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A Discussion of Special Topics in Accounting

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A DISCUSSION OF SPECIAL TOPICS IN ACCOUNTING

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ABSTRACT

In order to complete this study, I used a variety of websites, telling me information about the cities, as well as sites that could provide me with facts and figures as well. I was able to interview my roommate ,who is from Chicago, to get a good place to begin on a lot of the questions such as where I would want to live in the city. Through means of data collection, interviewing, and budgeting I was able to come up with an answer to where I would want to live.

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Tale of Two Cities Case Study

Introduction

The "Tale of Two Cities" study is meant to teach students about the differences in cities when choosing a place to begin their career. As I learned from the acclaimed NBC sitcom 30 Rock, you should follow your heart when making hard decisions. (Heart is of course an acronym for Hard Equations and Rational Thinking) This assignment, especially for somebody from a smaller city, is a very useful look into what it may cost to live in a big city, as well as dispel the notion that all big cities are the same. The assignment provides us with an in depth look at life in each city and factors that need to be considered before one might say "I want to go to New York or I want to go to San Francisco." For me this assignment helped me realize just how drastic differences in take home income can be, due to taxes. It also began to show me how to look at different real estate options, whether to rent or to buy, and what part of a city is the best to live in based on personality, income, safety, and stuff to do. This assignment also is useful to teach students how to prepare to live on a starting associate's salary. Through this assignment I was able to learn both how much, and how little this salary can be for a person, depending on hobbies and preferences. This study demonstrates the ideal way to make big decisions, by breaking down all of the factors, not just the monetary ones, but also the ones related to personal satisfaction in work life and out of work life. This study also highlights the difference in lifestyle that is a result of wanting to live in a big city, such as square footage differences, the difficulty of being able to do simple tasks such as grocery shopping and owning a car.

Abstract

In order to complete this study, I used a variety of websites, telling me information about the cities, as well as sites that could provide me with facts and figures as well. I was able to interview my roommate ,who is from Chicago, to get a good place to begin on a lot of the questions such as where I would want to live in the city. Through means of data collection, interviewing, and budgeting I was able to come up with an answer to where I would want to live.

1. **What is the population?**

Dallas has a population of 1,343,573, and while it is a growing area, it is smaller than that of the Chicago's 2,695,598 people living within the area.

2. **What is the climate like, will I have to make adjustments?**

Chicago: Summers are warm, winters are cold. I have lived in Michigan, where the climate has been similar. Dallas has a hot and humid climate which is similar to that of Ole Miss and my hometown of Pensacola, FL.

3. **Describe the city's topography, scenery, and other geographic or geological features of the area in which the city is located. Include pictures where appropriate**.

Both of the cities are large metropolises with skyscrapers. Chicago is on Lake Michigan, and is home to Willis Tower, one of the largest skyscrapers in the world. Dallas is on a flatland plains area.

4. **What are the individual tax rates within the city (e.g., consider federal, state and local income tax, property tax, and any other taxes you'd be likely to pay. Quantify what this means based on a starting salary of approximately $55,000/year)?**

Through a smartasset.com calculator I was able to calculate that there is an a take home pay of $45,518 in Dallas, with a sales tax rate of 8.25% you have purchasing power of $42,048 at $55,000. In Chicago you have a take home pay $42,908. This leaves us with a spending power of $32,637.87 at the same salary.

5. **What transportation hubs are in the city?**

   Chicago: Has Chicago O'Hare Airport. Water Taxi System, Bus and Taxi system as well as an above ground railway. Dallas has an international airport with the code: DFW. It has a high speed transit system called DART. Most people in both of these cities buy cars, but Dallas has a much higher percent of owners.

6. **What are the city's most prevalent industries? What are this city's five largest companies?**

   Chicago's most prevalent industries include manufacturing, transportation, information technology, and health services and technology. The biggest companies based in Chicago are Boeing, United Continental Holdings, JLL, Grant Thornton, and Cushman & Wakefield. Dallas's biggest industries are defense, financial services, telecommunications, and semiconductor industries. The biggest companies include ExxonMobil, Neiman Marcus, Advance PCS, Southwest Airlines, and Dean Foods.

7. **Describe the quality of the city's healthcare. Describe the quality of the city's school districts (K-12). Would you children attend public or private school?** Dallas

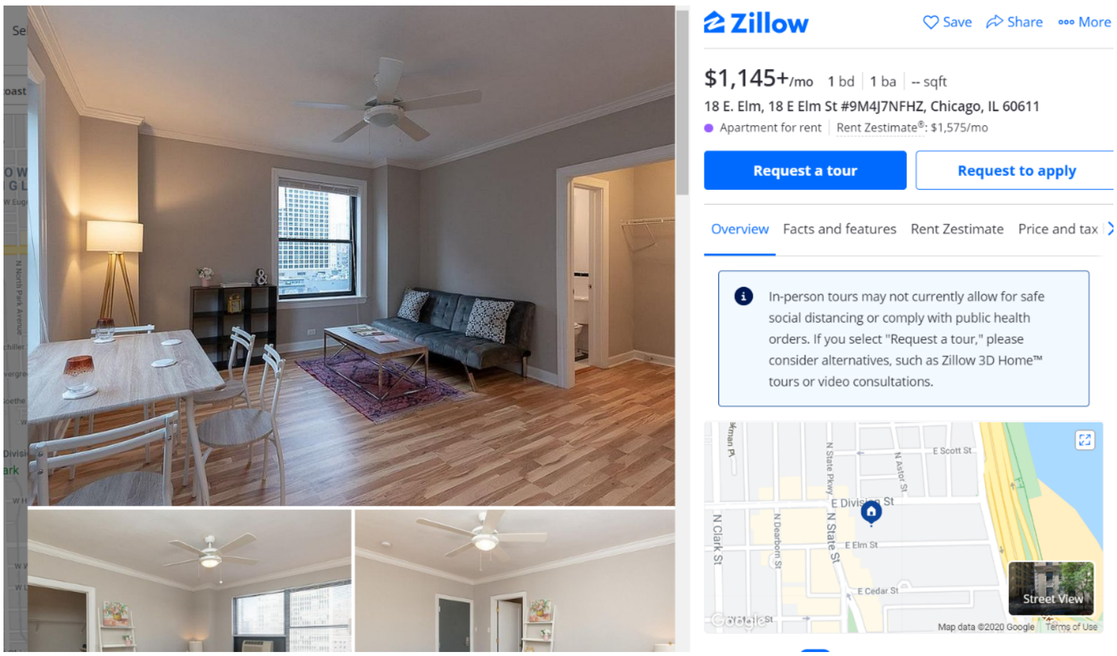
healthcare is ranked near the top of the country for best health care in big cities. Chicago does not rank in the top 50 for best healthcare cities. In both big cities, I would want my kids to attend private schools. However, Niche.com ranks all of the Chicago school districts at or above a B grade. All of the Dallas public schools receive above a B.

8. **What types of crime are common within the city and where are the locations within the city to avoid?**

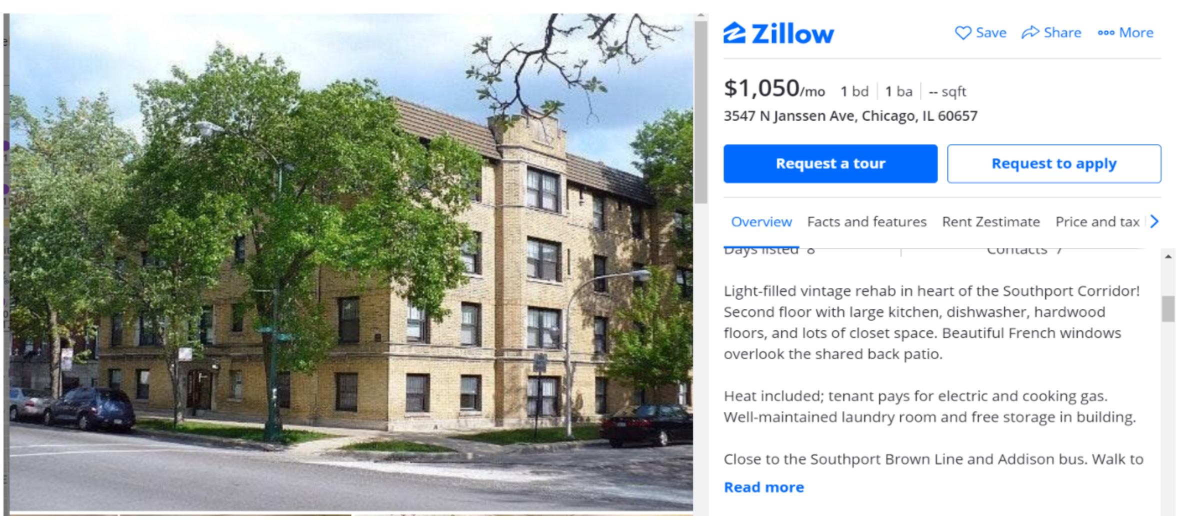
   In Chicago, Murder, Burglary, and other violent crimes are concentrated in the south side of the city. In Dallas, Shootings, Burglaries, and Assaults are more common in the areas South of I-30.

9. **Based on where you see yourself living for the first three years, how much rent do you expect to pay? Back up this assertion with sample properties from each location (including pictures). Describe the square footage, amenities, need for a roommate, availability of parking, etc.**

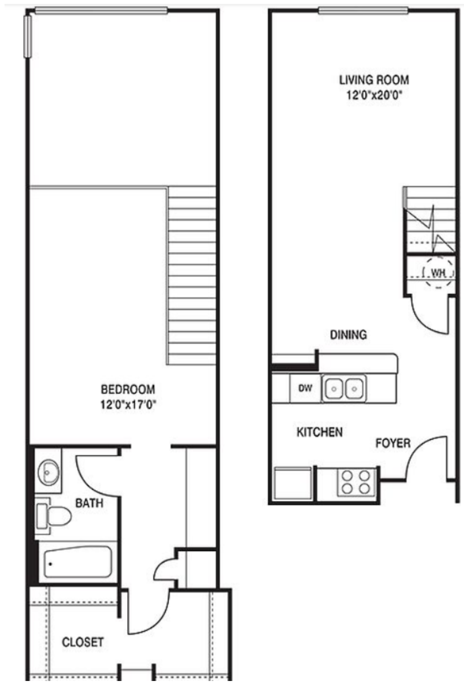
   In Dallas, with a take home income of $45,518, and using the 30% rule of thumb, I could afford around 1,000- to 1,250 in rent each month. In Dallas, there are numerous options in this range and even below it. This allows for purchase of a studio apartment or a 1 bedroom without having to get a roommate. The options I would look in to are apartments with over 500 sq. ft. Chicago No roommate, rent from in a similar range to Dallas, around 1,000 to 1,200 for an apartment either in Wrigleyville, or on the Gold Coast, with less sq. ft. Both of the apartments offer similar amenities such as laundry and a fitness center. However, parking is almost always there in Dallas, whereas Chicago many apartments do not even offer it. The need for a roommate in both of the cities is not necessary.



Apartment Listing in Gold Coast, Chicago, IL



Apartment Listing in Wrigleyville, Chicago, IL



$955 - $1,250 / mo

1 bed | **1** bath | **688** sqft
Available now
7 units

Request to apply | Request a tour

Availability

Price	Availability	Unit
$955	Nov 4	Unit 3094
$1,120	Now	Unit 1031
$1,140	Oct 16	Unit 3043
$1,160	Oct 2	Unit 3082
$1,200	Now	Unit 3065
$1,200	Now	Unit 3053
$1,250	Oct 20	Unit 1082

Unit features

Features may not be available for all units

Apartment Listing in Dallas, TX

$1,095 / mo

1 bed | **1** bath | **657** sqft
Available Oct 9
Unit S0911

Request to apply | Request a tour

Unit features

Features may not be available for all units

- Cable TV ready
- City, park view
- Concrete flooring
- Dishwasher
- Garbage disposal
- Hardwood flooring
- High-speed internet ready
- Microwave oven
- Oven
- Range
- Refrigerator/freezer
- Washer/dryer
- AC: Central

Apartment Listing in Dallas, TX

10. **What is the typical mode of commuting?**

    Based on your answers identified in the prior question, what are your likely commute times? Driving, but due to the availability of real estate at low prices, there is a good chance you would be able to walk or quickly drive to any job. Most people in Chicago take public transit to work. Due to having to take the train because of a lack of space and parking, about 30 minutes. Chicago 27.5% of households do not own cars, whereas Dallas only 9.1% of households do not own cars.

11. **What is the typical mode of commuting? Based on your answers identified in the prior question, what are your likely commute times?**

    Driving, but due to the availability of real estate at low prices, there is a good chance you would be able to walk or quickly drive to any job. With cheap, quality real estate available near the office, there should be less than a 15 minute commute. Most people in Chicago take public transit to work. Due to having to take the train because of a lack of space and parking, about 30 minutes.

12. **Where will you do your grocery shopping?**

    Dallas has multiple grocery stores, however I would like to go to one of the Multiple Whole Foods or Trader Joe's. Chicago has Mariano's which is regional, as well as Jewel Asco.

13. **How will you do laundry?**

    All apartment options for both of the cities have laundry available on site.

14. **Name at least three civic, religious, or charitable organizations you would like to be active in for each city?**

Dallas has numerous Catholic churches that I would attend, Dallas Life Foundation, which is an organization working with the homeless. Task Dagger Force supports veterans, which I would be interested in helping out with since my dad is a veteran. Chicago has the Holy name Cathedral for me to attend church at. CARPLS which is an organization that provides legal help to people who can't afford it for the most part. Chicago Freedom School aids in literacy and education with underprivileged people.

15. **What are the sports, entertainment, or recreational activities that you would be most likely to engage in within the city? Name at least five activities.**

    As a sports fan Dallas and Chicago have huge sports markets. Dallas has the Dallas Stars in the NHL, FC Dallas in the MLS, The Mavericks in the NBA. On a different note there is Dallas Arboretum and Botanical Gardens, and Concerts at Cowboys Stadium. In Chicago sports teams include the Chicago Fire, the Chicago Bears, and the NHL's Chicago Blackhawks. In addition to this there is the Chicago Theatre, as well as Lake Michigan.

16. **What are the modes of traveling back to your hometown from this city? What is the average cost you'd incur for each trip back home? How long will it take to reach your home?**

    Dallas is a 2 hour plane ride from my for about $300. The drive is 10 hours, so is not the preferable option. DFW is an international airport, so flying anywhere would not be difficult. Chicago is 4 hours roundtrip via plane for $400 on average. Chicago is more than a days drive from my hometown, so wouldn't be a reasonable option to drive if you have to pay for a hotel for a night.

17. Based on your findings, develop a model monthly operating budget for each city for Year 2, assuming that with bonuses for being a high performer, your annual salary is $60,000.

Expense	Chicago	Dallas	Standard before adjustment for dollar value in state
Income	$ 60,000.00	$60,000.00	
Income Tax	$ 13,822.00	$10,965.00	
Income After Tax per month	$ 3,848.17	$ 4,086.25	
Rent	$ 1,200.00	$ 1,100.00	
Food	$ 505.00	$ 483.51	500
Utilities	$ 252.50	$ 241.76	250
Savings	$ 769.60	$ 817.25	
Entertainment	$ 303.00	$ 290.11	300
Insurance (Car and health)	$452	$ 420.97	
Remainder/ Misc	$ 818.07	$ 1,153.62	

18. Finally, based on your full analysis, determine which one is your preferred city and why?

Growing up, Chicago has always been a very interesting city to me and living there would be my choice if all of the factors were even. However, the factors are not all even. There is more freedom in Dallas, greater range of real estate affordability. There are lower taxes, and a better climate. It is easier to visit home as well. For all of those reason, I would have to choose Dallas over Chicago.

Evaluating Current Financial Statement Concepts

Worked on by: Caitlyn Henry, deYampert Garner, II, Josh Pearson, & Matthew Stersic

Summary

Case study two placed four classmates together to discuss accounting standards that have been debated for years. Dr. Dickinson asked us to place ourselves on the Financial Accounting Standards Board and consider several different prompts. The first question was about a wholistic, more broad view of how financial reporting should be performed. The exact debate pertained to whether firms should be viewed as "asset greenhouses" or "asset furnaces." This topic was something that the members of our group had not considered before. These two ways to view a business have both their strengths and weaknesses, but we finally decided that viewpoint two offers a better perspective on a firm's worth to present and potential investors, lenders, and creditors who are deciding whether to provide financial means to a company. Since we are reporting on primarily for-profit entities, our group felt that accountants should be most concerned with providing adequate information about revenues, expenses, and the resulting earnings that arise.

The second question was acutely focused on the evaluation of assets and their worth to a firm. "Value-in-exchange" and "value-in-use" were the two juxtaposed positions that we were tasked with considering. This question caused more debate than the initial question which came to a consensus decision fairly quickly. This debate was intellectually straining because we had to stretch our understandings and beliefs about how accounting currently operates under the FASB.

Question two ended up in an even split of the vote to decide which of the two asset valuation methods more appropriately assessed a company's assets which eventually creates equity. Our group finally decided on viewpoint one resulting in a more effective and legitimate accounting standard for the future.

The most challenging part of the assignment was producing accounting entries that would change either in amounts or accounts with this new understanding of asset evaluation. Our group worked cohesively to discuss several possible entries ranging from patents and their worth to inventory and changes in market value. This part of the assignment allowed us to see that with any viewpoint, vast amounts of research and experimenting would be necessary when presenting this method to the FASB because so many common practices would be changed. We did not previously understand the extreme complexity involved in changing an accounting standard because of all the unique scenarios that a business enters.

QUESTION 1:

Josh: "Viewpoint two focuses on the most concise and appealing reporting to investors, who influence our primary goals as a financial entity, so viewing the financial statements through the lens of "asset furnaces" allows us to present the financial information that is most important to investors—revenues, expenses, and earnings. Though, viewpoint one better establishes the value of growing firms because earnings often come years after an initial offering like Tesla, and we can better evaluate growing companies based off their amounts of assets and liabilities."

Caitlyn: "Viewpoint two better measures the viability of a stable, well-established business. A constant inflow of revenues more appropriately measures the success of a business. The "asset furnace" approach focuses on the long-term view of the company that aligns with the going concern assumption. If a company were considering liquidation, the "asset greenhouse" method would be more helpful in evaluating the wealth of a company based solely on its number of assets rather than turning a profit."

deYampert: "Viewpoint two is helpful for growing companies as well, because it allows reasonably prudent investors and creditors to see what exactly causes those revenues to be less than expenses. For example, if an investor realized interest was high early on in the company's livelihood because of initial funding, the investor needs to know that it will be paid off soon.

This would cause a drastic swing in net income and expenses if large amounts of debt are soon to be paid off, or if expansion is incredibly large, costs will be larger than can be expected to continue. Therefore, viewpoint two can fit the growing company just as well as the stable company for the reasonably prudent investor."

Matthew: "The 'asset greenhouse' analogy for viewpoint one is not prudent for the consideration of how a company might run. This would better fit an investment account, but this is not how a company should be viewed. The risk that you are taking isn't properly conveyed by the term 'asset greenhouse.'"

Caitlyn: "Using the 'asset greenhouse' approach, a company who aims to acquire as many assets as possible runs the risk of bankruptcy if their primary focus is acquiring assets rather than turning a profit. Assets are useless until they are used to generate revenue. In contrast, an 'asset furnace' is an excellent view because it appropriately determines the financial goals of a company and shows how a company should value their assets. Even though cash and accounts receivable are considered assets to store in the 'asset greenhouse' method, the financial reporting style is not as clear of an approach because it does not offer the bottom line of what a company's net income and retained earnings are.

deYampert: "The focus on earnings is especially important to this viewpoint because that is what creditors and investors are most concerned about. They are looking to have consistent revenues to sustain their interest expense or dividends, respectively. Focusing on what keeps a company moving forward and attempting to reduce costs and raise revenues which are the end-goals of all for-profit entities although social activism is increasingly expected among large corporations."

VIEWPOINT ONE PROS & CONS:

PROS:

- Assets sometimes give better context than revenues.
- It is a better evaluation of a firm's assets at a particular point in time.
- Non-profit companies can be more appropriately valued.
- It better evaluates growing companies that have not reached profitability for any number different reasons.
- It serves as a long-term viewpoint since assets and liabilities do not close out at the end of the year like revenues and expenses.
- This method puts heavy emphasis on the ratios that result from assets and liabilities, which can be helpful in comparing firms with their competitors.

CONS:

- It may be difficult to appropriately value all assets in a company when considering depreciation or intangible assets.
- Many fair value evaluations can lead to manipulation of profit and of a stock price.
- Properly valuing assets can be expensive and serves as a cost restraint.
- This type of evaluation leads to debt that is constantly shifted through different tax breaks and policies; mergers can hide many downfalls in companies that can report high assets but have overwhelming amounts of debt.

VIEWPOINT TWO PROS & CONS:

PROS:

- Revenues are the best measure of a company's success to an investor.
- Assets are used to create revenue; therefore, revenues are the main objective.
- It focuses on what value is created rather than what increases asset balance.
- This viewpoint measures the success of established companies better.
- It allows external users to sooner see established companies' downfalls than by solely viewing a company's asset evaluation.
- Viewpoint two is helpful for creditors and lenders since they are looking for low-risk opportunities.

CONS:

- Viewpoint two does not accurately measure growing companies' intrinsic values.
- It is a short-term viewpoint, since revenues and expenses are nominal accounts.
- Revenues do not always translate directly into assets. For example, receivables are rarely collected in full.
- This view might not offer as much detailed information on changes in assets and liabilities.
- Revenues and expenses can lead to "window-dressing" or manipulating a firm's financial statements to appear better on the outside than it truly is internally.

FINAL DECISION:

As a group, we decided that viewpoint two is the most appropriate view of financial statements. Since earnings are what keep companies as a going concern, they should be the primary focus of our financial reporting. This view helps both investors see current prospects and allows creditors/lenders to determine whether companies should be allowed more debt. Viewpoint two is also just as advantageous for internal users to judge their success as a company because many managers and subordinates receive bonuses or commission based off the revenue of their company. Because viewpoint focuses on the short-term goal of a company's revenue for a single fiscal period, internal users as well as external users will both want the company's decisions to be driven by the primary concept of revenue. We feel that revenue and expenses are a better evaluation of a company's viability rather than reporting a firm's assets and liabilities that should simply stay on a balance sheet.

QUESTION 2:

Josh: "Viewpoint one seems to be talking about a more fair-value approach since it is 'value-in-exchange.' It would help with assets like stocks or trademarks, while it may not fare as well with property plant and equipment."

Matthew: "Viewpoint two focuses on 'firm-specific' value, which more appropriately values raw materials that are worth more in combination with other assets such as raw materials, equipment, or labor. For example, glue or steel by itself may be a very low value item; however, when combining it with other raw materials during the production process, its firm specific value increases tremendously."

deYampert: "Valuing things by their worth to a specific company in viewpoint two seems redundant, since the net operating income encapsulates the difference between raw materials and the processes needed to convert them to goods and is already calculated in total. This difference is important because it can provide gross margin, but it is already built into the income statement. Viewpoint one keeps companies from inflating the cost of their inventory to make their ratios appear better than they are. If raw materials, unfinished goods, and finished goods are valued only at what they are worth through direct and indirect costs, then inventories are more appropriately assessed."

Caitlyn: "Viewpoint one is closer to the historical-cost principle that GAAP currently aligns itself with when evaluating assets at its dollar amount. This is a fair and objective way to report assets because it allows for little interpretation or manipulation of asset categories and their resulting expenses."

Josh: "No, I would argue that viewpoint one is more fair value based because it is concerned with what we could sell our assets at. This is intrinsically what it is worth."

Caitlyn: "I think it is possible that viewpoint one accounts for both fair value and historical cost because it uses the specific dollar amount as its unit of measurement. Here is a crazy thought. What if we did not value our assets using the current US dollar and totally disregarded the monetary unit assumption? This would offer an entirely different perspective of viewpoint two. If we focus on evaluating assets based on their usage throughout the daily operating activities of a company, then we could value these assets a firm specific worth that compares usage as the value point rather than cost. We could create a rating system of one through ten to assess how often an asset is used within a week, with ten being daily and one being not at all. We would then report the assets on the balance sheet in a graded amount based on how useful it is to our specific firm. For example, the extra conveyor belts that sit in the warehouse for most of the year would not be very valuable to a company because it is rarely used. In contrast, the equipment or raw materials that are used every day during the manufacturing cycle are extremely valuable to that particular firm despite what it originally cost the company. I feel that this a very feasible yet creative alternative to viewpoint two."

Matthew: "I see what you are saying, Caitlyn. What if we used a multiplier to assess how much an item in inventory was used, and then multiplied the ranking by the dollar amount to transfer it back to monetary units? I think that could potentially capture 'value-in-use' the most effectively."

VIEWPOINT ONE PROS & CONS:

PROS:

- Viewpoint one more accurately presents values that are expected to be sold.
- We can evaluate the individual pieces of a product better when going through the manufacturing process.
- The evaluations of assets are less complicated because of market-price availability.
- It has the ability to capture asset value through gains-and-losses, both literally and fiscally.
- Transaction history of an exchange of goods or services makes it easier to determine the value of assets because the standard for evaluation is very clear.

CONS:

- It is costly to measure things at fair value.
- It is also time-consuming to measure things at fair value.
- Value-in-exchange does not always accurately convey non-monetary unit value.
- Fair value has the ability to be manipulated very easily.
- Value-in-exchange requires constants adjustments based on market/interest rate changes.

VIEWPOINT TWO PROS AND CONS:

PROS:

- Viewpoint two allows firms to show external users the value that their firm specific processes create.
- Value-in-use offers a better perspective on different stages of the inventory conversion cycle.
- Viewpoint two better evaluates companies on the forefront of innovation.
- It is advantageous for established companies because they have been operating for numerous periods and have a solid understanding of what individual items are worth to their company.
- Viewpoint two better accounts for value of assets that may not be reflected in its dollar amount alone.
- It offers firms more flexibility and freedom when evaluating assets as they value it within their own operating activities.

CONS:

- Value-in-use can be manipulated to create better ratios for assets and increase equity.
- The SEC would need to develop a complete and thorough sub-entity that understands each industry as an expert would to confirm that firms are honestly valuing assets at their worth.
- It would require a years-long rollover from current accounting standards to make such a vast change to our current methods of evaluating assets.
- Value-in-use moves managerial accounting into regulation by the FASB.
- Value-in-use jeopardizes comparability with a firm's competitors.

- A company would have to create an account to hold differences for liquidation of assets when they are sold at market value instead of firm value.

FINAL DECISION:

Our group contemplated our decision for several hours because we truthfully felt that both ways of valuation were total extremes. Ideally, we would like a happy medium like the system we currently use. We would not be happy if either of these evaluation methods came into practice in the future. We ultimately decided that viewpoint one is a better way to value assets. Measuring assets at their “value-in-exchange” counts for the cost assigned when a transaction is made, and it allows for less fraudulent activities or “cooking the books.” Value-in-exchange fixes the issue of property, plant, and equipment being valued incorrectly due to inflation or market changes. This viewpoint is easily adoptable because of the widespread availability of market prices. Adjusting assets for both gains and losses can be an indicator of where a company’s future lies.

Value-in-use simply leaves too much power in the hands of the firm when preparing financial statements. It would be difficult for auditors to evaluate assets based on the firm’s interpretation of its specific value. Value-in-use has too much fluidity throughout the valuation process, making it very difficult to have regulations and standards for all companies to follow. We feel that it could put the integrity and accuracy of financial reporting as a whole at risk if this were to become the new standards.

ENTRIES FOR VIEWPOINT ONE THAT WOULD CHANGE:

This transaction shows how the appreciation of a building through market swings might be adjusted at the end of a year.

12/31 BUILDING	1000000	
BUILDING APPRECIATION		1000000

This transaction is an example of raw materials being adjusted after gaining value through a marketplace change in price.

12/31 RAW MATERIALS	50000	
MARKETPLACE GAIN ON RAW MATERIALS		50000

This example shows an adjusting entry for land that is held for speculation that has a decrease in expected value.

12/31 LOSS ON LAND HELD FOR SPECULATION	500000	
LAND HELD FOR SPECULATION		500000

The following example shows how a company might account for a loss of value in equipment at year's end.

12/31 LOSS ON EQUIPMENT VALUE	75000	
EQUIPMENT		75000

This example shows how an increase in the market cost of inventory for a merchandiser would represent a value change at the end of a fiscal year for currently held inventory.

12/31	INVENTORY	125000	
	GAIN ON INVENTORY		125000

This example shows how a company might account for a gain on a patent through the growth of the company or its increased value after comparing to other competitors in the marketplace.

12/31	PATENT	3000000	
	GAIN ON PATENT		3000000

The following example shows the way a company might account for the loss of their trademark if they did not protect it or if they suffer a substantial market share loss for various reasons.

12/31	LOSS ON TRADEMARK	750000	
	TRADEMARK		750000

Presidential Debate Case Study

Abstract

For this case study, the methods we used were very similar to the previous study. This required a lot of self-reflection and independent thinking, not necessarily research. For this study, I prepared myself for the debate by thinking about the state of the nation. I thought about the question of what unifies us and looked at it through the lens of the current crises in our nation. I then watched a recording of the debate a few hours after it aired. I avoided social media, and discussions about how the debate was going with my friends, to avoid being influenced by my opinions on the outcome of the debate. To answer the second question I used macroeconomic and microeconomic principles. Part 3 was focused on self-reflection similar to the first question. Through this, I was able to decide how I was going to live in the aftermath of the election and continue to live my life and chosen career regardless of who is in the oval office.

Question 1

Earlier this year, I talked to my dad about the racial justice climate and some of the issues facing America. Our thoughts about the situation were very similar. At one point, I remember asking about the protests. He said that America has the greatest ideals in the world. America as a nation is not able to live up to the ideals that we set for ourselves. Here lies what both divides and unites America. Our ideals. What divides us is our understanding of how to achieve these ideals. I think this is what America has to realize in a time where it feels like there is more that divides us than unites us. This is at the heart of political questions not what country will America be, merely how we are going to obtain the lofty ideals of this nation. A great example of this is the debate on fiscal policy. At the end of the day what both the right and the left want is the ability for people to compete for jobs and put themselves in a position where they can make a better life for themselves. The right aims to do this through deregulating and removing the restrictions so businesses can help citizens, whereas the left takes a more hands-on approach to the market. One of the things in the past that has united us was merely the fact that we are all Americans, and many times in crises this has been sufficient to mobilize for the good of the nation, such as 9/11. However, as the world shrinks due to social media, telecommunications, and globalization we have become united in a way that we previously had with the states of our nation. This will lead to in the next few years people being less inclined to unite with people because of them being part of our community. We will have to find a new definition of what unites us. The new things that unite us will have to be deeper than just regional ties to the nation, and love for the values that it is supposed to hold to us. I think that this new sense of unity will have to come through an ideological shift in the nation's interpretation of the values. For the United States to thrive the way it has in the past, people need to believe in it and fight for it. The dearest value that all Americans hold dear to them is liberty. Liberty we can actualize through allowing people to live in a way that allows them to do, say, and live as they please without fear of repercussions for doing so. The most important thing we can do to guarantee this is mutual respect for people of different cultures, and different ideas. I believe that this country's problem with reaching what unifies us is fear. Fear is what drives hatred and pulls back progress. In accounting, if you are going to put something in one account, then you have to take it out of another. People often view life too much like this. People often believe that by others gaining rights, these rights must be taken from somebody else, that somebody's values are assaulted. What unites this country is our ideals, for these ideals to continue to unite us, we must realize them.

Question 2

Trump

Trump's economy is likely to be more of the same. Trump has staked his reputation in lowered regulations and reducing taxes on individuals as well as corporations. This employs the trickle-down economics idea and will lead to similar to what has happened under the last 4 years with him. The economic downturn brought on by COVID-19 is going to recover for a while faster than it was expected to, however I believe that some of the jobs that people lost due to COVID-19 will not come back, many of these jobs will be outsourced, automated, or be indirectly affected by people beginning to work from home. The health insurance industry will be benefitted by Trump staying in office, as market regulation and a "return to Obamacare" will lead to their rates having to compete with what the government could provide to people. This will lead to an unofficial price ceiling on the market. This ceiling will limit the number of firms that are going to be able to compete in the market, and if they are unable to be profitable at a competitive price, then the firm will stop existing. Trump's corporate tax policies have the potential to bring certain companies manufacturing back to the U.S. I think the job market under Trump will be growing, for the most part, however, a continuation of corporate deregulation could eventually affect the number of accountants employed if financial reporting standards are lowered. Trump's economy would continue traditional growth, but the potential for growth in the accounting field may be limited. Trump would be better for the economy in the short term due to a focus on recovering the economy that we had before the pandemic. Trump is focused on the return, while Biden's focus is on creating a shift in the economy.

Biden

Under Biden, we would see a shift in the industries of this country to new underdeveloped sectors. Biden's focus is on creating new jobs, most specifically in green industries, and emphasizing the government using American manufactured items. The growth under Biden or Trump would be similar numbers-wise, we are recovering from a recession and over time all things will return to the natural rates plus some growth on top of it. Biden's plan would lead to new industries being explored, such as an expansion of the electric cars and renewable energy sectors, as well as an expansion of some traditional manufacturing areas. Biden's plans of increased taxes and spending should theoretically lead to more growth than Trump's plan of decreased taxes. The expansion of government jobs would increase the need for accountants working for the government. Additionally, Biden became famous for his financial and corporate regulations. This makes me think that corporations may be subject to more intense audit and financial reporting standards, which could lead to an increase in demand for accountants. In summary, Biden's policies would lead to new industries and growth in a different way than Trump's economy would grow. Biden could lead to more government jobs and could lead to an increase in the demand for accountants. Biden's plan would be better for the long term due to the focus on growth in the industries likely to be bigger in the future.

Question 3

For the country to move forward and come together after the election, the most important thing that we can do is to accept the results of the election. In doing this we give ourselves some acceptance. In 2016, the questions of the legitimacy of the election due to the allegations of Russian interference, Clinton winning the popular vote, and the controversy surrounding Trump. This led to many Democrats and Clinton supporters not being satisfied with the outcome. The division that is prevalent in our nation today is rooted in this division caused by the anger of one side, combined with the feeling from the other side that they are victims by merely supporting a political candidate. This has been complicated by the expansion of news networks to constant coverage, combined with the controversial nature of the president leading to a lack of satisfaction and reminder of feeling slighted and that the country is being run in a way opposite to their own beliefs. I think that the way the country can find peace will have to be dictated by each candidates' responses to how they will concede the election.

If Trump loses he needs to emphasize to his supporters his acceptance of the results and the legitimacy of the election. This is something that the President did not emphasize well on Tuesday but is what I believe to be a charade, making him feel like he needs to show his supporters that the Democrats are trying to rig the election, and they need to go vote if they want to make sure to keep him in office. The president in the event of a loss needs to ensure this, a situation where he doesn't accept the results could lead to civil strife, as well as an undermining of the legitimacy of the American democracy. The president should not try to do anything too extreme as a "lame duck" president as well. This would include removing all COVID restrictions, packing the courts, enacting executive orders that may be viewed as unpopular, or not his place to act. He also needs to endorse Biden, this would go a long way with his supporters to push the peaceful transition of power, as well as to allow the name-calling and arguing to be considered politics and strategy, and not bad blood.

If Biden loses he needs to do better than Clinton and Obama did about being a supporter of him and that he will do whatever necessary to help him run the country. He needs to be vocal about disagreements with policies, but as the President, he will have his full support and cooperation. Biden needs to also accept the results of the election, something he was more vocal about than the president. He needs to focus his base on the legitimacy of the election, and that they should move to accept Trump as the president. Also, he needs to urge his supporters to allow Trump to govern and to protest and move to continue the things that they have been doing but to focus on compromise and approaching Trump with policies that will move the country forward.

I would be able to cope no matter who is elected. The country should be similar to this, and it is disappointing that we are not. I will cope by continuing to live how I live, care about the issues that will continue to be there no matter who is in office. Part of the problem with politics and the lack of unity in the country is the ingraining of politics into people's character. People’s politics are on display more than ever with social media, and people often know little about you other than your politics, which if they disagree with those can of course lead to negative feelings. For people to unite we need to stop making everything about politics, and making all of politics about the president. This country was never supposed to act the way that we do about the president, but we have moved to the point where politics is the presidential election, not the senate, congressional elections, but the presidential. We need to realize the role and scope of the president to understand that you shouldn’t put people into a box because of the bubble they fill in during one election. We need to focus on realizing that politics is a difference in ideas about how we can make this country what it was promised to be, not a condemnation of your character. Unity in this country and my peace of mind needs to come from making politics a debate, and not, like what we watched, an argument. It is overused but every time that I think of how politics should be to unite the country is displayed best in a couple of ways. The first is the Statements of the supreme court regarding the passing of Ruth Bader Ginsburg. They all spoke highly of her opinions, calling her a great colleague and even a friend.

Clarence Thomas, who many consider the most conservative justice, described Ginsburg, a staunch liberal justice as “the essence of grace, civility, and dignity,” and a “superb judge who gave her best and exacted the best from each of us, whether in agreement or disagreement. And, as outstanding as she was as a judge, she was an even better colleague – unfailingly gracious, thoughtful, and civil.” The civility, friendliness, and love for a fierce rival that is doing what she believes to be best for the country is what we should strive for from our politicians, and from the political interactions we have with others. The differences that we have politically should be approached the same way. You can be fierce when you debate with somebody, but they are believing what they think is best, and what they want to see for the country to move forward.

Taxodus

Introduction

This case study is an interesting look into something that I have always been interested in. I have always been curious about offshore banking and tax havens, as well as the ways that companies "pay no taxes." The first reading that was assigned to us was a look into the positive effects of lowering the corporate tax rate, such as the increase in jobs and income per household increases. It was an easy read that laid out in simple terms the benefits of the new tax plan on Americans. The reading does not go very in depth with the findings, simply it gives brief highlights and makes the plan seem as if it is the perfect plan with zero downsides. The next reading however goes much further in depth about the plan and while it highlights the positives and negatives of the plan and gives more context to the data that it presents. Unlike the first reading this reading highlights the need for this plan to be a short term solution. It paints it as a jumpstart into the economy that should be used to create growth, not as a long term plan that is a proper correction to the rate. Most interestingly the article finds many ways to quantify the effects of the plan on the long term, but finds a way to differentiate that from the effects of the plan as a long term solution which would have diminished the positive effects of the plan, as well as could have negative effects due to the missing revenue from the government.

The documentary takes a turn and gets into a different but more interesting topic, ways that companies avoid paying taxes. This documentary is more about logistics than macroeconomic effects of increases and decreases in tax rates. The documentary highlights the negative effects of the abuse of the tax havens, such as 10 year only companies coming to locations in Africa, as well as the potential negative effects that it has on the governments and the degree of privacy and secrecy that "mailbox companies" in these countries. Overall this assignment made tax a very interesting field, although the documentary had some negative effects on my attitude as well.

Optimal Tax Rate

Throughout the readings and documentary, it became clear that for businesses, in order to increase profits, they optimally want to pay as little as they possibly can in taxes. Thus for them the ideal tax rate would be 0, however, this is not possible for any type of government to operate. The main theme that keeps recurring throughout the information given is that if the tax rates are too high, corporations will find ways to move business elsewhere, whether it is through funneling revenues through offshore accounts, or through moving manufacturing and business operations so that they are subject to lower tax rates and can run a more efficient operation. The article from the tax foundation states that it is not a long term solution, and that the stimulation to the economy brought about by the decrease in taxes would not last. The problem long term would be that the government loses $166 billion dollars in revenue. In theory, this would mean that the government would have $166 billion less dollars to spend. Given that the economy experiences more growth through an increase in tax revenue rather than decreasing the amount that people have to pay in taxes because of the government spending multiplier, the decrease in taxes over the long run would not be the most advantageous solution. Therefore, to find the optimal tax rate, what should be done is to find the rate at which it is not economically advantageous for a company to devote significant resources to skating the line of what is legal to avoid how high the tax rates are in certain countries.

For a while, the United states had a lower Corporate income tax rate than the weighted average and average of the OECD, due to a tax cut during the Reagan administration. This was followed by economic growth that popularized Reagan in the eyes of many. However, without another

U.S. rate decrease and the decreasing rates of OECD countries corporate income taxes, the U.S. rate ended up being significantly higher than many of the other countries in the OECD. While the U.S. is such a crucial market due to its size, with increasing globalization, if the cost to produce or incorporate in the U.S. is so much higher than other countries, then they will move there. Eventually there may become a point where the government loses revenue because they are taxing so much less money at a higher rate. The ideal corporate income tax rate would be the highest rate that would make us competitive on the global stage, with the ability to be higher a little bit due to costs of uprooting a corporation and moving it could offset any savings that the company could incur.

The United State's current rate of 21% puts it at the sixth lowest of all G20 countries. However, the lowest rate is just 4% below it at 17% in Singapore. Of the countries with top 10 GDP however, only the United Kingdom has a lower rate by 2% at a 19% rate. The rate of personal income tax rate is much lower in the U.S. (37%) as opposed to the U.K (45%). Most of the top 10 countries in GDP have a rate around 25%. The average corporate rate for countries within the top 10 in GDP is 27.25% according to tradingeconomics.com. This means that the new rate is significantly below the current average, and that we could afford to raise it back up in the long run, especially with favorable tax rates on sales and income. The U.S. cannot compete with the tax havens such as the Bahamas and Cayman Islands, so lowering the rate to compete with countries of similar stature is going to be the best move. The United States ideal rate would most likely be 25%.This puts it above Italy, bust just barely. The rate in the United States would be among the most favorable in the world, and I don't think that the rate being raised to that amount would cause businesses to leave for countries with lower rates. The rate of the United Kingdom being at 19% is the only one that would be concerning for countries potentially leaving, but the higher tax rates in other aspects as personal income and sales taxes. This creates a potential for workers to demand higher wages and companies have to offset the other tax costs, in addition to the costs of moving overseas and setting up in a new way.

Pursuing a Career in Tax

The effect that this assignment had on my thoughts about pursuing a career in tax services is hard to describe. The assignment leaves me with two different sets of feelings, the first is the reasons why tax has become more compelling because of the assignment. “Taxodus' ', while it highlights the sketchy, and often immoral ways that companies will skate the line of what is legal and what is not. From one point of view, this makes the job seem much more interesting. Many things that people working in tax services aim to do is to use any and every possible means to reduce the amount of taxes a company has to pay. As somebody who is competitive and also enjoys solving a puzzle the idea of searching through laws, loopholes, and calculating the tax rates in various countries to see what the lowest possible amount of taxes that you could pay seems like it could be interesting. Reducing taxes is like a game, and the winner is the company who pays the least amount of money. This also could result in being paid more money due to the amount that you are saving the company, allowing them to allocate the resources in a different way. Another upside to this is that your work is constantly evolving, making it a more challenging task, even when you work with the same clients every single year. Due to changing tax rates, laws, and regulations, especially when you begin to work with more than 1 country and throw different rates and laws into the mix it creates the opportunity to have the same problem two years in a row, with drastically different solutions to them . Unfortunately, the things that may make this job more interesting as a career choice for me, in many ways make it much worse of a career path for me to pursue due to some of the ways in which I feel that the activities of the company to reduce taxes are not necessarily illegal, but are in many ways immoral.

The work that was highlighted by the documentary sheds a darker view on what the work that tax service work can be. The talk about the “Pinstripe Mafia” and the tax havens blur the lines of morality. During the interview of the executives from Amazon and Starbucks, the discomfort that was sensed by the executives put in view how they know what they are doing is not right. The use of these tax havens, transferring income from one country to another, using the place where only a small part of the revenue generating action takes place. In the example, one of the executives laughs as he says that the intellectual property that exists in the Netherlands is the primary revenue driver, allowing them to claim losses in one country and not pay the fair share of taxes. I am usually an advocate for low taxes and always do whatever I can to pay the lowest amount of taxes, but within a reasonable means so I can still contribute to the society for which I draw benefits from. The problem in morality with what the corporations do by using tax havens and drawing money away from the society that they are using. While they do still pay taxes, the amount that they pay if they do not pay the corporate taxes gives them an advantage due to the size of their corporation. In this situation, they will derive more benefits from the government than they pay into it. The main goal of this work is to derive more profits for the corporations. This work isn’t clearly immoral, nor does the work that is highlighted in “Taxodus” necessarily indicative of the work that people in the tax service line do in most jobs. However, the work done in the documentary to save so much money on taxes is something that is not of interest to me in a future career. This study was able to highlight the type of things that I find interesting in a job, but also begins to give me a better understanding of the type of company and industry that I may be interested in.

Mentor Interview Case

Introduction

For this case I chose to interview my uncle, Chris Kemp. My uncle has spent much of his career working for different parts of the finance sector. He currently works for a company that helps finance large machinery for companies. I chose to interview him to get a better look at different paths that a career in the finance sector can take you down. In order to do this study I set up a time with him to talk about his career path. I plan on calling and recording our conversation. I have grown up with him as he is part of my extended family and lives just a street down from me. He has also been instrumental in advising both me and my older brother about potential majors and careers and the upsides and downsides of the different jobs and work settings that he has worked in over the years. In addition, he has aided me in my college search, as a graduate of the University of Alabama he talked to me about the positives and negatives of the school as well as southern schools in general. In addition he talked about almost attending the MBA program at Ole Miss, and his high remarks for the school helped push me towards choosing here.

Interviewing and talking to people who have worked in the business sector is useful for students preparing to enter into a career to get honest feedback about what to expect from different jobs, having to relocate and move for a better opportunity. In addition, I know he has experience working in many different industries, and would like to know if he has advice for how adapting from working in one industry into another. I know he also has an MBA, and would like to talk with him about graduate school programs, what to expect, and how to decide on what school or program is best for you. Through this interview I hope to gain advice, a clearer picture about what my career could look like, and how to be prepared for all of the unexpected turns that my career is likely to take.

Questions and Interview

Tell me about your life before you started college or your career.

Chris Kemp: I grew up in Texas and lived in the country a little bit. I grew up riding motorcycles and was lucky enough to have an area where we could go dirt biking as well. I was able to get to hunt as well. Nothing ever serious like big game hunting, but we were able to do smaller things. Then before high school I moved to Florida. When we moved to Florida I began to do all the fun Florida things, I learned to surf and started fishing. Basically I goofed off, just kidding, I was able somehow to get through high school and still go to college at the University of Alabama.

What were your college years like.

Chris Kemp: My college years were good. During my undergraduate I had a lot of fun, I pledged a fraternity, made a lot of good friendships and relationships that way. At Alabama you know that football was a huge part of life there. I chose to study Finance, so I quickly found out if I didn't study then I was going to get in some trouble. I started to hunker down starting in my Sophomore year, because I knew I wanted to go to grad school and get an M.B.A. eventually. As I got into my junior and senior years, school became a full time job, still had fun but definitely took school seriously. Still was able to balance them. I went to graduate school right after college, I got married to my wife after my first semester. Moved off campus into an apartment and studied all the time for two years. I worked a little through both graduate and undergraduate, usually part time at about 10 to 15 hours, nothing too serious just to give me a little bit of money to spend on the weekends.

Did you know you wanted to do this when you went to college? If not how did you decide that you wanted to pursue this field of study?

Chris Kemp: No, I didn't know I wanted to do this when I started college, throughout high school I always wanted to do law school. I didn't want to be a lawyer or practicing, but I wanted to get on the bench and get involved with that somehow. I'm not entirely sure the path that it takes to get there but that was something that was in the back of my mind. All through high school I was locked in on that. When I got to college I decided to start with business since it was one of the paths most students took to law and really was a back up too, because most of the pre-law students took Political Science. Through going through the business school I was able to take Finance classes and just got fascinated with the classes and wall street. The more I learned about it the more I wanted to switch over to finance.

Walk me through your first jobs until where you are now. What important things did you learn at each position along the way?

Chris Kemp: Coming out of graduate school my big dream was to work on wall street, but unfortunately Goldman Sachs doesn't recruit out of Alabama. I called and sent letters and did everything that I could do to get up to New York and onto wall street, but just didn't hear back from any of them. So instead I began to look into banking. A lot of big regional banks are based out of Birmingham and recruited heavily out of Southeastern schools, Amsouth and South Trust. So I wanted to work in banking to try and switch over into investment banking. I got my first job with First Union based out of Charlotte, NC. At that time the market was so hot everybody coming out had about 10 offers. I took the job with First Union because they were the only ones that were able to promise me that they were going to place me in Florida. I didn't want to work in North Carolina or Alabama. I worked at their corporate headquarters doing training for 6 months in Charlotte, and then worked in Tampa at regional training for another 2 months. We learned all the banking basics like how to make a loan and a line of credit. They ended up placing me in Jacksonville, FL. They spent a lot of time and money invested into me, and treated me very well. Then my wife, your aunt, said that she wanted to move back home to Pensacola. First Union did not have a branch in Pensacola, but Amsouth had an opening in Pensacola. They weren't very happy about me leaving, but that was just something I had to do. There isn't a lot of upward mobility in Pensacola, so when I got there I thought my career was over. I liked the people there, but just thought the work was mind-numbingly boring. I would spend all day analyzing business financials and seeing how well these guys were doing, and thought that I was smart enough to do what they were doing, so why am I chained to this desk. My dad and I decided to start a finance company. This is basically where I ended up, our business has done well, and we have been very fortunate. Things have merged and changed titles and moved around some, but for the most part that's where my career has gone. As far as advice I would say to be the best at whatever you can do. It sounds self explanatory but not enough people actually do this. When I was at the bank I was beginning to get disgruntled as I watched people continue to be promoted over me as banks do not really promote from within, instead they really draw from outside and promote outsiders. It began to frustrate me, but the skills I learned from working there about credit and business analysis that I use today in my personal investments and in the business. The people who work hard and keep their eyes open for new opportunities always seem to be the people that come out ahead. The ones that complain and talk about how unfair things are often end up doing not as well. Avoid the people that act like that, because they have a way of getting stuck. Things always seem to work out, two companies that I work for sold within 9 months of me joining them, and I planned on sticking with them, but their selling opened up new opportunities for me in other ventures.

What has your life been like outside of work?

Chris Kemp: It has been good to me, you know I have four kids and a family and have been fortunate enough to be healthy. It has its ups and downs. Being a father and a husband a lot of life is working to provide for your family. I have been self employed for much of my career. The economy has its ups and downs, it seems like more than it is used to. When the economy goes south you kind of have to just shell up and keep grinding to try to get ahead. I'm very blessed to have moved back to Pensacola, it is the best thing for my career and family. If I had gotten my wish, I would have ended up in New York. If I had done that I would have been probably laid off by Lehman Brothers in the financial crisis and been stuck paying off some big mortgage in New York.

What is the best vacation you have ever taken?

Chris Kemp: It's funny you say that, I am watching a documentary about the first guy to free climb the mountains in Yosemite, and that has to be my favorite vacation. The one we were able to go on there to Yosemite and Sequoia was amazing. Second to that was diving and fishing in the Florida Keys.

If you could change two things about your life what would they be?

Chris Kemp: That's a tough one, the two I have are kind of hand and hand. I would say I wish I could go back and appreciate being a parent when my kids were young, and to spend more time with them and focus less on work. I feel like that's a very common one. I remember when you and Grant were incredibly young, and now y'all are about to graduate college. The same feeling applies in all relationships, with your wife or girlfriend, taking the time off to be with them always is the right thing for yourself and your important relationships, even if it doesn't feel like it at the time. Try to stay in the moment and not chase the next thing always, even though I feel like that's what I have spent a good deal of time doing.

What do you wish you had known when you were 21 years old about life and your career? What piece of advice would you share with me and my classmates?

Chris Kemp: If I was 21, I wish I had known about Steve Jobs and Apple. I know that isn't really what you're looking for though. I would say be content with where you are and to just focus on doing your best where you are. I spent most of my career never satisfied and always looking for the next thing and never really relaxing. Don't sweat the future and always work to be honest and humble in what you do. Things always seem to have a way to work out when you work hard.

What are you most proud of ?

Chris Kemp: I would say my family. I have been married for over 25 years and have raised four kids. It's not easy to raise four kids and work to put food on the table for them and to put them through college and high school. Raising a happy and healthy family and having a happy marriage for all of these years has to be what I am most proud of.

What do you think is the biggest challenge facing your generation?

Chris Kemp: I would say the biggest challenge will be taking care of our parents in retirement. With modern medicine advancing the way that it has, our parents are likely going to live for longer than they have planned for and the costs associated with it will likely be passed on to their children to cover. While this may not be devastating for me, there are a lot of people who could face very significant financial stress due to this.

What will be the biggest challenge for my generation?

Chris Kemp: The biggest challenge for your generation is going to be the decline in the standard of living. The debt we have is going to eventually catch up to us. This will raise inflation, interest rates, it will affect your ability to buy a home. It also will probably raise taxes and will affect the quality of life that you are accustomed to. Starting with World War II the standard of living has dropped due to a lowering of the amount of disposable income that the average person has.

Biography

Chris Kemp is the Vice President of Machinery Finance Resources. He currently lives in Gulf Breeze, FL with his family. He has been married to his wife, Amy Kemp, for the last 26 years. He has three sons, Grant, 22; Jack, 20; William, 17, and a daughter, Sarah,14. He graduated from the University of Alabama with a B.B.A in Corporate Finance in 1994, and an M.B.A from the Manderson School of Business at the University of Alabama in 1996. He has worked for First Union bank from 1996 to 1998, and Amsouth Bank from 1998 until 2000. He then transitioned to working self employed as the Manager of Industrial Finance Group 2000-2012, when the company was merger with Connext Financial where he worked from 2012-2016. After this he began working for Scottrade Bank as a business development officer. He has worked the past few years as the Vice President of Machinery Finance Resources. He is an avid fisher, surfer, and diver, and the proud father of two dogs, Bo and Gunner.

Chris taught me the importance of taking chances, working hard, and maintaining a positive attitude. He also taught me to focus on family, and make time for the things that are not just work. He also taught me that while you may have dreams set out, being open to whatever opportunities may come your way, and that things seem to work out for those who make sure to work hard. He also gave me sound advice about what problems he thinks my generation will face, and that lead to me thinking of ways to combat some of the challenges that may face me. The interview taught me about life and how making sacrifices can work out in unexpected positive ways. He also talked about getting his M.B.A right out of college, and he decided to do that because he didn't think it would be possible later in life. I learned a lot about the position that I am currently in with applying to graduate school.

Disney Case Competition Week 1

Worked on with: Megan Jansen, Kate Sudduth, Eli Dykes, Coleman Miller

For class this week, we were tasked with picking a publicly traded company to research over the course of the semester. After much debate, our group chose to research The Walt Disney Company. We discussed the recent challenges the company has faced due to the pandemic shutting down many major sources of revenue. However, we also realized how Disney Plus and their other media sources might have actually improved during this time. In addition, Disney seems to have a significant share of the entertainment market, and with the acquisition of 21st Century Fox in 2019, seems to be growing even larger. We thought this would make an interesting case and was something we wanted to research further. After deciding on our company, we were asked to research the financial state of the company and learn about its business. Below are our findings.

The Walt Disney Company's mission is to entertain, inform, and inspire people around the world. To do this, it operates under five segments: media networks, parks and resorts, experiences and products, studio entertainment, and direct to consumer and international. While the company started with a man drawing a mouse in 1923, it has grown into a multibillion dollar company, bringing in 65.39 billion dollars in 2020 and over 69 billion in 2019. The company operates under a October - September fiscal year, due to peak season being in the summer months.

Since the COVID-19 pandemic Disney overall has taken a significant decrease in revenues, in August of 2020 revenues were down 42% compared to the prior year, beyond that they are seeing deficits and losses across nearly all financial reports and operations. In the past year alone Disney has announced they will have to lay off over 32,000 people due to financial difficulties caused by the pandemic, mostly Disney theme park and cruise workers. Some of Disney's main five operating segments have seen significant regression in revenue and success. By far the most noticeable being the parks and resorts. These segments took such a large hit because Disney had to close down all parks and resorts for some of the second fiscal quarter and most of the third as well as having to shut down all cruise line charters altogether decreasing revenue by 85%. In 2020 the company took an overall net loss of $2,864,000,000.

According to Disney's Annual Income Statements from the last five years, their gross income decreased by 30.44% from 2019. This can be seen in the 6.19% decrease in the company's overall revenue, combined with the raising of the expenses that it had to pay at the same time. According to the income statements provided Disney experienced growth in every major expense category, and most significant was a category titled "Unusual Expense", which posted a debit of $4,808 million. These could be related to the pandemic, such as an increase in the costs of sanitizing workspaces, hotels, and parks. As well as costs of restructuring the workplace to work virtually.

Quarter four 2020 adjusted earnings per share were -$0.20 vs the $-0.70 analysts expected. However, according to an article published by Newstex, investment analysts at Truist Security issued their 2021 earning estimates for shares of Walt Disney Co. M. Thornton forecasts that the entertainment giant will post EPS of $0.06 for Q1, $0.30 EPS for Q2, $0.62 EPS for Q3, followed by $0.78 EPS for Q4. The company has an average rating of "buy" and a consensus target price of $152.80.

In Disney's Letter to the shareholders, filed on January 25, 2021, many updates regarding the new CEO, company performance, and their commitment to diversity and inclusion were provided. They explained that the company's media and entertainment businesses were restructured to further accelerate direct-to-consumer (DTC) strategies. The new CEO Mr. Chapek was set to have a significantly lower target compensation than the prior CEO. Lastly, the company shared their ongoing efforts to improve their new six pillar initiative for diversity and inclusion that was put in place in June 2020.

After researching the company, we found that while Walt Disney Company is currently reporting record low numbers, they are projected to bounce back after the pandemic runs its course. Prior to 2020, Disney was consecutively improving its financial performance and was a very stable company. We look forward to continuing to learn about the company and dive deeper into their financial statements over the course of the semester.

Disney Case Competition Week 2

This week we were working on the audit portion of our case. In order to do this, we analyzed how risky each account on Disney's 2020 balance sheet and income statement was. We used four different criteria in this analysis including, existence, presentation, valuation, and completeness. After analyzing each account, we chose six that seemed the riskiest and most intriguing to us, to dive deeper into. We chose the balance sheet accounts of goodwill, projects in progress, investments, and commitments and contingencies, and the income statement accounts of depreciation expense, and general, selling, and administrative expenses. We then came up with two internal controls for each account that could lessen the level of risk. Next, we came up with tests that auditors could perform to double check the authenticity of each of these six accounts. Finally, we formulated potential ways that data analytics could be used in order to audit the accounts we chose more effectively and efficiently. This case will summarize our findings on each of the six risky accounts.

Goodwill is an intangible asset that arises from excess purchase price over the fair value of net assets being purchased during an acquisition. There is a gray area between accounting fraud and earnings management which leaves room for manipulation when dealing with mergers and acquisitions. Acquisitions with an unnecessarily large purchase price can artificially inflate book value and accounting earnings. Overstatement of Goodwill may seem beneficial in the short term, but inevitably the company will have to show losses on the income statement. There are three opportunities for manipulation of Goodwill: when deciding the purchase price, measurement of goodwill, and goodwill impairment. It is essential for Disney to have strong internal controls regarding the impairment of goodwill since it is dependent on management judgement and fair value measurements. Some internal controls that should be implemented are considering who is preparing and reviewing qualitative data used in determining if impairment is necessary. This kind of data may include losing a key employee or customer, unanticipated competition, negative cash flows, etc. Using a third party or rotating the personnel in charge of this may be necessary. Disney would also have to determine how it would identify events and circumstances that suggest recording an impairment is required. The transactions that need to be audited include the original acquisition, any impairments up until the current date, and potential impairments that should be recorded. Data analytics may help streamline the process of calculating fair market value to compare to the goodwill's carrying value.

Projects in progress are an asset, and as with any asset there is a risk of misrepresenting the company's value if the asset is not properly valued. The problems arise with the inability for many Disney projects to determine at what point the project gains value. Additionally, the amount of work that has been completed on a project or is still to be done may not be easy to know for Disney. This could lead to them valuing assets higher than they should be valued which would misrepresent their worth. One critical internal control that needs to be in place is strict monitoring of all capitalized expenses. It is important that no small operating expenses are improperly capitalized and thus mistakenly represented on the balance sheet as an asset. Data analytics could be useful on this account by creating a spreadsheet that tracks the completeness of all projects in progress. It would compare the projects to previous endeavors that were similar in nature and use the timelines that those projects had to get an accurate estimate of how much of the project should be to complete and look into areas where there have been roadblocks in the past. It would then be easy to see the completed total cost of each project and transfer it to a new account when complete.

It is important to implement strong internal controls especially when considering the investment account otherwise there is a high-risk scenario for the company. Some internal controls we found critical to successful accounting were to ensure the use of appropriate methods for recording investments and calculating value such as testing for significant influence. Another key internal control to pay close attention to is ensuring that the interest is accrued or expensed in the proper periods which could be done by managerial review and approval on interest accounts changes. Another thing that can be done to reduce the risk associated with the investment account is to run periodic tests to ensure all value adjustments, etc. are properly stated. There are many risks associated with improper statement of investments primarily that the vastness of simply and investments account makes it hard to determine what kinds of investments that this particular company may be associated with. Potentially causing investors and employees to be misinformed about the status of the company. Data analytics tools can be used to help reduce the risk associated with this account. A recommendation we had was to use a tool that could help keep track of the long-term investments and ensure that the value is adjusted properly over extended periods of time.

Misstatement of commitments and contingencies can misrepresent the amount of liabilities a company has to pay, and misstatement of significant amounts may lead companies to pursue unwise investments, higher dividends, and put them in a position of being unable to pay if the commitments and contingencies are understated. Overstatement may lead management to be unwilling to take on new investments, to make sure they are able to cover contingent liabilities. The internal controls that are necessary to make sure that these are properly monitored are for commitments to make sure all contracts with payments due are put on a schedule. Also, to make sure at all points that the company is aware of the amount that is likely to be due. Another internal control would be to make sure that multiple people from the legal team are looking at any cases that have created contingencies and use previous cases to determine the likelihood and amount that would be owed to make sure that the estimate is appropriate. The legal team could read over outstanding cases and contracts and determine what the essential facts are. They could then use data analytics to pull amounts and create probability assessments from rulings to create a fair assessment.

One account that our group quickly identified as being risky was the depreciation expense account. This expense helps allocate the cost of the company's assets over their service period. The greatest risk associated with the depreciation expense account is that the depreciation expense itself is understated. There are many ways to account for depreciation, so it can be manipulated easily. In order to make sure the depreciation accounts are correctly stated, there are a few rules we can follow. These rules would consist of making sure that whoever is entering in depreciation expense does not understate it in the financial statements. If the depreciation expense is understated, then the gross profit of the company would be overstated. This would display that there is a higher profit than the company actually has causing a chain reaction to occur. Retained earnings, inventory, and stockholder's equity as a whole would also be incorrect. In order to resolve these issues, internal controls would need to set a policy in place to determine the set depreciation expense amount of each asset and frequently record the entries needed. It is important that both the method of depreciation used is consistent and the period of time over which the asset is depreciated is correct. Another internal control for depreciation expense would be to use data analytics to develop what the depreciation schedule and expenses should be, and make sure the numbers match. If done correctly, depreciation expense should be recorded at its accurate price and will hopefully match the company's figures.

Another income statement account that we considered to be risky is the general, selling, and administrative expenses account. This account is risky because so many people and things fall under and have access to this category. In order to better control this account internally, companies could operate under a defined system of segregation of powers when it comes to writing, issuing, and cashing checks. Companies could also have a designated person match receipts and invoices with the bank statements each month. From the perspective of an auditor, there are many ways to test this. One way would be to make sure the financial department is following their internal controls set in place. Auditors could also perform a test that involved pulling a few random receipts/invoices and matching them with the bank statements. An even better way to do this would involve the use of data analytics and computer software. One could easily make an excel spreadsheet that tracked and reconciled all check numbers to their expenses and the bank statements.

In conclusion, while all accounts have some risks associated with them, we found that these six proved to be the most risky and vulnerable to both manipulation and human error. After evaluating how to improve the accounting and auditing of these accounts using audit tests and data analysis, we found several possible ways that management could take control to ensure that each account is complete, valued correctly, and presented thoroughly.

Case Competition Week 3: Tax

INTRODUCTION

This week we were tasked with finding strategic tax strategies that the Disney Company could potentially utilize to reduce its tax burden. After researching the latest changes in tax laws, including the Tax Cuts and Jobs Act and the CARES act, as well as also considering possible tax legislation changes in future years, we came up with a few strategies that Disney may be able to take advantage of. These strategies would decrease taxes by using tax credits and by lowering their taxable income. This case highlighted the importance of tax accountants being educated and up to date on both current tax policies and potential changes in tax policies. It was eye-opening to see the impact that simple research can have on the amount of taxes a company pays. In just a few days of researching, our team was able to come up with potential ways to save Disney millions of dollars in taxes a year.

SUGGESTIONS

Our first suggestion is for Disney to move their animation and film production from California to Georgia. The California state corporate tax rate is 8.84 percent, while the Georgia state corporate tax rate is 5.75 percent. Also, Georgia has a 20 percent to 30 percent tax credit for film projects that spend over $500,000 in production and editing expenses in Georgia depending on the budget ("Film Tax Incentives Map"). The State of Georgia also offers another 10 percent credit from the Georgia Entertainment Promotion Tax Credit for embedding the Georgia logo in the credits of the feature film or episodic film ("Film Tax Incentives Map"). California also offers tax credits for films produced there. The credit is 10 percent less than Georgia's. Additionally, the tax credits they offer are much more complex and have very specific criteria ruling out several of Disney's productions that would be available to Disney in Georgia ("Film Tax Incentives Map"). In 2019, Disney reported $2,686,000,000 in pretax net income from their animation studios (Dybek). With this number, they would pay $237,442,400 in California state corporate taxes. However, in Georgia, they would only pay $123,556,000. When applying the tax credits for studio production in both states, California would pay $189,953,920 in taxes and Georgia would pay $92,667,000. We found these numbers by reducing the taxable income by the percent the credits were worth and then multiplying that number by the state tax rate. With the favorable Georgia tax incentives, Disney would pay $97,286,920 less in state corporate taxes each year in their animation sector alone if they moved to Georgia.

Our second suggestion is moving the manufacturing of products from overseas to rural areas around Orlando. Not only would this save money on shipping products to Walt Disney World, the Disney Cruise terminal, and other domestic locations, but it would allow Disney to gain significant tax credits. Under the Biden Administration, a 10 percent tax credit is available for companies that create jobs for Americans, as well as a 10 percent tax penalty for companies that ship jobs overseas ("Biden's Tax Plan"). Therefore, if Disney can move some jobs back to America they are reducing their taxable income by 20 percent. The best way that Disney could go about repatriating these manufacturing jobs would be by revitalizing manufacturing in rural Florida. The state of Florida has a Rural Job Tax Credit that would allow them to receive $500,000 a year in tax credits per manufacturing plant added in designated areas of the state ("Florida Dept. of Revenue - Corporate Tax Incentives."). If Disney moved product manufacturing to the United States, they would save thousands of dollars. We were not able to find specific figures for Disney's overseas product production to use in our calculations, however, using the information we have we think it would be a significant amount of money.

Another tax strategy that is worth mentioning for The Walt Disney Company is for them to take advantage of laws regarding bonus depreciation and net operating loss carryforwards. Bonus depreciation essentially allows companies to deduct a large portion of the cost of certain purchases during the year they acquire them, rather than depreciating them over a period of years. This reduces net income, thus reduces taxable income. Under the Tax Cuts and Jobs Act, qualified improvement property is now eligible for 100 percent bonus depreciation (Abramowitz). It is also important to note that the TCJA added qualified film, television, and live theatrical productions to the list of qualified improvement property that may be eligible for first-year depreciation deduction ("New Rules and Limitations...Jobs Act."). As an entertainment company, this is especially applicable to Disney. The Disney Company suffered a net operating loss in 2020 and already carries forward previous losses. According to their released 10-K from 2020, they already have a 34 million tax benefit from legislation that passed in 2020. Ensuring they are taking advantage of 100 percent bonus depreciation; Disney would increase their net operating loss and offset taxes in future years which will likely have higher tax rates due to the Biden Administration. The TCJA limited NOL's to 80 percent of taxable income in any one tax period, but the CARES Act has lifted this limit and still allows for an indefinite net operating loss carryforward. Without a very detailed list of qualifying assets that Disney has placed into service since 2018, it is impossible to say approximately how much this would save the company. We also do not know exactly what policies created by the TCJA the company is already taking advantage of. However, along with our first two tax strategies, we believe that advising the company to utilize these new laws regarding 100 percent bonus depreciation and indefinite NOL carryforwards would be advantageous.

CONCLUSION

In conclusion, this week's case consisted of many challenges and opportunities for learning. We assumed the role of tax accountants and researched ways that the Walt Disney Company could save money on taxes. We came up with three main suggestions that could save the company millions of dollars in taxes each year. This project allowed us to scrape the surface of the complex world of corporate taxation. It shows how in depth the tax codes are in states, our country, and even internationally. By finding these solutions to save Disney money, we learned the importance of a good tax accounting department. The money that is saved in taxes could allow Disney to pay higher dividends to shareholders, explore potential new projects, and gain a competitive advantage.

Case Competition Week 4: Advisory

INTRODUCTION

This week we looked at the Walt Disney Company from an advisory perspective. To do this, we analyzed the company's operations, where they are located, their business strategy, their mission, how supply and demand affect them, and their biggest competitors. We also surveyed the company's financial statements and produced charts comparing the financial position of the last five years in several categories. We then used this information to determine what the company's biggest threats are, and how the Walt Disney Company can plan to work around them. Serving as advisors for the company allowed us to see a new and different perspective than in previous cases. We learned that no matter how successful a business is, there are always ways to work towards improving its financial position. Throughout this write-up, we will list two threats that Disney faces and what steps they can take to dilute them.

THREATS AND SUGGESTIONS

The first threat that is having a devastating effect on the success of The Walt Disney Company is unauthorized streaming and distribution of intellectual property. The Unlicensed distribution of content occurs in many ways from the sale of merchandise to the unauthorized use of film or musical content and many cases in between. Disney, unfortunately, faces almost every form of unlicensed distribution of content. Predominately they face the unauthorized production and streaming of Disney-owned film and television content. Disney explained that they are experiencing increasingly sophisticated attempts to obtain unauthorized access to data systems that have "made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of intellectual property rights more challenging" (The Walt Disney Company). Unauthorized distribution of Disney content does not have a direct effect on the reported Cost of Goods Sold, however, it can have a responsive effect on Disney's Sales, General & Administrative expenses. Specifically, any costs associated with protecting intellectual property and electronically stored information will increase as higher levels of security are needed. Operating income is the most affected account on the income statement because as illegal streaming and distribution become more prevalent, the number of paying customers decreases.

Our suggestion for Disney to combat these issues is to provide discounted or free Disney content so that they are not losing traffic because of free illegal sites. We believe that more people will be visiting Disney sites and paying for their content than before. They can make up the loss of revenue from subscribers by adding advertisements. Companies will feel more inclined to market through Disney because their advertisements will potentially reach a greater number of customers. Many customers are more willing to sit through ads than to divert to illegal sites with less image quality and service security. Other streaming services such as Hulu, already utilize this model. They have an extremely economic base plan that provides for viewing with ads and a plan that is double the price for viewing without ads. In 2019, Hulu reported that 70 percent of subscribers were on their base plan. Hulu also reported that their revenues from advertisements were consistently similar to their revenues from subscriptions (Holland).

With Disney's current model they are missing out on potential revenue from ads and losing money from illegal viewing sites. Both of these issues could be easily avoided without lowering their profits if they decreased their streaming prices and added advertisements.

Another plan that Disney can take to combat revenue lost to illegal streaming would be to take the legal route. In August 2020, Disney as well as other content giants such as Netflix, Amazon, and Paramount sued Crystal-Clear Media for unauthorized distribution of their content. The case is ongoing, however pursuing legal action against illegal streamers that can make it not a profitable industry could limit people from creating illegal streaming sites (Holland). On the Federal government level, The Protecting Lawful Streaming Act, which was signed into law in December 2020, allows the Department of Justice to charge providers of illegal streams with a felony ("Protecting Lawful Streaming Act of 2020"). Disney should lobby to back more legislation that increases the penalty of unlawful distribution to further discourage streamers from cutting into their market.

A second threat that Disney faces is the high pace of change in the entertainment industry. For example, Coronavirus shut down the tourism industry overnight, while also closing movie theaters. Both of these experiences will likely be impacted by COVID for several years even after normal operations resume. In the last several years Disney has experienced a decline in ratings for broadcast television as well as a reduction in demand for home entertainment sales of theatrical content. However, before the pandemic, Disney was having a record-breaking year in movie theatre ticket sales. When they were forced to move new releases to streaming services, their return on assets declined.

The best course of action for Disney to take to deal with the everchanging entertainment industry is to make use of the highly profitable movie theatres, while also using the successes of the PVoD (premium video on demand) releases to create a movie release model that meshes well with the movie theatre and streaming industries. An article from *the Atlantic* talks about the premiere of the highly anticipated Mulan, and how the debut at the box office would have been estimated to yield $261 million, but the release through streaming sites drove down the profits to an estimated $60 million to $90 million (Sims). This suggests that while streaming is a growing industry, the profitability of the movie theater is much greater than that of streaming services. We suggest that Disney should make sure they return to put their movies in theaters and do what they can to make sure the industry survives through COVID.

In an initial response to the outbreak of Covid-19, Disney reduced the amount of money they were spending on advertising and marketing (The Walt Disney Company). As government regulations get less rigid, we recommend that Disney immediately begin advertising the reopening of parks in order to get customers back in theatre seats and theme parks. We think that after the pandemic, both theme parks and movie theaters will see a large hike in attendance because people will be ready to get out of their houses and back to the pre-COVID way of life.

CONCLUSION

Both of these suggestions to the various threats Disney faces coincide with its mission statement of entertaining people around the world via storytelling. Not only do they align with the company's ideals, but they increase their overall revenues. Serving as advisors allowed us to observe how an already profitable company can significantly improve their financial position. The problems Disney faces are often dealing with the constant changes involved with an industry that is so reliant on technology. The best way for Disney to reduce its threats is to make sure that it is staying ahead of the curve on emerging technological changes. By creating ways to mitigate its risks Disney can ensure that it will remain profitable no matter how the industry changes.

INTRODUCTION

This week we were tasked with looking at the Walt Disney Company's equity position. We analyzed Disney's current stock price and how it has changed over the recent years. We also reviewed the company's current price-to-earnings ratio and earnings per share. Next, we recalled information from the previous weeks' advisory and tax cases to see how Disney's earnings per share would change if our ideas were to be implemented, and we compared them to prior period's numbers. This case taught us that it is important to consider how business events will affect a company's market price before implementing them. An important part of publicly traded companies is how well they are valued and traded on the open market and all business decisions affect those statistics. By calculating the potential effects of our suggestions into Disney's current financial information, we can also see the effect that new projects and endeavors have on these numbers and subsequently how they can affect the stock price.

SUMMARY

Our recommendation for Disney to put extensive effort into the cessation of unlicensed usage of content will cost Disney a significant amount of capital; however, they will quickly see an increase in revenues of 2.2 billion annually. We calculated this by finding estimations of how much is lost in revenue annually. A 2019 report from NERA Economic consulting and the Global Innovation Policy Initiative suggested that 29.2 billion dollars in revenue are lost annually due to illegal streaming. An article from Neilsen says that Disney+ makes up for 4 percent of all streaming while Hulu makes up 11 percent. They did not give information for how much of the market ESPN+ (another Disney streaming site) has, so to keep our estimates conservative we assumed that Disney had 15 percent of the streaming market between Hulu and Disney+. 15 percent times the $29.2 billion means Disney loses 4.38 billion dollars a year to illegal streaming. If we were able to cut illegal streaming in half, this would mean we would have access to $2.2 billion of new revenues. We predict that Disney will see the effects of this investment for an indefinite period of time exceeding five fiscal years. While this recommendation will not have a direct effect on the number of shares outstanding it will have a positive impact on net income, which would increase our earnings per share. When we used last year's earnings per share, this made a significant impact in reducing losses. We assumed a very large investment of one billion into political lobbying and legal fees to get back the 2.2 billion dollars in lost revenues, Disney would gain 1.2 billion dollars in earnings. Last year with earnings per share of ($1.57) with 1.82 billion shares outstanding ("Walt Disney Company"). This would add in about $0.66 per share, meaning that our newly calculated earnings per share would be ($.91). While Disney's earnings per share for the previous year would still have been negative, in a normal year the EPS is under $6 per share, which means that an $.66 increase would drive EPS up by over 10 percent.

Our tax recommendation to move Disney's animation and film production sector from California to Georgia will have a varying effect annually on net income because of the vast variation of costs and revenues per movie. To avoid speculation, we utilized Disney's 2019 values as 2020's were unrepresentative of expected performance. Per our calculations in the tax case, Disney will be saving $97,286,920 annually (Dybek, Film Tax…). Instead of being associated with state taxes payable, this money would be additional revenue and in turn, will increase net income. Like the former, this recommendation will have little to no effect on the number of shares outstanding. As previously stated Disney last year had an earnings per share of ($1.57) and outstanding shares of 1.82 billion (Walt Disney Company). Implementing this recommendation will increase earnings per share by $0.053 producing a new earnings per share of ($1.517). This impact on earnings per share or net income may not seem like an overwhelming amount for a company of this magnitude, but over the next ten years, it could produce the company an extra billion dollars in revenue.

CONCLUSION

In conclusion, our ideas could have tangible benefits on Disney's stock price as well as the company's financial statements. These calculations also show us that any source of revenues could impact the stock price and how outside investors view the company. These calculations validate some of our proposed tax and advisory strategies. We do not believe that investing in higher levels of cybersecurity as well as spending more on legal fees in order to combat unauthorized usage of content will increase the riskiness of Disney stock. However, our suggestion for Disney to move their animation and film production sector from California to Georgia may require a period of acclimation before being as profitable as it is currently. However, the eventual tax savings and increase in EPS will lead to an increase in stock price.

Financial Crisis Case

Introduction

In this case, I was tasked with reading papers, watching videos, and watching a movie to gain knowledge about the financial crisis of 2008. As a kid when the crisis was happening, and somebody who fortunately did not have to go through much of the suffering that many families went through in that time my memory of the situation from firsthand experience has been limited. However, like many students that are studying finance or accountancy in the time since the crisis the situation is such an interesting one to study. My interest in the crisis began at the beginning of high school when my brother, an accounting and finance student at Florida State University introduced me to The Big Short. My initial confusion over the subjects in the film did not take away from the one key message that I was able to take away. Financial giants are subject to corruption, greed, and the lack of checks that were present in these institutions, and allowed this to happen. To conduct this study I began by watching the videos on Youtube a couple of times each. The two short videos primed me to watch the movie, by introducing me to the political side of the financial crisis. The movie did a great job of not highlighting just the government's fault or just the institution's fault, but shows how it was a coordinated failure based on the constant overlap of these two segments. The next two segments focused on the industry's fault in the financial crisis. The reading of the last two taught me more about ways that over the years large investment firms have tried to create new foolproof ways to create money for the firm, often at the expense of the company. This caused me to reflect on my motivations, my reasons for entering the profession, and my philosophy regarding the role of the government in the regulation of markets. This sort of understanding of your moral values and how they will apply to the profession is necessary for anybody to consider before entering into the industry. By considering these issues we can learn more about a firm's responsibilities to not just the shareholders, but to external stakeholders and the long-term financial health of the economy.

Case Analysis

How did these materials affect your trust in institutions and the government?

The materials presented for this case harmed my trust in the government. The initial video did not affect my trust as negatively as the others may have. The paying for influence, cutting deals to your district, and all the pork that is often associated with the politics of earning campaign contributions is unfortunately something I am aware that happens. Through the video, I was forced to consider what I could do about this. Unfortunately, voting is often a choice between what feels like one of two options. Corruption and crony capitalism do not seem like a partisan issue, but rather the nature of politics and self-promotion for the politicians. Without deep pockets from supporting organizations, politicians lack the campaign funds needed to compete with other candidates that may be willing to sell their inference to get them into congress.

Sowell's video highlights a key issue with the system of government and politicians finding ways to get re-elected. Congress has terms of two years, the senate has six-year terms, and the presidency lasts for four years. All of these could cause congress to look at solutions that will aid in the short-term, even if they may not be the most beneficial in the long term. Increases in homeownership make politicians more powerful because people want to own homes, and a politician that is associated with the economy that allows them to do this may gain popularity. However, to do this mortgages had to be given to riskier clients. This creates a greater risk of default, which as we can see over a long enough time frame could fail. The incentive is for the legislators to go ahead with this policy, because it may make them more popular, and speaking against it is speaking against the average person being a homeowner.

Inside Job undermined my trust in the government more than any of the materials presented to us. While I was aware of the corruption associated with crony capitalism and lobbyists paying for congressional influence, I was not aware of the degree to which people working for the government had what seemed to be conflicting interests. Examples of this in the film were Henry Paulson, who served as the Secretary of Treasury coming right out of Goldman Sachs. While he sold his stock, the conflicts can be seen when the same financial institutions that many of these officials in the Department of Treasury and the Federal Reserve. It also highlighted how these regulators and policymakers opt for self-interested policies and can use knowledge to provide sound economic justifications even if they may not be the best for the economy.

The article from Wired undermined my trust in the financial institutions. It made me question how they come to the figures and the amount of due diligence that goes into the investments. The article highlights how firms relied on one formula to assess the risk of investments. The Gaussian Formula provided some sort of assessment, but the formula used as the sole basis is hardly due diligence. The faults with the model are made evident by the author but seem to be questions that should be raised by investors. The firms intertwining with the ratings and overreliance on a single ratio show that these firms were willing to engage in risk to make a profit, but being profit-hungry were able to justify risky investments.

The last article showed how the same firm can continue to, over time, use the government's policies and influence for their self-gain. The highlighting of issues that have been going on since the depression undermines my trust in the ability of the government to properly regulate a firm so that they cannot take advantage of the consumer. It also made me wonder if a firm can be too big to fail, not based on merit, but rather on the firm grasp it has on the economy makes it subject to being bailed out whenever it needs to be.

How did the materials watched/read change your beliefs about your role in society, both professionally and personally?

The materials that we watched made me believe that as somebody who is educated in finance, economics, and accounting I have a greater responsibility to act in a manner that is not just self advantageous but in a manner that promotes long-term economic health. In my personal life, this would affect the ways that I would choose to invest my money. The large investment banks proved to be a problem because of their lack of responsibility to the things they had invested in. The banks acted in a manner that was designed to create a false image of low risk in investments that were high risk, all while betting that their bet was risky and was likely to fail. Investment needs to have a sense of responsibility and a connection to what can happen if these companies are to fail. An example of this in the stock market is day trading. Owning a share of a company is meant to mean that you are a part owner in the company, as such you should feel a sense of responsibility for the long-term success of the company. Day trading is not caring for the long-term health of the company, but rather a bet that the value will increase in a short time frame. If I focus on the short-term value of my investments and ways to make a quick buck, then this would promote the sort of behavior that the banks engaged in that led to the collapse of the economy. In addition to being a long-term-minded investor, this also has led me to believe that it is my responsibility to look beyond what the experts are saying, and look into why they are saying it. The movie we watched highlighted how many business school teachers and administrators have seeming conflicts of interest with large financial institutions. This made me think in my personal life that it is necessary to look into who the author of a paper is, and if possible look into potential financial interests into what they are saying.

In my professional life, I believe that this case shows the necessity of the skills that are present in audits. In professional life it is important to read multiple opinions on a situation and if it is possible find your way to find out what is going on to avoid the cloud of bias that other sources may have. In an audit, this is necessary if an account isn't balancing, it is necessary to find out why this is true. In doing this you don't just ask the employees or management, you follow the paper trail, you ask other companies to confirm the receipts, and you conduct your test to make sure that you are not getting your information from a source with interest in a particular solution being correct. In general, the purpose of an audit is to confirm that the operations of a company are normal, and what is happening is what is represented to be happening. This assignment shows that in the financial and legal world that it is necessary to do your research, confirm what is being said, and follow the paper trail to make sure companies are acting responsibly.

Are there any parallels between the political landscape that brought on the financial crisis and our current political environment? What can be learned from the crisis to help us avert future crises, financial or otherwise?

In thinking about this question, I cannot help but think of two things: The recession brought about by the COVID-19 pandemic, and the stock volatility in the markets during January. In 2008, the Dow Jones Industrial average dropped from around 13,000 in January to 7,200 towards the end of March. While the financial crisis from the Coronavirus pandemic happened much more quickly, and the stock market recovered more quickly and to higher levels than it did in the housing crisis. The parallels of the effects on people's portfolios can be seen due to the steep drop in index funds. Many saw their retirement accounts drain, and the fear and panic of the 2008 crisis returned. This was also seen in the unemployment numbers. The housing crisis saw unemployment rise at its peak of 10%, and during the Coronavirus crash peak unemployment reached right around 15%. The recovery seems to be more speedy than the unemployment recovery during the housing crisis, similar to how the major indexes responded. Earlier in 2021, there was a high level of market volatility due to factors that few saw coming. In my introduction, I talked about the movie The Big Short, in which a few people predicted the carelessness of the major banks and the subsequent crash due to defaults on mortgages. These people purchased credit default swaps, which many people thought were worthless securities, due to the necessity for highly rated investments to fail. Very few people saw this coming and were able to get very rich by shorting the market due to purchasing cheap securities whose value exploded. The parallel I see today was with Gamestop, AMC, and other shares who exploded very quickly. This is sort of the opposite of what happened in the Big Short from a securities perspective, as people in a Reddit forum tried to short squeeze firms that had short positions in these companies, however, the motivation seems similar. Both of these were based on people seeing the greed of financial institutions as an opportunity. While hedge funds began to put short positions in firms that were suffering due to the pandemic (movie theaters and brick and mortar video game stores), some saw this as an opportunity to stimulate the demand for these stocks and were able to inflate them at unheard of rates. Another parallel is the presence of a fairly new and largely unregulated market. In the 2000s this unregulated market was the derivative market, which is talked about in the movie. Today I see this as similar to the cryptocurrency market, which continues to grow quickly with high volatility.

The things that we can learn from this to avoid it from happening again is to ensure the independence of regulations from the financial institutions. There were two problems I saw, the first is the amount of lobbying that financial institutions do in congress. This can be fixed by setting low caps on the amounts that financial institutions can spend on lobbying. By doing this they will not be able to have as much influence on the legislators by not being present. The next is to ensure that these institutions cannot make campaign contributions. The second problem is that we are often getting high-ranking officials that are in charge of regulations from financial institutions. An example of this is Henry Paulson, who sold his shares to become the Secretary of Treasury right after leaving Goldman Sachs. If we require an extended period that a person be away from one of these companies before taking a job, we can ensure that they have a greater chance at being independent. While Paulson may not have held shares of Goldman Sachs at the time, he still had significant contacts with the organization due to how recently he worked there. By requiring a certain period away from an institution before working in regulation the government can limit the potential for conflicts of interest.

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