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Accounting Case Studies

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By

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ABSTRACT

This thesis is a combination of 11 accounting case studies. They are titled: A Tale of Two Cities, Exploring the FASB and GAAP, Presidential Debate, Tax Cuts and Job Act and *Taxodus*, Professional Interview, Case Competition Disney Overview, Case Competition Disney Audit Analyst, Case Competition Disney Tax Advisor, Case Competition Disney Advisory Consultant, Case Competition Disney's Equity Position, and The Financial Crisis of 2008.These cases cover a variety of topics in the accounting and professional world. Five of the cases contain research that pertained to a case competition in which I was placed on a team and tasked with creating a hypothetical presentation for The Walt Disney Company. My team consisted of Kath Sudduth, Mark Miller, Eli Dykes, Matthew Stersic, and myself. In conclusion, this thesis is a combination of my work over the course of year on a variety of business and accounting topics.

CASE I: A Tale of Two Cities

In this case study, I was tasked with choosing what city I would like to do an accounting internship in in the Spring of 2021. Many times, this senior year internship turns into a full-time job offer so I factored that into my decision-making process. In order to decide on a final city, I first narrowed it down to two. I then extensively researched both cities and answered a series of questions that I was provided with. The questions ranged from practical examinations such as cost of living, types of transportation, and crime rate, to more fun topics such as things to do and organizations to get involved with. The goal of these questions was to give me an in-depth look at what living in each location would be like, whether it be good or bad. After answering the questions, I thought about how I felt about each answer and how it would impact me if I were to end up living in that city in the future. These questions along with my prior knowledge of the two cities lead me to pick one city over the other as my first choice for starting my career.

After choosing my two cities: Austin, Texas and Raleigh, North Carolina, my in-depth research began. With each answer came new excitement and challenges. This case taught me many important things about each city. At first, I was overwhelmed, as my two cities are very different and each have diverse pros and cons lists of their own. However, as I finished the list of questions, a favorite began to emerge. From this case, I learned that, as of now, I want to begin my accounting career in Raleigh, North Carolina. I chose Raleigh over Austin for many reasons, the main one being that I want to stay in the mid-south region. Having grown up in the Midwest and attending college at Ole Miss, I believe that the people, culture, and values of the mid-south are what I like to be around. Not only do I like the way of life in Raleigh, but the landscape and geographical location are also ideal to me. I love being outside and Raleigh boosts many opportunities for living a healthy and active lifestyle.

Below is my research and reasonings on why Raleigh, North Carolina is where I want to start my accounting career. I have also provided the answers to the same questions for Austin, Texas that allowed me to compare and contrast the two cities.

What is the population?

Raleigh, North Carolina currently has 469,298 residents. I like the fact that it is a smaller city and believe it creates a better sense of community. It also makes rush hour not as difficult, and a good city for raising a family.

Austin, Texas has a population of 964,254. I like the fact that it is a little bigger and therefore more exciting than Raleigh for a young adult straight out of college.

Describe the climate and seasonal fluctuations. Are you accustomed to living in this weather? If not, describe some of the challenges from this climate.

The weather in Raleigh, North Carolina is very similar to what I experience at home in Jackson, Missouri. Ranging from high 80s to low 60s in the summer and 50s to low 30s in the winter on average. Raleigh experiences about nine days of rainfall each month and has a slight chance of snow each winter. I like the fact that residents get to experience all four seasons in Raleigh. From summer days spent by the pool to the possibility of waking up to school canceled for snow in the winter, Raleigh's climate is near perfect.

Austin has a less diverse climate. Summers range from high 90s to low 70s and winters from high 60s to low 40s. Austin gets virtually no snow and has an average of seven days of rainfall each month. As a girl who favors hot weather over cold weather, the climate of Austin is very appealing to me. However, every once in a while, I love a brisk fall day or snow day full of sledding and that is rare in Austin, Texas.

Describe the city's topography, scenery, and other geographic or geological features of the area in which the city is located.

Raleigh sits on 146 square miles in east-central North Carolina where the hilly Piedmont region begins to flatten into the coastal plains. Raleigh has lots of parks full of green space and bodies of water for outdoor activities. It is located about two hours from the Atlantic Ocean and four hours from the Smoky Mountains, which provide even more opportunities for adventure. I think the geographical location and scenery of Raleigh is something I would really embrace if given the opportunity to live there.

Austin takes up 258 square miles in South Central Texas. It separates Texas hill country from the prairies of east Texas. Austin is home to many lakes and rivers, with the Colorado River running right through the middle of downtown. There are also many swimming holes and state parks nearby. As stated before, I love being outdoors so I think I would fit right in with the landscape of Austin, Texas.

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)?

Avalara.com states that the federal tax rate for a single person making a $55,000 salary is 22 percent, the North Carolina state tax rate is a 5.25 percent flat rate. There is also a 6.2 percent tax for social security and a 1.45 percent Medicare tax. This adds up to a total of 34.9 percent tax rate. If I make $55,000 a year as a starting accountant in Raleigh, I will pay $19,195 in taxes each year. While this number seems extremely high to me, it is comparable to other cities.

Austin, Texas still has 22 percent federal tax, 6.2 percent social security tax, and 1.45 percent Medicare tax. Avalara.com states that Texas has no state income tax. This adds up to a total tax rate of 29.65 percent. Therefore, if I make $55,000 a year as a starting accountant in Austin, I will pay $16,307.50 in taxes each year. Because Texas is one of the few states without income tax, this is significantly lower than the taxes I would pay in Raleigh.

What transportation hubs are in the city?

Raleigh, North Carolina has an international airport. They also have an award-winning bus system called Go Raleigh. A single ride cost $1.25, a day pass costs $2.50, and a monthly pass costs $40.00 according to GoRaliegh.org. The bus runs 20 hours a day with numerous stops all around the city. Uber, Lyft, and other rideshare programs are also available around the city. For a relatively small city, I think this transportation system is nice. I would definitely have a car in Raleigh, but this transportation system would be more than enough, if there was a time I didn’t want to drive somewhere.

Austin also has an international airport. They also have a bus system with prices very comparable to Raleigh, $1.25 for a single ride, $2.50 for a day, and $41.25 for a month. Austin has rail trains for $3.50 a ride, $7 a day, and $96.25 for a month according to there website capmetro.org. With both of these services one can opt to “park-and-ride.” This entails parking outside the city and riding public transportation to get downtown. Austin also has ride sharing options such as Uber and Lyft available. I think Austin’s transportation system sounds like it would work well enough for me. I would plan on driving my own car most of the time, but when I don't want to, I think the public transportation system would work great for getting me from point A to point B.

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

The most prevalent industry in Raleigh, North Carolina is by far pharmaceutical and biotechnical companies. Five of the biggest companies in Raleigh are Mallinckrodt Pharmaceuticals, Biomarck Pharmaceuticals, Charles River Laboratories International, WakeMed Hospitals, and McKesson Corporation. Since it is located in the triangle with so many research institutions nearby, Raleigh also is home to many cleantech/smart grid companies, advanced manufacturing companies, and technology companies. As a member of the Center for Manufacturing Excellence here at Ole Miss, auditing manufacturing companies is something I am very interested in and would love the opportunity to pursue in Raleigh.

Austin's most prevalent industry is technology, even bearing the name "Silicon Hills" after Silicon Valley in San Francisco. Major companies located in Austin include Dell, Apple, IBM, and AT&T. There are also a lot of hospitals and healthcare in Austin. This intrigues me as I do not know a ton about technology companies, but think they would be interested to work on.

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

Being located near a large number of prestigious research institutions, Raleigh, North Carolina has many options for good health care. UNC, Duke, and Wake Forest all have hospitals located in the Raleigh area making it one of the most affordable areas to receive good health care. Raleigh also has good school systems, finishing 16th among the nation's 933 metropolitan areas in terms of having the highest proportion of public high schools in the top 25 percent of schools nationally according to newsobserver.com. Like any city, Raleigh has some school districts that are better than others, but overall it has a good school system. As a practicing Catholic and someone who grew up attending Catholic school, I would probably opt to send my future kids to Catholic school as well. Raleigh has four Catholic elementary schools and two Catholic high schools to make this possible. I believe my high school played a significant role in where I am today and therefore will be super picky in choosing where to send my future children. However, I think Raleigh has many options that seem acceptable to send my kids to in the future.

Austin also has good healthcare and schools. Three hospitals located in Austin are ranked among the best in the whole state of Texas. Austin also has several schools ranking among the best in Texas. Austin has 10 Catholic elementary schools and two Catholic high schools that look very impressive. My future children’s education is very important to me, and Austin looks like it would meet my high standards for schools.

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

According to areavibes.com, Raleigh, North Carolina has a crime rate that is two percent higher than the national average, which is not bad for a city. The violent crime rate is nine percent lower than the national average with the majority of crimes in the city being property crimes, making Raleigh safer than 32 percent of US cities. On top of that, over the last few years crime rates have been going down in the city. The south and southeast parts of the city are where the majority of crime takes place, so I would want to stay away from neighborhoods there such as Falls of Neuse and Mordecai. Overall, Raleigh seems like a decently safe city to live in, as every city, big or small, has crime.

Austin has a much higher crime rate than Raleigh. I expected this since it is double the size. Areavibes.com states that Austin has a crime rate 49 percent higher than the national average and violent crime rates right at the national average. However, it is still deemed safer than 20 percent of American metropolitan areas. One negative about Austin is that crime rates are increasing. The most dangerous neighborhoods are East Cesar Chavez, MLK, Holly, and McKinney. As a young woman, crime is scary, however, I believe that if one uses common sense and stays alert it is easy to avoid difficult situations. Therefore, the higher crime rates of Austin do not intimidate me, especially since it is still considered one of the safer big cities in America.

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.

If I were to live in Raleigh, North Carolina, I would most likely live in an apartment either by myself or with a roommate if I could find someone through work, school, or social media that seemed like a good fit. However, with or without a roommate, living in an apartment in Raleigh would still be affordable. With NC State located nearby, there are many apartment complexes geared towards young adults, the amenities they want, and most importantly, their budgets. After researching, I would expect to pay around $800-$900 dollars per month if I chose to live on my own. Below, figure 1 and figure 2 show some options I found online. Most, if not all of them, come with in-unit laundry, designated parking spaces, and other amenities. Living in Raleigh seems to get one more bang for their buck than most cities which makes me very interested in it.

Figure 1: Raleigh Apartment Example 1

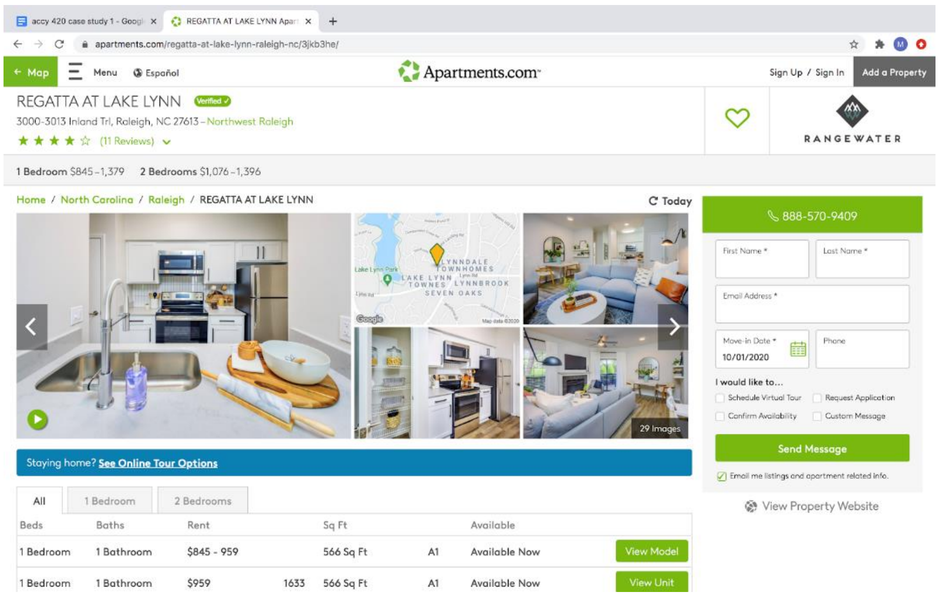
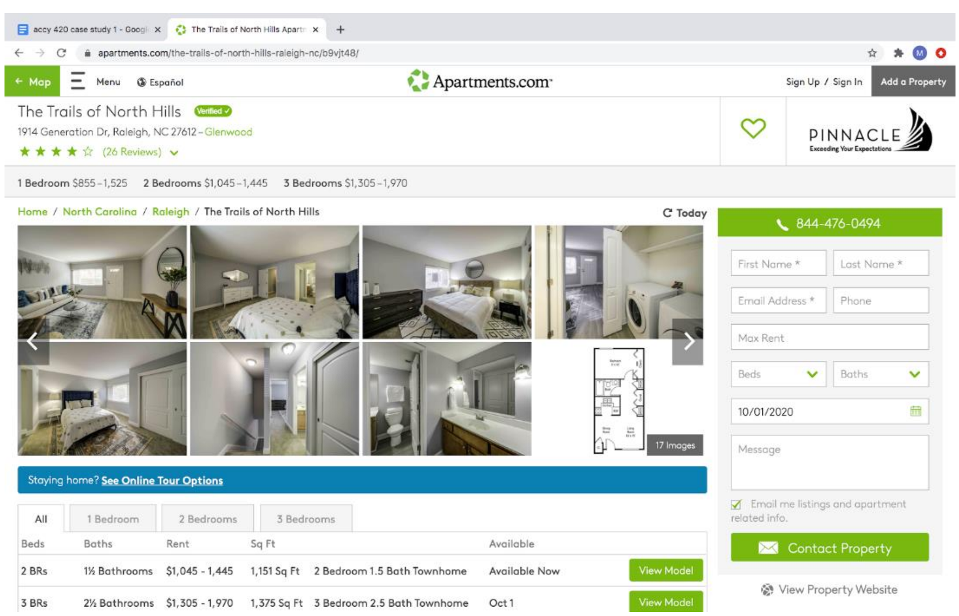


Figure 2: Raleigh Apartment Example 2



Living in Austin, Texas provides a few more challenges than Raleigh, but overall still is doable. The nearby University of Texas has inspired many apartment complexes for young adults in the city. Here, living without a roommate would cost closer to $1,000 per month, while living with a roommate would be around $800. However, I did find a one-bedroom apartment for around $800. Below, figure 3 and figure 4 show some options I found in Austin, TX. Once again, they come with in-unit laundry, designated parking spaces, and other amenities. I don't need the fanciest apartment, just a place to call home where I am comfortable and safe, and I believe that these apartments would be perfect for me. I found all of these apartments on apartments.com.

Figure 3: Austin Apartment Example 1

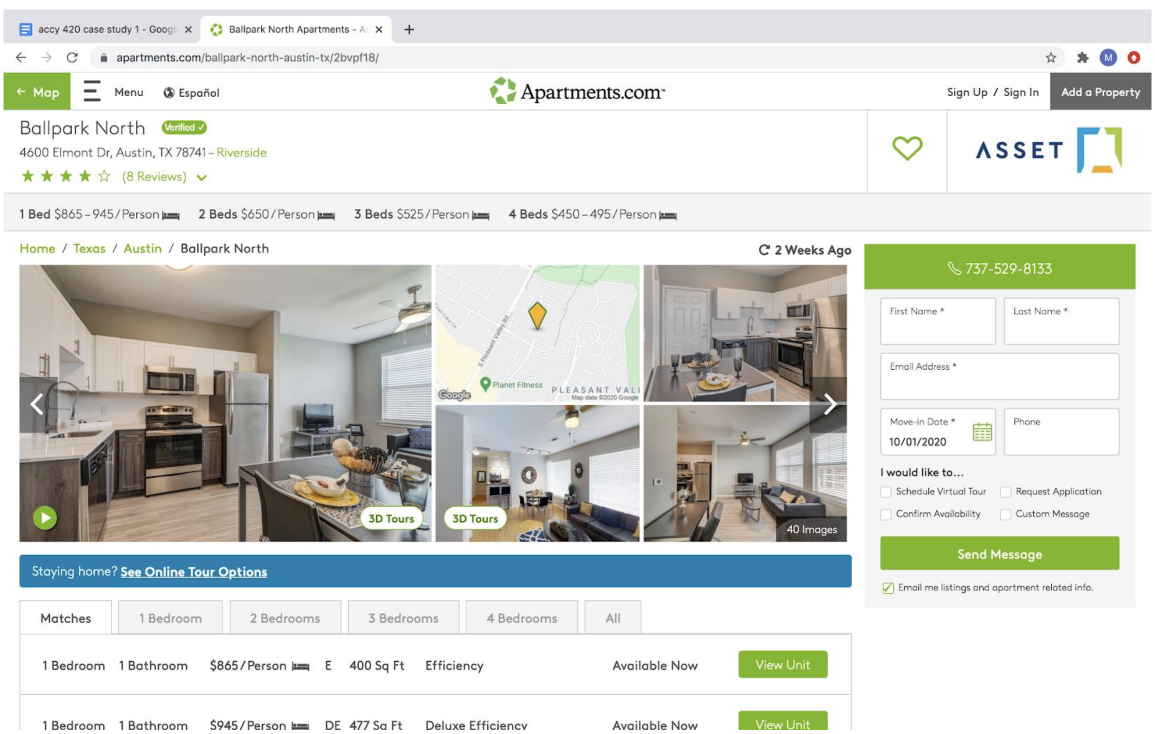
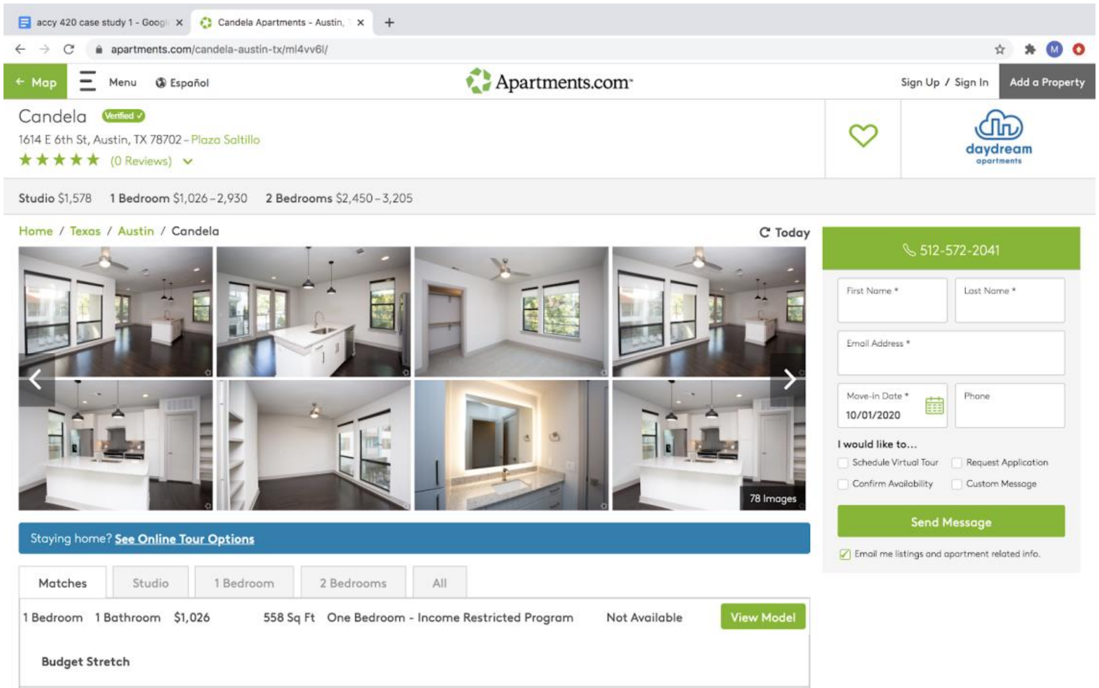


Figure 4: Austin Apartment Example 2



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

In both Raleigh and Austin, I would use my car to commute to work. I love the freedom of having a car and being on my own time, and don't think I would be able to give that up. Based on the apartments above, my commuting times to work would be less than 30 minutes with traffic. I tried to find apartments near where the accounting firms are located in the cities.

Where will you do your grocery shopping?

Since I plan on having my own car in both cities, grocery shopping would not be much different than it is here in Oxford, MS. I would simply drive to the grocery store, buy my groceries, load them in my car, and drive home. I would try to go to the grocery store once a week or every other week. Being able to drive to the grocery store and get whatever I need is something I take for granted and can't imagine my life without.

How will you do your laundry?

Once again, how I would do my laundry would be the same for both cities. A must have on my apartment amenities list is in-unit or in-building laundry machines and dryers. Not only would I hate to have to haul my laundry to a laundromat, but I think my dad would have a heart attack if I went to a laundromat in a big city. This is just another reason why I chose smaller cities to possibly live in.

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

As someone who is already involved in civic organizations in Oxford and in Jackson, I would love to continue to work with the same organizations in other cities. In Raleigh, I would love to get involved with their local Night to Shine chapter. I would also like to continue working with the Special Olympics and Unified Sports organizations, which Raleigh has both. I am a practicing Catholic and plan on finding a local parish to not only attend but embrace the community and philanthropic events that they put on.

In Austin, Texas I would also try to affiliate myself with their local Night to Shine and Special Olympics organizations, as well as with a Catholic parish. One organization I found in my research that is unique to Austin that I would love to get involved with is Explore Austin. This organization pairs adults with underserved youth and hosts outdoor activities such as camping and hiking for them to do together. The program is designed to empower its participants through leadership, mentoring, and adventure, which are qualities that are very important to me.

I’m also sure that both cities have numerous other organizations that I would love to get involved with once I settle in and meet people that live there.

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.

The one area that Raleigh falls short in is exciting things to do. The city’s only major league sports team is the Carolina Hurricanes Hockey team. However, what Raleigh lacks in big city perks, it makes up for in other things. Being located in the triangle, college basketball is a huge deal. Raleigh also has a lot of free activities such as art, science, and history museums and parks. Raleigh has many cute shopping areas with delicious and unique restaurants such as Drive Shack. Finally, Raleigh is only two hours from the beach and Charlotte, North Carolina, so I imagine I would spend a few weekends in both of those places.

While Austin, Texas is the largest US city with no major league sports team, the people in Austin root for the University of Texas teams. Austin is known as the live music capital of the world with live music on every street corner, in every restaurant, and even in some grocery stores. As someone who loves live music, this would entertain me for hours. Austin also has many swimming holes, lakes, and state parks nearby. Barton Springs Pool located in Zilker Park is located just outside the city and provides residents with numerous outdoor activities including paddle boarding, sunbathing, and kayaking. Austin has lots of shopping, restaurants, and nightlife, including one of my personal favorite places, Topgolf. With all of these things to do and the fact that Austin is just a few hours away from the larger cities of San Antonio, Dallas, and Houston, I would never be bored in Austin, Texas.

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?

Raleigh, North Carolina is approximately 11 hours and 26 minutes from my hometown of Jackson, Missouri. I would have to drive this occasionally, but would fly back and forth most of the time. Raleigh has an international airport with direct flights to Saint Louis, Missouri, which is the closest airport to my house. The flight duration is one hour and 50 minutes and then I would have an hour and a half drive from the airport to my hometown. With getting to the airport an hour ahead of time for security, the whole trip would be around five hours one way and cost around $150-$200 round trip. While this isn't exactly ideal, I want to go somewhere new and different and the cost and time of the trip home do not change that.

Austin is located 11 hours and 33 minutes away from my hometown by car. The flight is also around two hours in duration and would cost about $150-$200 depending on the day and time of my flight. The whole trip from Austin, Texas to Jackson, Missouri would also be about five hours and once again is a sacrifice I am willing to make to get to experience somewhere new. I based my flight information on Southwest Airlines.

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.

Below, figure 5 and figure 6 show a monthly budget for each city. I budgeted items like groceries, gas, spending money, supplies, etc. to be the same in each city. I also accounted for saving 20 percent of my monthly paycheck which would be $1,000. The only difference in the two budgets were rent was $100 higher in Austin, Texas and taxes were about $300 higher in Raleigh. This made Austin $200 cheaper than Raleigh, which is not a super significant amount. Overall, both cities are cheap enough that I could continue my current lifestyle on a starting accountant's salary.

Figure 5: Raleigh, North Carolina Monthly Budget

Tax ($5,000 x 34.9%)	$1,745
Rent and Utilities	$900
Gas	$80
Car Insurance	$65
Phone Bill	$55
Groceries	$150
Supplies (toiletries, cleaning supplies, etc.)	$25
Fun Money (eating out, activities, shopping)	$300
Savings (20%)	$1,000
Extra	$680
Total	$5,000

Figure 6: Austin, Texas Monthly Budget

Tax ($5,000 x 29.65%)	$1,482.50
Rent and Utilities	$1,000
Gas	$80
Car Insurance	$65
Phone Bill	$55
Groceries	$150
Supplies (toiletries, cleaning supplies, etc.)	$25
Fun Money (eating out, activities, shopping)	$300
Savings (20%)	$1,000
Extra	$842.50
Total	$5,000

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

Based on these questions, my preferred city is Raleigh, NC. The cities are very similar. However, I can see myself living in North Carolina for a lot longer than I can see myself living in Austin, Texas. I think my ideals, values, and culture match Raleigh more than Austin. It is also smaller than Austin, which makes me feel safer and more comfortable considering I have never lived in a town with more than 50,000 people. It is directly east of where I live now so the weather is virtually the same. However, it is much closer to the mountains and ocean than where I live, which I like. Overall, I think I picked it because it reminds me more of where I grew up than Austin, Texas does and I think I would fit right in.

CASE II: Exploring the FASB and GAAP

INTRODUCTION

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

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

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

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

Viewpoint 1:

The proper valuation of assets and liabilities is the primary goal of financial reporting, with income concepts occurring as the result of changes in the asset and liability values. Under this view, firms are essentially "asset greenhouses", where the primary mission of the firm is to earn money by acquiring assets, storing and growing them, and earnings represent the realized or unrealized growth in these assets.

Viewpoint one placed a large emphasis on the physical assets and their valuation. An advantage of this viewpoint is that there is less transfer and disposal of assets. With disposal of assets, particularly long-term assets, there is risk of unrealized losses. Another benefit is that holding and growing of assets increases the value of said assets. Specifically, we thought about investment firms. These firms hold monetary assets with large values that are hard to exchange and/or dispose of, so they might think comparatively to this viewpoint when creating financial statements. On the other hand, this viewpoint contradicted what we know about prepaid assets and inventories. Growing inventories cause more expenses and reduce liquidity in a company, and carrying too much of a prepaid asset causes the same risks. A disadvantage of this "asset greenhouse" is the reliance on valuation. If this viewpoint were true, it would be stating that the purpose of reporting relies on estimates of asset accounts. Although these estimates are important for the decision makers, they are not the primary purpose of reporting.

Viewpoint 2:

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

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

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

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

Viewpoint 1:

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

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

Viewpoint 2:

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

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

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

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

If assets were measured as "value-in-exchange" and realized their contribution to firm value on a standalone basis, most of the rules and regulations of current accounting would not be affected. However, a few items would need to be changed. Assets that have little to no market value on their own, including copyrights and patents, would have to be accounted for differently.

Journal entries pertaining to depreciation, amortization, and depletion would also be altered since they are meaningless without their respective assets.

Journal Entry Examples:

Current:	Copyright	1,000	
	Cash		1,000

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

Current:	Patent	1,000	
	Cash		1,000

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

Current:	Amortization Expense	1,000	
	Patent		1,000

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

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

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

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

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

CASE III: Presidential Debate

INTRODUCTION

For this case, three things had to be completed. First, I answered the question, "What is it about our country that "unites" us to warrant naming our country The United States of America?" After answering this question, I was asked to watch the 2020 presidential debate via an unbiased news source. While watching the debate, I formed predictions about how each candidate's presidency would affect my life as a future accountant and citizen. I focused my predictions on how the job market, tax rates, and the economy as a whole would be impacted in the event of each candidate winning the election. Lastly, I considered how the country will react to the results of the election, as well as ways the country can come together once a winner has been announced.

Personally, I am very far removed from politics, and I don't think it is necessarily a good thing. This case challenged me to dive deeper into the political world that I try to stay out of. While I wouldn't say I enjoyed watching the presidential debate, I did feel like a more up to date United States citizen after doing so. However, after watching the debate, I also felt like neither candidate should be the president of the United States of America. The debate was full of childish arguing between candidates instead of content to inform voters on the candidates' opinions and how they are going to put them into action if elected.

After going through the transcript of the debate, I did find some content to complete this case. Not only did I learn about the candidate's personal ideas, but also more about the two political parties' stances on issues. As I mentioned before, I don't normally research or have an interest in politics. Therefore, the majority of my knowledge prior to this case came from my parents growing up. This case allowed me to educate myself enough to form my own opinions.

After completing it, I have learned that no matter the outcome of the election, the country will still have to unite behind our president. As the United States of America, we must remain unified despite our differences.

Requirement 1: Answer the following question, you live in the United States of America. What is it about our country that "unites" us to warrant naming our country that?

The founding fathers named our country the United States of America over 243 years ago. When naming our country, they did not just pull the name out of a hat, or have a contest, but rather they put hours of thought and effort into choosing a name that reflected the values and ideals the country was founded upon. The term United States refers to the fact that while we are all different and can govern ourselves as free independent states, we are still joined by a common purpose or feeling. I believe this is a parallel to the values our country upholds today. The United States of America is known for being one of the "freer" countries of the world. People, just like the states were, are allowed to freely choose their own beliefs and future paths and for the most part, govern themselves. However, we are still all unified as Americans.

Today, I believe America is as divided as it has been in a very long time. However, the country is still moving forward and it is a great place to live. The majority of Americans are still trying their best to respect others' opinions. Since we are all individuals living in a free country, we are entitled to our own thoughts and points of view. I believe a country becomes divided when people lose respect for people with differing beliefs.

Another thought that comes to mind when reflecting on the name of our country is the idealistic "American dream". I think this collective hope drives our country forward to reach a common goal. However, this common goal of success looks different for every American.

Therefore, I believe what truly unites us as Americans is embracing and respecting our differences in a way that lifts us all up. If we were all living the same lives or being told what to do all the time, there would be no creativity, innovation, or originality, and those are the things that make living in the United States of America so great.

Requirement 2: **For each of the candidates, forge a prediction about how their presidency will affect the job market when you graduate and the general business economy for the companies that will either be your clients or your employers.**

After watching the presidential debate, I honestly felt less educated on the economic state of the country. The majority of the debate was filled with arguing and a lot of the content we did receive was on COVID and racial tensions. After going back and looking at the transcript, I did manage to find some content on each candidate's plan for the financial health of the country in the future.

Having been in office for the past four years, I feel confident in my ability to predict how the economy will look if President Trump were to be reelected. I personally think Trump did a good job with the country economically. He lowered taxes and created jobs. I believe the Trump Tax cuts that he put into action were favored by companies and individuals, inspiring them to work harder and keeping them in the United States. Before COVID, the country was at record low unemployment rates. He stated in the debate that he brought back over 700,000 jobs to the United States. As an aspiring accountant, the more jobs and manufacturing companies in the United States, the more businesses there are to audit and the more money there is to account for. With Trump being a very successful businessman before serving as president, I believe he knows a lot about financial health and focused and will potentially focus the majority of his time in office on that aspect. A large negative to also keep in mind is that Trump did not create the greatest relationships with other countries and can be a bit rude and rash when it comes to dealing with others.

Throughout the debate, Vice President Biden managed to state a little bit about his financial plan for the United States if he were to be elected. He stated that he is going to eliminate a significant number of the Trump tax cuts that favor the upper class and lower taxes for the lower class. More specifically, he stated that he is going to raise corporate taxes from 21 percent to 28 percent. Trump fired back on this idea, saying that this would force large companies out of the United States. Biden stated in the debate that his economic plan would create seven million jobs, leading to one trillion dollars in economic growth. However, once again Trump fired back saying that Biden has been in politics for 47 years and has yet to make that happen. Biden also elaborated on the term “buying America,” saying he would only spend government money on things made in America.

My predictions for if Biden were to be elected, are that his presidency would look similar to President Obama’s. I think that taxes would be higher on wealthy individuals and businesses and lower on the lower class. While I think we should help out those with less opportunities, I do not think it is entirely fair to punish individuals who have worked hard to make a living for themselves. As an aspiring accountant, I think Biden becoming president would be less beneficial than Trump becoming president. However, either way I think the job will stay very similar and still have job security.

Requirement 3: Answer the following questions: How will the two sides of the country come together harmoniously once the election is over? How do you personally intend to function

in the aftermath? Formulate a plan to be an agent of positivity and discuss the content of that plan.

To be honest, I am a little scared about what is going to happen once our new president is announced. However, no matter what happens, I know our country will eventually come together and overcome our differences, whether we like it or not. Each election year, the country is divided and yet each year we somehow reunite after the president is selected. The ability to have different viewpoints is what makes the United States of America what it is. Citizen's conflicting viewpoints allow for change, progress, and innovation. Without individual opinions, nothing would ever be accomplished. No matter the subject, people should always respect one another's opinions regardless of how different from their own they may be. With this being said, individuals, including myself, will just have to accept defeat and unite around the president that is elected because he is the leader of our country and we need to stay united. Because we live in America, we are constantly surrounded by people with opinions and ideals that differ from our own. Just as we manage to be civil around people who practice a different religion or have different eating habits, we must be civil around those who have different political preferences.

Personally, I do not think the presidential election results will have a huge impact on my life at the moment. As mentioned above, I am not interested in politics and therefore do not have a standout favorite that I want to win the race. I will most likely be indifferent as to who wins. However, this will not be the case for my dad. My biggest suggestion for him to cope with his candidate losing would be to explain to him that it is out of his control and that the candidate who won is who the majority of our country wanted in office, and that is how democracy works. I would then try to persuade him to accept that the new president is now the leader of the country we live in, and that while we don’t have to believe in everything he says or does, we must stay united behind him. The United States of America is a free country which allows citizens to be entitled to their own opinions. However, in order to stay this way, we must recognize our differences while still respecting others’ beliefs.

As a person who likes to practice positivity, I have a few ideas in mind for dealing with the aftermath of the election. First, I will continue to spread happiness in little ways such as by smiling at strangers, holding doors for people, picking up trash, paying it forward in the drive through line, etc. These little acts of kindness can have a big impact and inspire others to perform acts of kindness as well. Also, I will serve as a listening ear to people who want to vent their opinions and express their thoughts and fears in a peaceful way. Sometimes, all people want is someone to really listen to them. It makes them feel heard, respected, and understood which can be hard to find in our society today. Respectful conversations have a much more positive outcome than heated arguments, even when the content is the exact same.

No matter what happens, the country is going to eventually get over the results of the election and reunite as one nation. We will still have our differing opinions and beliefs, but that is what makes the United States of America the country that it is. The name of our country came from the idea of individually governed states uniting into a single country. This is just how we must be with our beliefs. While we are in charge of our own personal opinions, we must still be civil and unite with those around us to be successful and be able to make a difference, especially when it comes to the 2020 presidential election.

CASE IV: Tax Cuts and Job Act and *Taxodus*

INTRODUCTION

For this case, I was tasked with researching the Tax Cuts and Job Act (TCJA). While the TCJA changed the tax code in numerous ways, its most substantial effect was reducing the federal corporate tax rate from 35 percent to 21 percent. I was provided with three sources on the subject matter and found a few others to complement the ones provided throughout my work. My research consisted of many forms of media including documentaries, news articles, and information straight from the IRS website. After performing this research, I was asked to state what I think the optimal corporate tax rate should be and why. Considering that there is no right answer to this question, I had to consider all sides when approaching a final decision. In the end, I decided that 24 percent is my best estimate of the ideal corporate tax rate. While I know this rate will not please everyone, I believe that it is the best number for all parties involved, including everyone from blue to white collar workers, and the United States of America as a whole.

After finalizing my decision which is in no way right or wrong, I was asked if this assignment increased or decreased my interest in pursuing a career in the tax service line of public accounting. Due to the fact that saving your client the most money in taxes can hurt the US economy, and that it can be considered sly, sneaky, and immoral, I decided that this case decreased my already low interest in the tax service line of accounting. I also do not like how the tax code is constantly changing. I like to play by the rules given to me and make sure other people do the same. In tax, it seems like there is a lot of gray area, blurred lines, and things that are not necessarily right, but that one can get away with. Because of these reasons and more, I want to be placed in the audit service line of public accounting. This case made that even more clear to me than it already was.

1) What do you think the optimal corporate tax rate should be and why? Explain your answer including information gleaned from the two links and the documentary (in addition to any other sources you would like to include).

If there was a correct answer for what the optimal corporate tax rate should be, it would most definitely have been discovered by now. No matter what the rate is placed at, people will be unhappy. For example, the higher it is, the unhappier the wealthy, big business owners are. On the other hand, the lower it is, the unhappier poorer people will be. There is simply no way to please everyone. Therefore, a compromise must take place. The tricky part is pinpointing the exact percentage that will make the least amount of people unhappy, while also allowing for a good and working economy. In order to do this, one must look at both positives and negatives of high and low corporate tax rates for both business owners and other US citizens.

Before the Tax Cuts and Job Act was put into place by President Donald Trump, the corporate tax rate was 35 percent. The TCJA lowered it to 21 percent ("Businesses"). However, former vice president Joe Biden believes that raising the corporate tax rate to 28 percent is in the United States best interest. I will use these rates and the reactions and past outcomes of them to establish what I think is the perfect percentage.

The documentary "*Taxodus*," takes place when the corporate tax rate in the US was 35 percent. The documentary stated that at that time, 2013, many multinational companies offshored their US divisions so that they could pay less corporate income taxes on their profits. The rates in countries such as the Cayman Islands, the Netherlands, and Cyprus were astonishingly lower than the US, if they even existed at all. Because so many big businesses, such as Apple and Starbucks were and still are participating in this form of reducing their taxes, I think the corporate income tax rate in the US in 2013 was too high. I also think that anything above 35 percent would force even more large companies to offshore, taking thousands of jobs with it, and hurting the United States economy.

The documentary states that profits should be taxed in the countries in which they are made and I wholeheartedly agree with that statement ("*Taxodus*"). To me, moving a business to another country in order to pay less taxes is greedy. The least that these billion-dollar companies can do is give back to the people that buy their products, making them the success that they are. Paying US taxes on the profit's companies make off US citizens would help provide better schools, roads, parks, etc. in our country.

However, because our country needs these schools, roads, parks, etc. for everyday citizens, the US corporate tax rate cannot be too low either. The TCJA lowered the tax rate to 21 percent in 2017. While this had many positives, it also had its fair share of negatives. Positives of a 21 percent tax rate included record low unemployment rates and a record high number of job openings ("U.S. Department of the Treasury"). On the other hand, this 40 percent reduction in the tax rate lead to a significant decrease in US revenues. With the United States of America being in 27 trillion dollars and counting of debt already, the last thing we need to do is receive less money from taxes. The Congressional Budget Office estimates that the decrease in the corporate tax rate due to the Tax Cuts and Jobs Act will result in a $1.9 trillion deficit in US funds in the next ten years (Gale).

Because of these findings and more, I believe the best corporate tax rate lies somewhere between 21 and 35 percent, leaning more towards the lower end. I think Joe Biden's proposal of

28 percent is still too high. I think now that it is 21 percent, raising it will drive companies to offshore again and remove jobs from the United States. Therefore, I think the best rate is about 24 percent. I think that the slight three percent increase will significantly help the United States financially more than the current rate of 21 percent. However, I think it is a small enough increase to not drive companies out of the US, or make business owners super upset, making it the most ideal option.

2) Did this case increase or decrease your interest in pursuing a career in the tax service line of public accounting? Explain your position.

Before beginning this case, I knew I preferred the audit service line over tax. Last summer, I worked at a CPA's office in my hometown and completed work relating to both tax and audit. I enjoyed the audit days of leaving the office and going somewhere else, and working with the client's bookkeepers so much more than the days spent entering 1099s into the computer in my cubicle. When we did out of office audits, I loved the investigative side of it. While I did not want to write anyone up for not following the proper procedures, it was so satisfying when I would find the little mistakes that threw the whole balance off. I also loved getting to see new places and meet new people, which often lead to fun restaurant suggestions for lunch. I like when all the days are different, and I think audit would help me fulfill that better than the tax service line.

With that being said, this case made me realize even more that I do not want to be in the tax service line. While I just said I do not like every day to be the same, I do like rules that are very easily defined and do not change. From this case, I have learned that the tax code is constantly changing. I feel like as soon as I would master one set of tax rules, it would change to a new one and that would drive me crazy. I also learned that the tax industry has a lot of gray areas in what can and what cannot (or should not) be done. I am a rule follower and like to know that everyone is being held to the same standards.

Watching the documentary and seeing that some companies have specifically placed offices in countries with very small tax rates made me a tad upset. I saw all the benefits that they received and that it was a smart business decision, however, it just felt wrong to me. The scene in the documentary where the woman is holding the hearing with the heads of big companies such as Apple and Amazon that are obviously making money but are reporting losses in countries with high tax rates made me not like the idea of tax accounting ("*Taxodus*"). I know the purpose of a good tax accountant is to pay as little taxes as possible, but I believe there is a fine line between paying less taxes and cheating the system.

In conclusion, I think the best corporate tax rate is 24 percent. While there is no perfect tax rate, I believe 24 percent is a good middle option between the previous 35 percent, Biden's 28 percent and Trump's 21 percent tax rate. I believe it is the best option to satisfy the common good of United States' citizens while keeping business and the economy booming. In completing this case, I also learned that I for sure want to work in the audit service line of accounting over tax. Because the US tax rate is high, many tax accountants have to work around the system to get their clients to be able to pay less taxes which makes me feel immoral.

CASE V: Professional Interview

INTRODUCTION

For this case, I was asked to interview a business professional who is established in his or her career. I was provided with a series of questions and came up with some myself to gather information and write a biography of this professional's personal and work life. Since I am planning on working in public accounting but also have dreams of owning my own business, I chose to interview a public accountant that owns his own firm. For this project, I interviewed Steve Dirnberger of Cape Girardeau, Missouri. Mr. Dirnberger has been practicing public accounting since the day he graduated college and has ample experience in the profession. Accounting isn't the only thing we have in common. We are also both practicing Catholics in Southeast Missouri who have a love for family, our town, and giving back.

Throughout the course of my interview, I learned many things from Mr. Dirnberger on various topics including accounting, the business environment, family, and life in general. The questions provided to me covered a wide assortment of subjects, ranging from growing up and going to college to jobs he has worked and favorite vacations he has taken. At first, I was confused about the range of questions, but as the interview progressed I really got to see his whole life play out, from where he started to where he is going. It allowed me to get a picture of my life starting out in a small town and what it would look like if I stayed here instead of going to a large firm in a big city. Some of the most valuable information came from comparing his experience as a public accountant in a small firm to the information I have gathered via the recruiting process on life at a big four public accounting firm. I also enjoyed listening to him speak on why he loves what he does. Many people think of accounting as boring and meaningless. However, Steve sees it as a way to use his God-given talents to help other people.

BIOGRAPHY

Steve Dirnberger has lived in one town his whole life. Some people may think this is a bad thing, however it is not to Steve. He was born in Cape Girardeau, Missouri, went to college there, and has now raised his own family in the town. When asked if he would change anything about his path, he said he would go back to first grade and do it all over again in exactly the same way if he could.

Steve grew up as one of four boys. He attended Catholic grade school and high school before going to his hometown college, Southeast Missouri State University. He excelled in both academics and sports in high school, leading him to be able to play college basketball and graduate from SEMO in only three years. Because he was able to test out of many of his general education classes, he jumped right into the hard accounting courses, having to take multiple difficult courses at a time. By his junior year, he decided to stop playing basketball and focus on his education. He was also involved in a fraternity while at SEMO which took up some of his time as well.

He saw his time and degree at SEMO as a stepping stone to law school and graduated with plans to attend Saint Louis University Law School that fall. However, after completing a summer internship with a local accounting firm, he realized he wanted to stay in the accounting profession and forgo more schooling. Steve stated that he liked his job as an accountant because he felt like he was helping people and thought it was intriguing to take data, process it, and create a useful and meaningful product.

Once he decided to officially pursue accounting he asked his boss if he recommended Steve get his master's degree in accounting. Back then, there was no 150-credit hour prerequisite for the CPA exam, so his boss said there was no point. He would receive the same pay regardless, and a master's degree would not make him any better at filing taxes. He took and passed the CPA exam within his first year working for the firm.

The 150-credit hour pre-rec isn't the only thing that has changed from today's CPA exam. He stated that the exam was two and a half days long. Also, participants got no calculator and had to pass all four parts in one sitting or retake the whole thing. Today, each of the four sections is on a different day in an entirely different month, and one can retake a specific section if they do not pass just that one part. Participants today are also allowed a calculator and it is almost required for CPAs to obtain a master's degree due to the 150-credit hour requirement.

After passing the CPA exam, he continued to work for the same firm for 10 years. A decade after starting his career, he, along with another young employee at the firm, decided they saw some changes that could be made. They chose to leave the firm they were associates at to start their own CPA firm in Cape Girardeau. Today, his firm is known as Stanley, Dirnberger, Hopper and Associates. Over the years, Steve, along with his siblings who live in the area, has become an investor in many local restaurants. Under the Dirnberger family's guidance, many of these restaurants have become local favorites.

Outside of work, Steve lives a normal life. He has raised five children and has been able to make time to spend with them and watch them grow up, even during busy seasons. One thing he likes about accounting is that he really doesn't have a boss telling him what to do and when to do it. While he has to get his work done by a deadline, he has the ability to say when he wants to work. If he needs to take off to attend a school assembly mid-day or travel to watch a kid's sporting event, there is no one to stop him. He stated that he never picked up hobbies such as hunting or golfing, but not because he couldn't. He would rather spend what free time he does have with his family.

He has coached many soccer teams, taken exciting family vacations, and spends time with his grandchildren. He stated that his favorite vacation he's ever been on was a recent one to Wyoming and Yellowstone National Park. However, this was not an easy choice, as he has enjoyed many family vacations. He, his wife, his kids, and his grandkids who live all over the state, loaded up their cars and backpacks, and spent the week together in a cabin. They made numerous stops along the way, making memories that would last a lifetime. Another thing Steve made very clear to me was his passion to give back to the community that supports him. What free time is not spent with family is spent using his abilities to serve on various financial boards and committees of local organizations and charities.

When asked what he would change about his life, he said absolutely nothing. However, there are a few things he wishes he would have learned earlier. He wishes there was a college class titled "Practical Accounting," in which things like QuickBooks and payroll tax reporting were taught. He said that college doesn't teach accounting majors how to actually be a local accountant. College accounting courses are focused on teaching students how to work for a big four accounting firm, when in reality there are so many other types of accountants. He wished he would have been taught the practical stuff that actual, local accountants use along with how to deal with potential issues that may arise in the profession.

While there are things he wished he would have learned, he is very proud of where he is today. He loves that he owns his own firm and gets to hire and nurture staff accountants. He also is proud of the fact that he provides a valuable service to the local business and individual community. He loves when people call him in need of help and that he is able to use his knowledge to guide them through a problem and ultimately improve their business or lifestyle.

Steve loves his life, but there are some challenges that he and his entire generation face in today’s accounting world. He thinks the biggest challenge has been having to adapt to the new and ever-changing technology and software applications that are constantly being developed. However, with this new technology comes problems for the young generation as well. He is worried about cyber security now that everything is stored and submitted online and much easier for hackers to steal personal data.

Interviewing Mr. Dirnberger taught me many things. One common phrase he used in describing his career was “it was the grind”. While most of the interview was spent speaking highly of his profession, he never said it was easy. From school, to the CPA exam, to busy season, each step of his career path was challenging. However, with that challenge came great reward. He has made a living for himself and his family and is able to spend what time he does have off to take cool vacations and form memories that will last forever.

Another recurring theme in our discussion was the different types of public accounting. I have always viewed public accounting as working for one of the big four accounting firms, or a very similar firm in a big city. However, he discussed his experiences with public accounting that take place right in our small town. He stated that the companies that hire the big four accounting firms to perform duties have their own CFOs and accountants in-house to prepare the financial statements, offer advice, etc. The big four accounting firms simply take the information provided by the CFO to audit the company or file their taxes. However, in Mr. Dirnberger's office, he is often tasked with everything from preparing the financial statements, to offering advice, to filing the tax returns of small, family owned businesses, and this makes him feel like he is making a difference, not just completing a service.

This interview with a person whose life I have watched from the outside growing up, but never really got to know, really made me question my future and how I thought it would look. I've always wanted to move somewhere new and exciting to start a life. However, listening to him tell stories about going to lunch with his mom on break and really getting to know his clients in and outside of work made me question what type of accounting career I want to pursue and where it will be.

CASE VI: Case Competition Disney Overview

INTRODUCTION

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 ("The Walt Disney Company… Stock"). 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.

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 ("Dis | Walt Disney Co. Annual Income Statement - WSJ"). The company operates under an 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 percent 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, mostly Disney theme park and cruise workers, due to financial difficulties caused by the pandemic. Some of Disney's main five operating segments have seen significant reduction in revenue and success. The most noticeable reduction was in the parks and resorts division. 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 decreasing revenue by 85 percent. In 2020 the company took an overall net loss of $2.864 billion.

According to Disney's Annual income statements from the last five years, their gross income decreased by 30.44 percent from 2019. This can be seen in the 6.19 percent decrease in the company's overall revenue, combined with the raising of the expenses that it had to pay at the same time. Disney experienced growth in every major expense category, and most significant was a category titled "Unusual Expense", which made the expense increase by $4.808 million ("Dis | Walt Disney Co. Annual Income Statement - WSJ"). 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) per share vs the ($0.70) per share analysts expected. M. Thornton forecasts that the entertainment giant will post earnings per share (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 ("Dis | Walt Disney Co. Annual Income Statement - WSJ").

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, Bob Chapek, is 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 ("The Walt Disney Company Reports Third Quarter and Nine Months Earnings for Fiscal 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.

CASE VII: Case Competition Disney Audit Analyst

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 judgment 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 VIII: Case Competition Disney Tax Advisor

INTRODUCTION

This week we were tasked with exploring 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 ideas to save Disney millions of dollars per year in taxes.

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 billion 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, 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 the United States 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."). In the event that 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, and 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 net operating losses' (NOL) 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 IX: Case Competition Disney Advisory Consultant

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 affects 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 mitigate 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, most significantly 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 expense and General & Administrative expense. Specifically, any costs associated with protecting intellectual property and electronically-stored information will increase as the need for higher levels of security are needed. Operating income is the most affected account on the income statement because as illegal streaming and distribution becomes 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. In fact, we believe that more people will be visiting Disney sites and paying for their content than before. They can make up for 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 affordable 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.

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 (Holland). The case is ongoing, but pursuing legal action against illegal streamers could eliminate its profitability and discourage people from creating illegal streaming sites. 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. It is likely that both of these experiences will 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 experiencing a record-breaking year in movie theater 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 deal with the ever-changing entertainment industry is to make use of the highly profitable movie theaters, while also using the successes of the premium video on demand (PVoD) releases to create a movie release model that meshes well with the movie theater and streaming industries. An article from *the Atlantic* talks about the premier 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 from $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. Our suggestion would be that Disney should make sure they return to putting 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 theater seats and theme parks. We think that after the pandemic, both theme parks and movie theaters will see a large spike in attendance because people will be ready to get out of their houses and back to pre-COVID way of life.

CONCLUSION

Both of these suggestions to the various threats Disney faces coincide with their 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 they are staying ahead of the curve on emerging technological changes. By creating ways to mitigate its risks they can ensure that they remain profitable no matter how the industry changes.

CASE X: Case Competition Disney's Equity Position

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 decisions 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 four 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 my estimates conservative I 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 a year to illegal streaming. If Disney was able to cut illegal streaming in half, this would mean they 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 $1 billion into political lobbying and legal fees to get back the $2.2 billion in lost revenues, allowing Disney to gain 1.2 billion dollars in earnings. Last year, Disney had earnings per share (EPS) of ($1.57) with 1.82 billion shares outstanding ("Walt Disney Company"). This would add in about $0.66 per share, meaning that our newly calculated EPS would be ($.91). While Disney's EPS for the previous year would still have been negative, in a normal year the EPS is under $6 per share, which means that a $.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 values 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) (Blackburn et. al.). 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 10 years, it could produce an extra $1 billion in revenue for the company.

CONCLUSION

In conclusion, our ideas could have tangible benefits on Disney's stock price as well as the company's balance sheet. These calculations also show us that any source of revenues could impact the stock price and how outside investors view the company. These calculations validify 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.

CASE XI: The Financial Crisis of 2008

INTRODUCTION

In this case, we were provided with multiple sources centered around the financial crisis and economic recession of 2008. We were required to read/watch them in a certain order, synthesize our thoughts, and then answer questions on how the materials provided affect our trust in the government or change our beliefs about our role in society. Additionally, we were asked to determine if there are any parallels between the financial crisis of 2008 and our current economic situation.

The first source was a video on crony capitalism. Crony capitalism is the act of giving the government something extra so that they will do business with you, even if you are not the best option from an economical viewpoint. This is unfair to taxpayers, wasteful, and immoral. The next source provided background on the cause of the 2008 financial crisis. Essentially, the government made it too easy to obtain a mortgage. At the time, many people were investing in mortgages, so when they ended up never being paid, the economy crashed. The third source was the award-winning documentary *Inside Job* which focused on how the financial services industry and government policy ultimately led to the systematic corruption of the economy. It highlighted investment banks and their role in getting rich while the rest of the country collapsed. The final two sources were both articles. The first source depicted a mathematical formula that caused investment banks to wrongly associate risk with mortgage payments. This lead to investors investing millions of dollars into portfolios that they would never get their money back on. The final article detailed Goldman Sachs' key role in the economic history of the United States, dating back to the Great Depression.

After taking in all of this information, I was able to form many ideas and opinions on the topic. These articles and videos opened my eyes to how much power the government has on the economic standpoint of the United States in both a positive and negative way. They taught me that the government does not always act in the best interest of the common good of the United States and it often negatively affects the country as a whole.

ANALYSIS

After watching and reading these sources, many questions and concerns came to my mind. The first video titled *What is Crony Capitalism?* made me more aware of things I already knew were happening but tried not to think about. The United States government is corrupt in many ways, and that is not uncommon knowledge. What I found interesting was that the video displayed a very negative connotation around crony capitalism even though it is not legally wrong. Our nation was founded on the ideals of capitalism and democracy, and crony capitalism falls under those categories. Individuals are supposed to be able to influence politicians' decisions, and therefore donations and lobbying are not unconstitutional. The problem arises when it comes to who has the resources and power to do it. Wealthy corporations have the means to influence politicians' decisions. Because of this, many policies and bills that are created by the government act in their favor, without considering how it will affect the average American.

This video set the stage for the other four sources that depicted examples of crony capitalism in different forms. The movie *Inside Job* explained events that took place leading up to the financial crisis of 2008. Crony capitalism played a large part in the economic downturn. The movie illustrated how financial policies were put into place to make it easier to get a mortgage so that institutions could get more money on interest payments. However, once people were not able to pay off their loans and stopped making payments, those who invested in those mortgages lost everything, causing the economy to collapse (“Cause of the 2008 Financial Crisis”). Somehow CEOs of the big banks managed to take home million-dollar salaries while everything around them was crumbling. This is just one example of how the wealthy were protected and the average consumer was not.

Another example of people with power harming the economy was illustrated in the article titled “Recipe for Disaster: The Formula That Killed Wall Street”. This article discussed how financial engineers created an incorrect formula. Many people trusted their formula and used it when making financial decisions. However, the formula incorrectly calculated risk and therefore their investments did not have the return they expected via their calculations. Once again, people who did not know better put their trust in institutions that wronged them. Goldman Sachs is another example of an institution that can be tied to economic downturns in the economy (Taibbi).

All of these sources discussed examples of large organizations that have power and resources acting in their own best interest and disrupting the American economy. It is very interesting how the leaders of these institutions who are very knowledgeable on the topics, can be selfish and legally wreak havoc on the rest of the United States

TAKEAWAYS

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

These materials made me lose some trust in institutions and the government. Honestly, I am a naive person who tries to believe that established organizations would operate in the best interest of the body that they govern and that that is their main purpose. However, these articles made it clear to me that this is not the case. We are all human and make mistakes, but these institutions have made too many mistakes to be blindly trusted by the average person. However, the average American person has little to no say in these institutions.

The people who have the power to influence these organizations through donations and lobbying are wealthy. Therefore, a lot of the changes that are made help the wealthy people of the United States, not the average citizen. Crony capitalism is a great example of this. As stated earlier, crony capitalism is when the government spends money in ways that benefit them, even if it is not the most economical purchase. The people who can afford to buy off the government in this way through lobbying, money, or other benefits are wealthy people who are in charge of large corporations. As an average citizen of America, crony capitalism is just one example of a systematic problem in the United States that makes me lose trust in corporate organizations.

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

After watching and reading the material, I have a better understanding of what is going on in the world that is hidden from the average person. Now that I have been exposed to these issues, I feel the need to do something about it both professionally and personally. On a personal level, I feel as if my friends, family, and community is consistently getting scammed and we don't even know about it. This upsets me. I would love to be able to make people aware of these issues and work together to make a difference. However, it is very difficult to change what is happening. First, what most of the companies are doing is constitutional. Second, many powerful people are working together for it to operate this way and know of each other's immorality and don't do anything about it. This is another area where crony capitalism comes into play. As a person who is about to enter into a career in the corporate finance world, I plan to never promote nor take part in these kinds of actions. I also hope to use whatever positions I may hold to advocate for morality and keeping the interest of the average American in mind when making decisions.

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?

The provided sources made me look at today's US economy and compare and contrast the situations. In both 2008 and 2020, the stock market dropped to record lows and many people lost anywhere from thousands to millions of dollars for various reasons. One major difference is in 2008 it was more preventable than in 2020. The 2008 financial crisis was due in part to years of money-hungry institutions acting in their own best interest, whereas the economic recession of 2020 happened almost overnight because of an unpredictable global pandemic. In 2008, the banks were not stable and had to close, whereas in 2020 the bank's and government's ability to lend millions of dollars to citizens is what kept the economy afloat.

Regardless of these differences, many things can be learned to help us avert or better handle future crises as a nation. There needs to be a way to see what companies are doing on the inside that is immoral. One suggestion I have is to assemble a team that audits the morality of companies' decisions. While it is unconstitutional to tell a company what they can or can't do, an annual moral report of the company would influence investors' and consumers' decisions. This would affect the profit of the company. If outsiders saw the bad things companies were doing, they would most likely be motivated to not do business with them. Therefore, companies would be incentivized to act morally in their business processes.

Another suggestion would be to do a better job separating businessmen from politics. The documentary highlighted how many US Presidents consistently appoint investment bank personnel into top government positions. This allows them to have a large say in economic policies and ultimately bend or change the rules in favor of the companies they work at, while never considering how it affects anyone else.

CONCLUSION

In conclusion, these five sources displayed how large institutions have impacted the financial economy of the United States without really doing anything illegal. This just shows how the government works in favor of those who have the power to influence their decisions. As more people learn about these circumstances, it will be interesting to see if anything changes.

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