the relationships of economic and political entities. The ability for the government to allow these large financial entities to continue performing such corrupt work in order to ensure large profits for themselves is astonishing to say the least. Prior to having the knowledge gained from these sources, I would have assumed that the government would have at least enough regulation on the financial industry to recognize and bring corruption to a halt. It was alarming to see that the government and politics in general played a main factor in the corruption of the largest financial entities in the United States. If we want to create a more financially sound nation, it must begin with a foundation of integrity, and that is what we have lost. As a person who is nearing the

beginning of a career in the financial industry, it is important to remember to act as a person of integrity. When money takes control of powerful individuals, and criminal activity is accepted, is when the ultimate downfall of the system begins, and when the average working class can no longer thrive and are left at a permanent disadvantage. The people of the United States trust these powerful entities to be acting in a way that has their best interests at mind, and throughout these dramatic events in history, they have found that time and time again their best interests were never considered in the first place. Historically, the financial industry has been driven by greed, and these financial crises are a reminder that it is professionals' role to act in an honest and ethical manner.

Knowing what we do about the past financial crises and how they are linked to politics and current events leads us to our current problem, COVID-19. The coronavirus pandemic will change the world as we know it, economically, politically, and even socially. Many are waiting anxiously to see what will come next for the people of America and how we will recover from such a disaster. When the pandemic is finally brought to a halt, the United States will be left with a crippling unemployment rate and a shattered economy. Stimulus checks are a temporary solution, but ultimately the American people are relying on the government to be able to lead us in a direction in which we can rebuild what we once had. The economic and political systems will need to work together in an honest and ethical way that has the general population's best interest as a priority in order to restore life as we know it.

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