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CASES CONCERNING THE ACCOUNTING PROFESSION

By
Samuel Elkin Crews

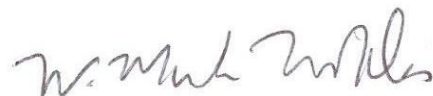
A thesis submitted to the faculty of The University of Mississippi in partial fulfillment of
the requirements of the Sally McDonnell Barksdale Honors College.

Oxford
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Approved by



Advisor: Dr. Victoria Dickinson



Reader: Dean W. Mark Wilder

Abstract

These case studies were conducted to investigate different matters in the accounting profession.

They range from topics on comparisons of cities to the impact of political decisions on the economy to an investigation of a company's financial statements.

Table of Contents

The author of this thesis did not include a table of contents.

*The Table of Contents is a required element of all Honors
Theses.*

Case 1
A Tale of Two Cities

Elkin Crews

This case requires two cities to be compared in regards to what living in each city would be like. Many different aspects of what life in the city had to be considered, including but not limited to size, climate, taxes, transportation, cost of living, available activities, safety, and distance from home. After all things were considered, we were required to create a monthly operating budget to see how trying to live in the city would actually play out with a typical salary for an accountant. Then, taking everything into account, we had to pick which city is the better city to live in for us. What I've learned from the case is not so much where I want to live, but what I need to take into consideration when deciding where I want to live. There are so many more factors to consider than what I had initially thought about, such as healthcare and school systems. Also I learned that many things I really want where I live are going to be available in just about any city. For example, both cities have a plethora of golf courses and tennis courts, and grocery shopping won't be difficult in either city, thus these things should not be considered too heavily. I will find hobbies and activities to enjoy wherever I go.

This case truly left me asking more questions than it answered, although it did answer many questions. It left me asking of myself, "what do I really value more, being close to home with a cheaper cost of living, or a larger environment with more options?" It made me realize that there are pros and cons to everything, and there is hardly ever a clear answer. Some questions it answered for me were more objective questions, specifically what was literally asked in the prompt. For example, I now know how tax rates and cost of living in the two cities compare.

The population of Dallas is 1.341 million people, while the population of Memphis is 652,236 people. The Dallas metro population is 7,233,323 people while the Memphis metro population is 1,348,260 people. The Dallas population is clearly much larger than the Memphis population, especially when taking into account the entire metropolitan area. Population alone is not much of a factor, however some of the things that population leads to are, such as availability of work and things to do, but those will be discussed later.

The climate in Dallas is pretty similar to the climate in Memphis. Both cities have fairly mild winters with hot summers. Memphis experiences more rain each year than Dallas, but is still a rather sunny city. Overall, Memphis is also slightly cooler than Dallas. Dallas, however is known to have a drier heat whereas Memphis is a more humid heat. Overall, Dallas wins the climate battle due to the drier weather.

Memphis is a fairly flat city adjacent to the Mississippi river. Dallas is also a generally flat city at a low elevation. The scenery in Dallas is overall not very different from the scenery in Memphis with the exception that Memphis has the Mississippi River, and Dallas has the much smaller Trinity River. The climate and scenery to the west of Dallas changes quickly, however which gives Dallas a slight edge over Memphis.



According to Smart Asset, in Dallas total income taxes on a \$55,000 salary in 2018 would be \$9,607, leaving a total take-home pay of \$45,393. In Memphis, there also is no state or local income tax, so for a \$55,000 salary in 2018 total income taxes would be \$9,607 leaving total take-home pay of \$45,393. However, Dallas has a sales tax rate of 8.25 percent while Memphis has a sales tax rate of 9.25 percent. Memphis also has higher

property tax rates, which change on a yearly basis. However, since I will be renting instead of owning a house at least for a while, and because property tax changes on a yearly basis, it isn't easy to predict what it will be once it affects me and thus cannot be taken seriously into account.

Dallas has one of the largest airports in America with the DFW International Airport, which has direct flights to many cities all across the world. Memphis has the Memphis International Airport, which is significantly smaller, but from personal experience is much easier to navigate, and still large enough to have flights to many large cities in America. Both cities are served by Interstate Highways extending in all directions.

The top industries in the Dallas area are technology, financial services, and defense, and in nearby Fort-Worth the top industries are oil and gas, manufacturing, and aviation and aerospace. The five largest companies in Dallas are American Airlines, Bank of America, AT&T, Lockheed Martin, and J.P. Morgan and Chase. The main industries in Memphis are transportation and manufacturing, however, these are not the only ones. The largest companies in Memphis are FedEx, International Paper, Autozone, ServiceMaster, and Mueller Industries.

A Baptist Memorial Hospital is located in Memphis, which was the first hospital to receive a ten star rating. Dallas also has great hospitals, as Baylor University Medical Center is ranked number 1 nationally in adult specialty according to U.S. News. Areavibes gives Memphis schools an F rating, so if I chose Memphis I would send my kids to a private school, most likely Memphis University School. Areavibes gives Dallas schools a B rating, which is good enough to send kids to public school. Because it would

be a long time before I have kids old enough to go to school, it is not worth looking at specific school districts as I will likely move out by then.

According to Areavibes, Memphis Annually has 8,301 reported crimes per 100,000 people, of which 2,003 are violent crimes. Of these, 27.7 are murder. Dallas has only 3,960 reported crimes per 100,000 people, and only 775 of these are violent. Of the 775 violent crimes per 100,000 people, only 12.5 are murder.

Based on the apartment in Dallas that I would plan on be living in (Torrey Pines apartment at the Fairways at Prestonwood), I would need two roommates and be paying somewhere between \$600 and \$720 per month in rent. I would also be paying an extra \$30 for parking. It is a 1,428 sq. ft. apartment with appliances and a view of the golf course. The apartment in Memphis that I would plan on living in (C-1 unit at Fieldstone) would require two roommates and would cost between \$400 and \$550 a month in rent plus \$35 in parking fees. It comes with appliances, a pool, and a gym. It is a similarly sized unit with 1,437 sq. ft. of floor space.



Above: Dallas Apartment

Below: Memphis Apartment



The typical mode of commuting would be to drive for both Dallas and Memphis. Because I want to do audit, I wouldn't have a consistent commute route everyday. However it is about a forty minute commute to downtown Dallas from Prestonwood, and about a forty minute drive to downtown Memphis from Fieldstone. However, most of the city of Memphis lies between downtown and Fieldstone, but the same cannot be said for Dallas and Prestonwood.

There is a Kroger only a few minutes away from Fieldstone in Memphis, and there is a Walmart and a Trader Joe's near Prestonwood. Trader Joe's gives Dallas an advantage in the grocery shopping category.

Laundry will be done at the apartment complex as both apartments include access to washing and drying machines.

I would like to be active in Grace Presbyterian Church in Dallas, or if I live in Memphis I would be active at Independent Presbyterian Church. I would also like to be an active part of the local YMCA both in Memphis and in Dallas. The last organization in Dallas I would be interested in joining is Keep Dallas Beautiful which is an organization that organizes community service projects to clean Dallas. The last organization for Memphis that I would be interested in being active in is Young Life Memphis, as I

myself enjoyed being a part of Young Life in high school. Both cities are pretty equal in terms of what organizations are available for me to be active in.

Memphis is home to Memphis Grizzlies, which I am already a fan of and I would love to be able to go to games. Dallas has the Dallas Cowboys, Dallas Mavericks, Texas Rangers, and the Dallas Stars, none of which I cheer for currently, but I could grow used to rooting for any of them except the Cowboys. Other activities in Memphis I would be interested in engaging in are biking, fishing, nightlife, golf, tennis, and working out. Dallas has many large lakes great for water activities, but many of these require a large investment of money to enjoy. Both cities offer great options for the activities I most like to enjoy, such as golf and tennis. The apartment in which I would want to live in Dallas is on a golf course, so that is a plus for Dallas.

I would drive home from Memphis, which is just over a three hour drive from Jackson, and costs about \$25 in gas to make one way with my current car. Dallas I could either fly or drive, depending on whether speed or money is more important. It is about a six hour drive from Jackson, and it would cost about \$50 to drive one way. Flying is a bit more expensive at about \$200, and this would only be used in rare occasions on a tight schedule.

Earning \$60,000 a year, I would have about \$49,500 a year after taxes, which comes out to \$4,125 a month. In Dallas I would allocate \$750 a month to rent and parking, and \$800 a month to savings. This leaves \$2,575 for groceries, utilities, food, and transportation. Groceries will cost about \$400 a month, Transportation \$200, and utilities \$125. This leaves \$1,850 for other monthly expenses, such as telephone bill and insurance, as well as entertainment, clothes, and other wants. In Memphis, I would still

have about \$49,500 a year after taxes, still \$4,125 a month. In Memphis rent would be less, only around \$575 after parking, and I would allocate the same \$800 to savings. I would then have \$2,750. Of this about \$400 would go to groceries, \$150 to transportation, and \$125 to utilities. This leaves \$2,075 for other monthly expenses and entertainment which is considerably better than the \$1,850 for Dallas.

All things considered, it is a close call. Dallas has more opportunity in the telecom industry with AT&T being there, which is a big factor. Memphis is closer to home and much closer to Oxford, and while the opportunity isn't quite what Dallas has, it's not too far behind. Memphis ultimately gets the edge due to it being closer to home and Oxford and having a cheaper cost of living. The extra things to do in Dallas would be nice, and the increased opportunity there is great, but it is not enough better than what Memphis has to offer to overcome the benefit of cheaper living and being closer to home.

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

Samuel E. Crews

Case 3

Brexit and its consequences

In this case we learned about the European Union's function and its impact on the economy of Great Britain. We watched a movie that explained why Brexit, or Great Britain's exit from the European Union, would help Britain's economy, and why Brexit is the most important political issue in at least the past few decades. The movie overall has a favorable view of capitalism, to the point to where it seemed to be pushing a capitalist agenda and trying to shoot down any socialist or communist agendas. The movie was very anti-regulations, and went on to explain why abolishing regulations would help the economy and be more fair to the people of Great Britain.

This case also involved learning about other viewpoints of Brexit through other sources. Some people believe that Brexit would hurt the economy too much to be feasible because it could potentially shut down trade with the rest of Europe, which Britain heavily relies on. People believe that it would be too much for Britain to adjust to be able to operate independently as a country and provide for itself, when so many of its resources come from other members of the European Union which would be blocked off from trade.

There are a few different ways Brexit can happen by October 31, 2019. First, Brexit could happen with no deal, and it would be completely removed and independent from the European Union. This is what many of the conservative voters want, as it would provide Britain with the most freedom to govern itself. The second way Brexit could happen is with a deal with the European Union still in place, so even though it is not a member of the European Union, it still has some benefits of being a member. The third option is for Brexit to not happen at all, which is what many of the more liberal voters would prefer, and this would happen if there is another referendum and Brexit is voted on

again. The current prime minister of Great Britain, Boris Johnson, says he will make Brexit happen with or without a deal. He has told companies to prepare for Brexit to happen without a deal, and many are responding expecting it to happen.

The first thing the movie talked about is why Brexit is such an important political issue right now. Basically, any other political topic, such as who is made prime minister, can be reversed in about four years if it is a bad move. Brexit on the other hand cannot be reversed. It is also really important just because of how big its impact would be on the economy. Brexit would change the way just about everything runs in Great Britain, especially regulations.

The movie we watched in class then talked about the European Union. It said that the European Union makes regulations on trade, such as tariffs and quotas, to limit what comes into the European Union from countries outside. It also makes regulations on what can be produced within, as well as the types of goods that can be brought in. For example, there are dozens of different regulations on everyday items such as pillowcases and tables which don't seem to be necessary at all. What these regulations do is make it more difficult for overseas manufacturers to create goods that can be brought into the European Union, and it eliminates competition from them. It also makes it very difficult for smaller companies to be profitable because figuring out how to comply with so many regulations is more of a fixed cost than a variable cost, so only large companies are able to absorb the expense. This creates even less competition in the European Union and makes a relaxed environment for big corporations while choking out any competition they might face.

Another issue with the European Union is there is no clarity in how the European Union is run. There are so many committees and presidents that citizens don't even know who has what power, or even who the people representing them are. Even if citizens did know who was representing them, they wouldn't be able to do anything because the

people representing them are appointed, not elected, so there is no threat of losing a job because the public doesn't like the representative. Working for the European Union is one of the best jobs out there, as job security is much better than a political job in a democracy, and the salary and benefits are incredible. It seems as if it exists just to sustain its employees and allies, not for the good of the citizens in it.

Britain was told that by joining the European Union they would have increased power in Europe because of the free trade they would be able to have with so many other countries. However, this was far from the reality of the situation as Britain actually did not gain influence in Europe and lost power to govern itself. For example, British fishermen were restricted from fishing waters that they used to fish with great success so that fishermen from other countries in the European Union could fish those waters. Britain had to give up its resources to other countries to comply with the regulations set by the European Union, which is unfair to the people of Britain who had no say in these regulations being passed.

The European Union according to the video has shown time again that it is not willing to operate according to the best interests of its citizens, but instead according to the best interests of manufacturers and large companies in it. Better manufacturers in Asia would be able to provide Europe with the same goods at cheaper costs, but trade barriers are in place to keep competition down. The European Union has let mountains of food rot simply to drive up the prices of food. All of the regulations placed on simple items choke out young businesses by creating too many legal liabilities to navigate. None of this is good for the consumer, but instead simply provides a shield for large businesses to hide behind in the European Union.

So what would happen if Great Britain left the European Union? The video says to look at Switzerland as a country in Europe that is not a member of the European Union. They have remained a sovereign country for centuries and have the best economy in the world. They have done this by keeping a free open market with minimal regulations and trade restrictions. They also have one of the most democratic political systems in the world, so the government has to directly cater to the wants of the citizens, instead of having representatives influenced by the money of big corporations. They have managed to have such a great economy without even having a with wage inequality, as Switzerland ranks near the best in that category. The movie also points to post World War II Germany as another example of a country whose economy boomed after slashing regulations to let the market loosen up. The movie indicates that leaving the European Union could have a similar effect on Britain.

So would everything just be perfect if Great Britain did leave the European Union? Enough people in Britain don't think so to where current polls indicate that if Brexit were voted on again today, the outcome might not be the same. So how could leaving the corrupt European Union possibly be a bad move? According to The Balance, if Britain leaves the European Union with no trade deal, it would then be subject to tariffs and other barriers placed on its exports to the rest of the European Union. This would have a huge impact as this is Britain's largest market for exports. Likewise, there would be new tariffs on imports, raising the prices of goods Britain receives from Europe. This would raise inflation and lower the standard of living in Britain. Another issue is that Northern Ireland would leave the European Union, so a border between Ireland and Northern Ireland would have to be constructed, which would be especially troublesome

for people who commute across the border. Britain would also have to pay \$51 billion to the European Union.

Another option is Brexit with a trade deal. This would allow for Britain to still trade freely with the European Union while not being a member of it. This seems like a good idea, but much of Britain's, and especially London's, business comes from being an "English speaking gateway" into the European Union. There is already a threat of this moving elsewhere, as Bank of America has already invested \$400 million in moving its European headquarters to Dublin, Ireland. Many other multinationals are expected to follow.

In addition to all of this, The Balance says that the reason Brexit won the vote was not because of all of the regulations and trade restrictions, but instead because older more rural voters were scared that the open border was letting in too many refugees and Great Britain was losing its identity. Those in London and the younger voters generally support remaining in the European Union, they simply didn't show up at the polls in the numbers the older rural voters did.

By October 31, a decision on Brexit will be made. According to CNBC, 43.5 percent of CFOs expect Brexit to happen with no deal made, while 32.3 percent expect the deadline to be extended again. Only 8.1 percent expect a deal to be made by the end of October, and 3.2 expect a second referendum. There does not seem to be a clear consensus on what will happen, the possibility of no deal Brexit occurring seems very real at this point. Every day that goes by with nothing happening makes it seem less likely that a deal will be struck. Boris Johnson has said that he won't make a deal without

a border between Ireland and Northern Ireland, and at this point it seems as if he will stand on that ground.

October 31 is coming quickly for better or for worse and no one really knows what the verdict will be on that day. What we do know is that whatever happens on that day, barring another extension, will have a massive impact on Britain's economy and even national identity as a whole. Some people are entirely in favor of leaving at all costs out of fear of Britain losing its identity as "Britain" and becoming just another part of Europe. Other people want it to happen because they believe Britain's sovereignty is more important than any trade relations with the European Union. Some people are only on board with Brexit if a deal with the European Union is struck so the country isn't completely on its own initially. Still others believe that leaving the European Union at all is a horrible idea and will destroy the economy. There is no clear-cut answer, and ultimately whatever happens will most likely benefit some people at the expense of others, and not everyone will be happy.

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Case 4

International Paper 10-K

Elkin Crews

Each group in this case was given a different business to do research on using the company's published 10-K filing. Our group was given International Paper, which is a paper company based in Memphis, Tennessee. This case taught me a lot about International Paper, but what is really valuable that I learned wasn't anything about International Paper itself, but rather how to navigate and obtain meaningful information from a 10-K filing. I also learned a lot more about generally what a 10-K looks like and what its components are. This case showed me that there is so much more to financial reporting than just financial statements. There are so many different notes that really provide as much valuable information as the statements themselves. Also, there is a lot of important information that has to be disclosed that isn't even directly related to the financial standing and performance of the business.

In addition to all of this, I also learned what accountants need to understand about the business in order to do their job. Auditing is not just black and white and there is not one clear answer. There are many different methods that can be used for reporting, and sometimes it can be ambiguous which account something may fall under. In class so far, most accounts have broad general names, but in reality many accounts have more specific names to increase clarity, even if it means having more material to sort through.

Overall this case was good practice for learning how to use real source data instead of secondary data from a website or other source. Primary data provides a broader view of what is happening with no risk of someone else showing only certain aspects of data and hiding others to fit their agenda. Primary data is the closest thing we can get to certain truth, with no external forces pushing it in a certain direction. This is an especially

important aspect of accounting, as it is an industry where integrity of data cannot be compromised.

1. International Paper is a manufacturer of paper products. They make profit by manufacturing and selling paper and packaging products. It is headquartered in Memphis, Tennessee, but they do business all across the world in North America, Europe, Latin America, North Africa, India, and Russia. Their fiscal year-end is December 31.
2. The company's auditors are Deloitte & Touche, LLP in Memphis, TN.
3. The company's assets, liabilities, and equities on the balance sheet are:
 - a. Cash and Temporary Investments - Cash is the standard medium of exchange and the basis of measurement in accounting and costing items. IP's Temporary investments are defined as having an original maturity of three months or less and are treated as cash equivalents and are stated at cost, which approximates market value.
 - b. Accounts and Notes Receivable - Receivables are financial assets that are claims held against customers and others for money, goods, or services. Customers often owe a company amounts for goods bought or services rendered. For IP, this could mean paper products bought on credit that the company is waiting to receive cash for. Notes Receivable are supported by a promissory note, which is a written promise to pay a specific sum of money at a certain date in the future. These notes will earn interest.
 - c. Contract Assets - A contract asset is an entity's right to payment for goods and services already transferred to a customer if that right to payment is conditional on something other than the passage of time. Generally, contract assets and contract liabilities are based on past performance.

- d. Inventories - Asset items that International Company holds for sale in their normal course of business. It also includes the goods that will be used in the production of goods to be sold. For International Paper, Inventories are valued at the lower of cost or market value and include all costs directly associated with manufacturing products: materials, labor and manufacturing overhead. In the United States, the costs of raw materials and finished pulp and paper products, are generally determined using the last-in, first-out method. Other inventories are valued using the first-in, first-out or average cost methods.
- e. Assets held for sale - Held for sale assets are long-lived assets for which a company has a concrete plan to dispose of the asset by sale. They are normally valued at the lower of carrying value or fair value and no depreciation is charged on them.
- f. Other Current Assets - Other current assets (OCA) is a category of things of value that a company owns, benefits from, or uses to generate income that can be converted into cash within one business cycle.
- g. Plants Property and Equipment - Property, plant, and equipment (PP&E) account, also known as tangible fixed assets, represents the non-current, physical, illiquid assets that are expected to generate long-term economic benefits for a firm including land, buildings, and machinery. Plants, properties and equipment are stated at cost, less accumulated depreciation. Expenditures for betterments are capitalized, whereas normal repairs and maintenance are expensed as incurred. The units-of-production method of

depreciation is used for pulp and paper mills, and the straight-line method is used for other plants and equipment.

- h. Forestlands - Land owned by the company which has forests on it, which is where raw materials for the company come from
- i. Investments - Includes investments in securities such as bonds, common stock, or long-term notes. Also includes investments in tangible fixed assets not currently used in operations, such as land held for speculation. Investments set aside in special funds such as sinking funds, pension funds, or plant expansion funds. Lastly, investments often include non-consolidated subsidiaries or affiliated companies. A lot of these investments do not fall under the temporary assets category but could still be readily marketable.
- j. Financial Assets of Special Purpose entities - A special purpose entity is a legally separate business that absorbs risk for a corporation. IP had several actions that were considered a part of special purpose entities. One example from the notes of 10-k was Timber installment notes that were used as collateral for borrowings from third party lenders. This as well as other special purpose entities IP engaged in was shown in the balance sheet. Assets and liabilities are recorded in regard to the transactions of these actions.
- k. Goodwill - Goodwill is an intangible asset that is defined as the excess purchase price of a company over the fair values of their identifiable net assets (assets less liabilities, or equity). According to this definition,

goodwill may only arise when from the purchase of one company by another.

1. Deferred Charges and other assets - A deferred charge is a long-term prepaid expense that is carried as an asset on a balance sheet until used/consumed. Deferred charges often stem from a business making payments for goods and services it has not yet received, such as prepaid insurance premiums or rent. In IP's Balance Sheet deferred income tax assets and liabilities are recorded in the accompanying consolidated balance sheet under the captions "Deferred charges and other assets" and "Deferred income taxes".

Liabilities:

- a. Notes payable and current maturities of long-term debt - money borrowed by the company that is due at a specific date that falls within a year from the current date. This money is borrowed with a stated Interest rate.
- b. Accounts payable - Money owed to another entity for services or products that International Papers has already received.
- c. Accrued payroll and benefits - This liability represents money that has already been earned by International Paper's employees since their last payment distribution. This account will clear to a zero balance once employees receive their paychecks and are no longer owed for the work that they have performed.
- d. Liabilities held for sale - Non-current assets and liabilities are classified as held for sale if it is highly probable that they will be realized through sale

rather than continued use. These assets or disposal groups are recognized at the lower of their carrying amounts or fair value's less costs to sell.

- e. Other accrued liabilities - Accrued liabilities are liabilities that reflect expenses that have not yet been paid or logged under accounts payable during an accounting period; in other words, a company's obligation to pay for goods and services that have been provided for which invoices have not yet been received. Any accrued current liabilities not already represented in the "Accrued payroll and benefits" account will be recorded here.
- f. Nonrecourse Financial Liabilities of Special Purpose Entities - Non-recourse debt is a type of loan secured by collateral, which is usually property. If the borrower defaults, the issuer can seize the collateral but cannot seek out the borrower for any further compensation, even if the collateral does not cover the full value of the defaulted amount.
- g. Deferred Income Taxes - Deferred income tax is a liability recorded on a balance sheet resulting from a difference in income recognition between tax laws and the company's accounting methods. For this reason, the company's payable income tax may not equate to the total tax expense reported.
- h. Pension Benefit Obligation - A pension benefit obligation is the present value of retirement benefits earned by employees. The amount of this obligation is determined by an actuary, based on a number of assumptions,

including the following: Estimated future pay raises. Estimated employee mortality rates. Estimated interest costs.

- i. Postretirement and Postemployment Benefit Obligation - Post-retirement benefits are for people who have served or worked to achieve a lifetime benefit for themselves. This is one form of retirement pension that is paid to the employees in their retirement years. These include things like medical plans and life insurance.
- j. Other Liabilities - This account includes any long-term debt incurred by IP that is not recorded in any of the other long-term debt accounts. IP's 10-k included what was the composition of the other liabilities account.

Equities

- a. Common stock - purchased stock at par value of \$1.
 - b. Paid-in capital - stock purchased at a value excess of par value.
 - c. Retained earnings - Money the company has earned that it has not paid towards expenses, dividends, or other liabilities.
 - d. Accumulated other comprehensive loss - Loss that does not factor into retained earnings because it does not factor into net income because of its circumstances
 - e. Non-controlling interests - the portion of subsidiaries the company controls that are not owned by the company.
4. The company's segments of business are industrial packaging (69 percent), global cellulose fibers (12 percent), and papers (19 percent). Companies use the packaging segment to protect and promote products, and consumers also use the packaging segment for their own packaging solutions. 88 percent of this

segment's revenue comes from North America. The cellulose fibers segment sells products that are made of renewable cellulose fibers, such as diapers and tissues. 94 percent of the revenue from this segment is generated in North America, however most of these products are exported to other regions, such as Asia, Europe, Africa, and Latin America. The papers segment of the business makes what most people think of when they think of paper. This segment covers normal things made of paper, such as printing paper, envelopes, and books, and only 45% of this segment's revenue comes from North America.

5. Most suppliers to IP seem to be chemical manufacturers, which is due to the fact that IP manufacturers most of their own paper products to then later sell.

Electricity Contracts and Foreign exchange contracts are both included in COGS while Depreciation and Amortization are excluded.

6. Selling and Administrative expenses - these are the expenses associated with structuring the company and guiding it as well as selling the product. These expenses help generate revenue by creating a way for the manufactured products to be sold. Depreciation, Amortization, and cost of timber harvested - This is all the depreciation and amortization expenses, which are not part of operating expense, and cost of timber harvested, which is the cost to harvest the timber from the land IP owns. Because IP does not sell its timber but instead uses it, the cost of timber harvested is separate from cost of goods sold. It helps generate revenue by providing raw materials to IP. Distribution Expenses - These are the expenses attributable to distributing IP's products to its consumers. These expenses help generate revenue by getting the product to where it needs to go in order to be sold.

7. In 2016 the reason for a lower Net earnings can be blamed on a small increase in many individual revenue and expense accounts. In 2017 the Net earnings are \$2,144 (Mill), with net sales of 21,743 (Mill). There largest expense was COGS at 14,802 (Mil). In 2018 the Net earnings are 2,017 (Mill), with sales of 23,306 (Mill). There largest expense was COGS at 15,555 (Mill).
8. The accounts that make the difference between net income and cash flows from operations are depreciation, amortization, and cost of timber harvested, deferred income tax provision, restructuring and other charges, pension plan contributions, periodic pension expense, net gain on transfer of North American consumer packaging business, net bargain purchase gain on acquisition of business, net losses on sales and impairments of businesses, equity method dividends received, equity losses net, other, changes in accounts and notes receivable, changes in contract assets, changes in inventories, changes in accounts payable and accrued liabilities, changes in interest payable, and changes in other.
9. The accounts that contain estimates and judgements are impairment of long-lived assets and goodwill, allowance for doubtful accounts, contingent liabilities, pension benefit obligations, and inventory.

There are many things someone can learn about a company just by analyzing its 10-K, as this case clearly shows. International Paper's 10-K was over 80 pages long, and it can be a lot to sort through, especially for someone who is not familiar with accounting terms and financial reports. However, it is important to be able to pull relevant information from it because as someone in the accounting or finance industries you

cannot rely on news articles to dumb it all down. You have to be able to find the information you need from the raw data given through these filings.

On the flip side, if you are compiling the filings instead of analyzing them, you have to know all about the company in order to make an accurate and reliable filing. If you don't know what each asset is used for you won't be able to ensure that it is in the right account. For example, most companies don't have timberlands as an asset, so without a deep understanding of the company and industry most people, even accountants, wouldn't know whether it is an inventory, raw materials, land, or land held for sale. Only by knowing what the company uses timberlands for can you know how to classify it.

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Elkin Crews

Case 5

Electoral College and Universal Basic Income

In this case study we were asked two questions, “The electoral college should be abolished. What is your reaction to that statement?” and what we think universal basic income’s effects on the economy would be. We were asked to spend about ten minutes typing our answer to each question, and then the people who wanted to share their opinions discussed their answers. Afterwards we watched an hour long video of an interview with the economist Thomas Sowell, and were asked to reevaluate our opinions.

Overall, this was a good exercise because it opened my mind to many different points of view that I hadn’t previously considered. It was interesting to hear all the ideas from the other people in class and see what their viewpoints were. There were many different conflicting opinions, as well as many that were similar or could at least coexist with other different opinions. It was also interesting to hear what Thomas Sowell had to say, even if it wasn’t directly answering the questions that we were asked to answer. What made him especially interesting to listen to is that his opinions have been shaped through years of life experiences rather than just what he was told was true. For example, at one point in his early life he was a Marxist, but he eventually came to realize that he was wrong through what he had seen with his own eyes. This makes him come off as a wiser person, and more experienced than most.

The most important thing I got from this exercise was not the knowledge imparted upon me by my classmates or even Thomas Sowell, but rather the ability to take in new information and see how it affects my preexisting opinions. Being able to see this helps me to know if my opinions are biased towards what I had

previously thought or wanted to be true. I think it is very important to be able to see an issue from all angles, not just your own angle, and this was good practice for that.

1. The electoral college should be abolished. What is your reaction to that statement?

After watching the video, my opinion on the electoral college didn't really change that much, as it wasn't talked about much in the video. However, some classmates brought up interesting points. I have never really thought it is an extremely important issue, even though it would change who the president is. It can be argued either way, and both sides have a compelling argument. I side with the idea that it is important to give the smaller states some power, which I think the electoral college does, but small states also already have power through the senate, so if the electoral college was abolished it wouldn't completely throw the balance of power off. I don't like how in large swing states like Florida, a handful of votes can change 27 electorate votes, while it is unlikely that the popular vote would ever be that close. Overall, I don't think it is a bad system so I wouldn't change it.

2. My opinion didn't change much on the topic of universal basic income after watching the video either, as I already agreed with most of what Thomas Sowell said. However, hearing more specific anecdotes of how it would have negative impacts on the economy further strengthened my opinions. More than anything, it prepared me to be able to back my opinions up if needed. I agree that taking money from the middle class and giving it back evenly to everyone is an

inefficient process that takes incentives away from people to truly improve their situation. Data and experiences show that this is the case, and like Sowell says you can't argue with it. It has been consistent throughout time, and it shows that it will only worsen a bad situation.

Elkin Crews

Case 1: Regulation FD

In this case we learned about what Regulation FD is and what its impacts are on a publicly traded company as well as on investors. Before this case, the extent of my knowledge on the subject was that insider trading is illegal and can result in serious penalties. However, I had never really considered what makes someone an insider or what potential loopholes might exist that could make something technically not insider trading that in reality is just that. This case informed me on why it is as big of a deal as it is, and in what ways people could use insider information to their advantage.

I had never known that analysts and investors were somewhat recently allowed to receive inside information and act on it. I had always assumed that this had been a law since at least the mid-1900s. To me it seems like something that would have caused problems and been addressed a long time ago. This case however made me aware that this was just the way things used to be; Wall Street knows stuff that you don't and you use their services to simply stay in the loop. It makes me thankful that we no longer have to use analysts with inside info to stay competitive investors. We can now attempt to analyze for ourselves the same information that everyone has.

I also had never considered the impact it could have on companies, and the types of controls they would now have to take to abide by Reg FD. Companies can no longer pick and choose who sees what when according to what gives them the best advantage. Instead, they must release everything at once. However, there are still other ways they try to gain an advantage such as setting beatable predictions consistently to boost prices every quarter. This creates a separate set of problems, but it at least solved some.

1. Regulation Fair Disclosure (Reg FD) was passed by the Securities Exchange Commission to ensure that potential investors are on an equal playing field in regards to information made available to them that might impact a decision they may make about investing. This means that any material information that will be made public must be made public to everyone, all at the same time. Reg FD includes financial information as well as other performance metrics. Reg FD has a big impact on the way financial information can be reported because it means that all financial information has to be kept secret except from insiders who need the information earlier for non-trading purposes. This would include the accountants who prepare the information. These insiders are still not allowed to trade based on the information seen.
2. Reg FD exists to make a level playing field for anyone who wants to invest in the public market. Previously larger investors and analysts would receive financial information before the public and would trade on it before anyone else knew what was happening, giving them an unfair advantage. A big enough analyst can artificially inflate or lower stock prices, and if he or she has inside information, can inform his or her investors to buy or sell according to what they know will happen once that information becomes public. Even smaller analysts can take advantage without artificially altering stock prices, simply knowing when prices will go up or down can lead to an unfair advantage. This opens up a new market based on taking advantage of certain people who don't want to trust these analysts. It also puts the power into the hands of a few select individuals rather than the whole market.

3. This is a violation Reg FD unless investors had been informed ahead of time that the personal Facebook page is where information would be released, and that this Facebook page is a publicly open account. This would be a highly unusual situation, as this is not a traditional way to report information. It would usually be on a company account, not a personal one. Because this information is material to an investor's decision, it does not matter that it is not financial information.
4. This article changes the answer only to the extent that in some cases it certainly has happened that information has been released legally on social media, however the factors that determine whether or not this particular instance is allowed remain the same. It would still be necessary for investors to be informed that that specific Facebook account is where information will be released, and that all investors have access to it. As long as these two criteria are met it is legal.

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The University of Mississippi

Case 2: Is it Taxable?

Astha Kandel and Elkin Crews

ACCY 420

February 12th, 2020

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

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

Overall, we learned a lot about tax laws and all the different scenarios that must be accounted for in such laws. There are so many varying rates for different situations as to

the credits and deductions people can receive. Learning about all of these contingencies made this case really interesting.

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

Letter to the partner group:

February 12th, 2020

To Whom It May Concern,

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

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

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

from the past four years. We will also have to investigate how she is investing her money and whether the types of investments pay any dividends or have interest that pays immediately as this could create unearned income which will be further taxed.

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

Sincerely,

Elkin Crews (Astha Kandel)

Corporate Tax Agent

American Audit, Consulting, Advisory, and Tax Services

Email to Mr. David Smith:

Mr. Smith,

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

Upon discussing with you your daughter's successful YouTube channel and her impressive earnings during lunch this afternoon, it made me evaluate the possible tax ramifications.

As your regular agent, I believe it is my duty to inform you about any tax troubles you and your daughter might get into. After a brief research, I discovered that your daughter is subject to federal income tax for the earnings and possible interest payments she has gathered over the years. According to my understanding, as your daughter is listed as your dependent, either you or your daughter will have to pay a certain amount of money to the

government. With regard to Emma's monthly earnings, it is my assumption that she has accumulated an amount nearly up to \$650,000 for the past four years. In addition to that, she will also have to estimate the amount of free items she receives and pay taxes on that amount. She will be subject to interest and fees for taxes she had avoided as well. Currently, I am unable to estimate the exact amount of tax she or you would owe, but, I sincerely suggest you to be prepared for the worst possible situation and not underestimate the tax amount to be paid.

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

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

Sincerely,

Elkin Crews (Astha Kandel)

Corporate Tax Agent

American Audit, Consulting, Advisory, and Tax Services

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Elkin Crews

Case 3: Blockchain Monopoly

In this case we learned about how blockchain works through a massive intricate game of monopoly. Instead of using cash, players used online banking through the cloud with an internet connection of people. The concept behind the game was actually very interesting and illustrative of how blockchain actually works, but most interestingly it showed just how much slower people are than computers. The information that people in the game stored in the “cloud” took hours to record, but in reality was not all that much information. A computer could have stored it all away into memory in less than a second. The game showed how a common cloud can act in a way similar to a bank and keep a record of all of the players accounts, while players can keep track for themselves, in a way similar to keeping a balanced checkbook. In this game there is a greater chance for discrepancies due to human error, but these could be reconciled. Blockchain uses a technology that can’t be edited by users unless a verified transaction is added, similar to how the runners only recorded transactions when players in the game weren’t arguing over the facts of the transaction.

This case was useful and interesting because often accounting students don’t take the time to learn the deeper parts of the systems they use, and exploring blockchain gives them a better understanding of how technology really works. It also is similar to how other systems work in the accounting world, as there has to be two sides so that transactions can be balanced. This knowledge gained from this case will be especially useful if blockchain’s usage continues to expand, as we will have a better understanding of how it works and in what situations is it more efficient and secure.

In this case the class played a game of monopoly without using cash but rather using a blockchain like system. Also, four games of monopoly were played at the same time all using the same system, and all games were interconnected through the properties. Each property was randomly assigned to a state when it was purchased, so that if one person lands on a property in one game he may have to pay rent to someone in a different game. Because there were four different games going on at once, and the players didn't have a cash account accessible--only the blockchain had this information--players had no idea how much money they really had. Even keeping a ledger, there was no way to know when someone from another game was paying rent to you.

The blockchain system itself was also very confusing. There were two different ledgers for the "Big Mama and Big Papa" to distribute properties, and they were constantly having to check with each other to make sure they weren't handing out the same property in the same state to multiple people. They also had to give every transaction to a runner, who would input the transaction into the cloud. The players never got the opportunity to interact with the cloud or see what the cloud was doing, so I cannot say how their job was. I can say that the Big Mama and Big Papa were overrun with work at the beginning of the game from recording transactions for the sale of property in four games at a time.

The way blockchain actually works is by encrypting codes in a way that the newest code relies on the previous code, which also relies on the previous code to make its own code, and so on creating the chain. Once a chain is big enough, it creates a block which is distributed to many different computers all around the world. Each block then connects to previous blocks to create a bigger chain. In order to edit any code, all

previous codes that the code relies on would have to be cracked, but these are spread out on so many computers it would be essentially impossible to make a meaningful edit. The only way to edit it effectively is to add to the blockchain using an encryption key, and then the computers will have to verify that it is a legitimate addition.

In the game, the system moved so slow because the runners took so much time walking to the cloud and recording the transaction, and waiting for the cloud to record it from them before returning, and Big Mama and Big Papa were also overworked. It would take days, maybe weeks just to finish a single game. Our group went through seven turns and for most of the game we weren't waiting for each transaction to process before moving to the player's turn. Other groups finished having only gone through around three turns. However, done properly, this method provides for close to no risk of fraud as long as each player keeps their ledger accurately. The cloud's records should match up with the players' ledgers to ensure all transactions were accounted for properly.

In reality, electronics process and transmit information in light speed, while humans do so much slower, the speed issue is not nearly as important in the real world. Realistically, blockchain technology has the potential to be used for economic transactions. It is really good for keeping information from being edited, and it is also useful for keeping information private because the wallet or address each user has is encrypted. Trying to hack the blockchain would be like trying to steal an entire mountain because there is a tiny little diamond in it. The information someone wants to edit is there, but it is not separable from such a bulky block of data it is not reasonable to do it. Because of this, I think it will be a long time before blockchain is officially recognized as

a viable way to conduct business, as it is not 100.00% fool proof and it is so public, but it will always be useful for people who trust the system.

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

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Interview of Holt Crews

Elkin Crews

I have already written a biography on my dad, Holt Crews, but that was when I was in high school and he has since made an interesting career change that I had previously not had the chance to discuss in serious detail. Since this change, I have learned that some of his perspectives on his field have changed as well, which actually led to his change in career path. There was certainly a lot to be learned from this case, even just seeing how people change over a few years.

In this case, what I learned most from this case was not anything specific about any industry that I necessarily have a lot of interest in, but rather more about life and careers in general. I learned that in general jobs and experience provide someone with skills that are transferable to other jobs, and people aren't necessarily limited to a certain job based on what degree they have. Holt was almost fifty years old when he decided that he was going to go into the telehealth business from the medical industry. It is easy to think that with medical doctorate degree, one would work as a medical doctor and then retire from the same position, but as Holt proved, that is not always the case. A career can go in so many different directions from where it starts, and it is so often impossible to predict where it will end.

I also learned a lot about how technology is rapidly changing the world, and is vital to our way of life surviving. As the coronavirus pandemic has shown, there is an increasing demand in society to be able to do different activities from a distance, as well as manage resources that are extremely limited in certain scenarios. Without the proper systems and technology in place to maximize efficiency while limiting the need to travel, whole countries and economies can crumble. Technology is one of the major driving

forces in all industries and can create jobs that no one would ever guess would even exist twenty years prior. Because of this, it is very important to become allies with technology.

Holt Crews was born November 24, 1970 in Memphis, Tennessee. He went to school in Memphis through high school at Memphis University School. Upon graduation, he enrolled at Washington & Lee University in Lexington, Virginia as a chemistry major. He decided to do the pre-med route at the beginning of his freshman year, and then enrolled in medical school at the University of Tennessee in Memphis. Following graduation of med school, Holt began residency in Jackson, Mississippi where he still lives today. He practiced as an OBGYN from the beginning of his residency in 1998 until 2020, when he switched careers to work on the Cspire Health app, and also to work as a professor at University of Mississippi Medical Center.

Holt never really believed the concept of telehealth had much potential. He always thought that in order for a doctor to truly be effective, the doctor would need to see the patient in person. Cspire approached him asking if he would advise their product, Cspire Health app. In 2019, he finally agreed to look into it to see if there was any potential he didn't see initially. After looking further and further into it, he came to the conclusion that telehealth wouldn't solve everything, and in most cases seeing a doctor is still necessary for a proper diagnosis. However, he also realized that in many cases telehealth can still provide a serious advantage, as patients often don't know when it is time to see a doctor and when it is not worth the trip. The first obvious use of this technology was in remote monitoring of a chronic illness. It allows doctors to monitor certain data about a patient remotely, such as heart rate and blood sugar levels, so the doctor can tell a patient to come in before the patient would otherwise know to.

Recently there has been an exploding demand for telehealth, as the coronavirus outbreak has forced civilians to stay home any time possible. One of the easiest places to catch a disease would be in a doctor's office, so it is important to keep everyone out of doctor's offices who doesn't absolutely have to be in one. This is difficult to do unless patients know whether or not they are at a high risk of having coronavirus before they come in. Cspire Health allows patients to set up virtual meetings with doctors so they know whether or not they are at a high enough risk to get tested.

An app like Cspire Health can't be developed by tech and business people alone, nor could it be developed by doctors alone. It requires a collaborative effort from both people highly experienced in the medical world who know what is and isn't safe to do remotely, and it requires business and tech people to actually develop the software to make it happen. Holt saw that there were roadblocks in his career as an OBGYN, and he saw an opportunity to change and adapt his career to one that better fits the dynamic market of the medical industry. He knew that he had valuable knowledge about medicine that the business people needed to make the app happen, and he took the opportunity.

Holt would say to young people my age that it is a good idea to have a plan for your career and to know what you want to do. However, he would also say that God has a plan for everyone which rarely looks like the plan we have for ourselves, and not to worry when we find that our lives aren't moving according to our plans. When Holt was in high school, he wanted to be a chemist, not a doctor, and he hadn't even considered the idea of being in business, much less the nonexistent telehealth business. But that is exactly where he has found himself.

One of the most important things to him, and something that he thinks should be important to almost everyone, is a good work life balance. He would say that his family and his faith are more important than his work, even though his work is very important. He also thinks that giving back to the community is an important aspect of his life. One of his biggest worries is that socialism will take over today's society and cause it to fail. To some socialism would seem to go hand in hand with the idea that giving back to the community is so important. There is disagreement because he believes socialism takes away people's willingness to work, whereas charity makes people grateful and more likely to want to work even more. He doesn't want our generation to fall into the trap of making free stuff from the government the most important aspect of politics. He also fears that people will not be able to stay civil when they disagree, and that there is a growing idea that when people disagree they should get ugly.

While Holt has his concerns about where the world is heading, he is certainly doing his share to keep everything in line. He always strives to inform people of the truth about society and the world, including the coronavirus. It is important that we have people like him around for younger generations to learn from.

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

Interview Case

April 20, 2020

Elkin Crews

In this case I was asked to conduct an interview with Brent Thomas, who just finished his deal advisory internship with KPMG in Dallas, TX. This was a fun and interesting case to conduct because I got to hear from someone else who works in advisory and was in my same position only one year ago. This was the first time I had really gotten to hear from someone so young who is doing advisory. It was also nice to hear what kind of advice he had to offer someone going into an internship. This interview wasn't conducted with any real structure, which also made it interesting because I could ask the questions I really wanted to ask and thought would be beneficial to me.

From this case the most important thing I learned was what skills are important to an advisory internship and what I can expect the internship to hope to get from me. I had heard what to do to prepare for an audit and tax internship, and I have had similar conversations to both audit and tax people only a year older than me, but never with someone from an advisory position. This insight was helpful because even though I had a good grasp of what full time advisory people do, I had never heard much about how the internships are different. Even still, Brent did his internship with KPMG Deal Advisory in Dallas, while I am going to be doing my internship with Deloitte Risk and Financial Advisory in Memphis, so there are still a lot of things that could be very different between our experiences.

Despite these differences, this was still one of my favorite cases because of the opportunity to hear from someone in a similar position to me. I also enjoyed having the ability to take the conversation where I felt would be the most beneficial. All in all, it was a nice change to get to learn about what I felt I really needed to learn about rather than have a set of questions to answer for the case.

I was excited to learn about what day to day activities were like for Brent in his internship. I had heard some about day to day activities from older Deloitte advisory people, but not anything from any interns. It was interesting to hear about his experience because he, like me, didn't know what to expect going into the job. What he told me that would help me have a successful internship is to work on getting better with excel, as this is something that is not only used a lot, but also something that doesn't require real world work experience to get better at. It will also make it a lot easier to work quickly and efficiently. Other accounting knowledge, such as how to make journal entries, is already being taught heavily in class, and cannot really be applied to work without knowing the technology used to input or analyze the data.

He then talked about how important it is to be nice and have a good attitude at work. He emphasized that the people at work do not expect you to come in knowing how to do everything, and they are willing to help as long as you are willing to put in a good effort. Being nice is important because it will help you get along with everyone and make people more willing to help when you have a problem. Getting along with coworkers is also important because you are with them for so much time in a day, and it can have a big impact on your quality of life.

Brent also talked some about some things that won't necessarily apply to my internship, but were still interesting to hear. He talked about how his internship was split into two rotations with different groups of people in each rotation. However, I don't know whether or not my internship will be the same. He also talked about Dallas, and why he wanted to go there.

Another thing Brent talked about was why he wanted to do advisory in Dallas. He said that he had talked to someone a year older than him doing advisory, who had convinced him that it would better fit what he was looking for. This was largely because advisory doesn't involve as much extremely late work and not a real busy season, rather it gets busy when work comes in. This means that it can be harder to make plans to do non work activities well in advance because there is no way to tell when it will be busy and when it will not be. He also said he wanted to go to Dallas because he wanted to be near home, which is similar to why I want to go to Memphis. He also mentioned that another incentive for doing advisory is that it pays better than both audit and tax.

All of this was great to hear about and it was nice being able to ask questions that I had never heard the answer from an advisory intern. Even though there were a lot of good answers I received, there is still a lot that he could not answer, such as what Memphis is like, what the difference between deal advisory and risk and financial advisory is, and how a summer internship will be different from a winter internship. I will probably have to find the answers to these questions through first-hand experience.

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

Samuel E. Crews

Case 6: The Economy

Elkin Crews

In this case I watched two videos, one was short explaining what crony capitalism is, and the other was a movie titled “Inside Job” and was a documentary about deregulating the financial sector of the economy and the recession in 2008. Then I read three articles, the first of which was published by Wired, and explained what mathematically allowed the housing bubble to occur. The second article was published by Rolling Stone and attacked Goldman Sachs specifically for inflating five economic bubbles and letting them burst, and finding a way to make money off of it. The last article addressed what people on Wall Street do not like about Donald Trump as President.

This was my favorite case I have done so far because it provided so much to think about, and really left me knowing that I know a lot less about how the economy and financial world work than I thought I did. This case brought up more questions than answers, even though it did provide many answers. Every time something was answered, more questions would arise. For example, upon hearing that the executives of the investment banks were keeping massive retirement benefits after their fraudulent activities, I found myself asking why they should get to keep this money and how they convinced the courts to let them keep it instead of repaying it to the people they defrauded. This was very frustrating to think about because it seems to make no sense at all, but it keeps happening time and again. It also made me wonder what incentives the producers of the film have. Are they just trying to stir people up so their video will go viral and make more money, or do they genuinely care about educating the public? The answer to this question is important to understanding the truth.

I have learned more importantly from this case than anything else is that not everything can be trusted, and just because everyone else is doing something doesn't

mean it is the smart thing to do. There is corruption everywhere in our society, and if you are not on your guard you will be the one who is paying the penalty, not the people who are the root cause of the issue. The economy we live under is very complex and failing understand what is happening in the economy can leave you blindsided. Even preparing properly can't fix everything.

The knowledge I gained from watching the videos and reading the articles did not change anything fundamentally about what I believe. My moral standards are still the same, and I still believe that people should be held responsible for their actions when they affect other people, even if it is indirect. The videos and articles did affect who I think specifically should be held responsible, as I now believe that the investment banks are at fault, but more deeply the whole system is flawed. I still do not know who led the system to corruption, but I think they are ultimately the people who have done the most wrong. Ultimately, I still believe that people will respond in a way that aligns with the incentives set in place around them, and while I do think the bankers shouldn't have behaved the way they did, it is ultimately the government's duty to provide an incentive system that will discourage the negative behavior that led to millions of people losing their jobs. I think the government is sending a message to these banks when they take regulations away that says that it is fine to take advantage of people and the economy as a whole. It is the government's job to recognize that its own job is to protect the general public, not the investment bankers.

This knowledge for the future means we have to be more vigilant when voting. There is a way to change the government's behavior, but it would take a unified effort from a majority of the population to change it. This is why it is so important to eliminate fake news from the media and only allow the truth. Until everyone can be properly informed of what is happening in the world, people won't really know what they are voting for or against.

I also think this knowledge means that on an individual level, people need to know how to recognize economic bubbles, as mentioned in the article by Rolling Stone,

so that they do not fall into the trap. When these bubbles burst, they have the most serious effect on normal people, not the people engineering them. People need to be better prepared not only to know how to avoid the bubbles, but also to deal with the consequences happening around them, such as job loss from the employer or even someone else on the supply chain not being properly prepared.

I think that the materials watched and read mean that for anyone in society, your actions will have a much greater impact than just their impact on you. So for me, as someone entering advisory, my actions affect a lot more than just whether or not I receive a full time offer, or in the future a promotion or bonus. My actions affect the client I am working for as well as the integrity of the firm I will be working under. This is made clear by the movie and the article published on Wired that one person's actions in mathematics could have a vast impact on where millions of people worldwide are living. In today's world, with the internet and highspeed travel everyone is so interconnected through business that even relatively small actions can affect large groups of people that you may not have even known to exist. Because of this distance between action and effect, it is easier to forget what impact we have on others, and we must be wiser, both in professional and personal life.

The virus could change the economic and political climate in the United States in so many ways, and I think it would be impossible to accurately predict how it will change the world we live in. There has never been an event similar to this in modern history, so there is no precedent to go off of. I do think that some things will change for good to some degree, such as our tolerance for working remotely and the technology and resources we have available to allow us to live our lives this way. Beyond that, I wouldn't

feel safe making a prediction as to what will happen in the political and economic climate. Hopefully this struggle will unify the country and remind us that we are all humans with the same needs and allow us to work together better. Recently, as mentioned in the article about Donald Trump, politics has become much more about identity and hating the opponent more than it needs to be, and I do think there is a real chance that the virus helps to rein this mentality in.

I think economically it is definitely possible that as businesses learn to operate remotely with only essential employees, many jobs won't be recovered. If this is the case, hopefully those displaced will be able to find jobs that add more value to their company, and thus are less likely to be displaced in the future. I am hopeful that the economy as a whole will recover, but I am worried that unemployment rates will recover more slowly, and that the wage gap will widen if the virus speeds up automation of low wage jobs. There are many more possible outcomes, but this is the one that seems the most likely to me.

What we can learn from what is happening around us is that the environment we live in is not static. Anytime a normal standard is set, something will shake it up, and sometimes the effects will be drastic and permanent. It is important to know that markets and supplies and demands of everything are always subject to change and they will not always change according to a normal pattern. The world we live in is always evolving, and those who do not pay attention to it will be left in a more difficult situation to recover from.

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

Samuel Elkin Crews