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A Comprehensive Analysis of Concepts and Methodologies in Accounting

Ashley Eickholz

A COMPREHENSIVE ANALYSIS OF CONCEPTS AND METHODOLOGIES IN PUBLIC ACCOUNTING

by
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ABSTRACT

ASHLEY E. EICKHOLZ: A Comprehensive Analysis Of Concepts And Methodologies In Public Accounting
(Under the direction of Victoria Dickinson)

The following thesis is comprised of thirteen case studies concerning to various accounting concepts and methodologies that are current and relevant to the public accounting industry. These cases include numerous topics learned in financial accounting courses with respect to specific companies and real-world situations. Additionally, two specific cases relate to the recruiting process and potential cities of interest for the internship experience. Each case includes a different topic that reviews accounting theory; thus in combination entails a comprehensive analysis into the sector. The applications of the concepts and methodologies pertain to a future career in the public accounting industry.

These cases were completed throughout the 2020-2021 school year in an accounting research course, ACCY 420, led by Dr. Victoria Dickinson. Each case was individually reviewed, evaluated, and analyzed over the duration of the course. This thesis has been defended through participation in case competitions held by various public accounting firms.

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Case I: A Tale of Two Cities

Dallas, TX and New York City, NY

September 23, 2020

Executive Summary

The purpose of this case was to choose two cities of interest for future internship and career opportunities, and to evaluate various factors that could influence the decision of which city suits my long-term goals and satisfaction. I have chosen Dallas, TX and New York City, NY as the two cities I can see myself beginning my young professional career. Since I am a frequent visitor of Dallas, I decided to challenge the boundaries of my comfort zone with New York City by choosing a city that I was unfamiliar with. I chose these two cities for a number of reasons. I have always wanted to live in a progressive city where entertainment and leisure activities are endless. Secondly, I have always had aspirations to take my dance career to the professional level, and these two cities both have NFL pro teams that grant me this opportunity. Both cities are far from home, pushing me to establish a life for myself.

In the first undertaking of this case, I was hesitant about thinking about my future life and felt overwhelmed by the rapidly approaching decision of where we want to take the first leap into the professional realm. In retrospect, I am impressed by the limitless possibilities both of these cities have to offer for both accounting graduates and young adults. Both Dallas and New York are hubs for young adults, which eases my nerves in moving to a new city with new people. After completing this case, I feel prepared to make an informed decision in which city is right for me to not only intern, but to start my professional career for several years to come.

After an in-depth analysis of both cities, I feel assured that Dallas, TX is the best fit for my career goals and aspirations in both the short-term and the long-term. It has a number of advantages over New York City that I would have been naive to without this case.

Part One: Dallas, TX

I. Population

In the 2010 Census report, the population of Dallas, TX was reported as 1,197,816 and it was projected to reach 1,343,573 by 2019. Census data also showed that Dallas and surrounding suburbs gained more new residents in 2018 than any other city in the nation becoming the ninth largest city in the country. With continuous growth and progression, Dallas is becoming a hotspot for college graduates and young adults alike. Numerous sources have ranked Dallas amongst the top cities for recent graduates to move, and hence, trends show the young adult population booming in recent years.

II. Climate

Dallas's climate is humid subtropical, rather similar to the climate we experience here in Oxford. The region is characterized by a wide range of annual temperatures and a mild experience of each season. Summer temperatures don't tend to reach extreme levels, nor do winter precipitation occur frequently. Rain can vary considerably, ranging from less than 20 inches to over 50 inches at times.

III. Topography and Scenery

Dallas and its surrounding areas are mainly flat. The city itself has many parks and green spaces compared to other metropolitan areas creating a pleasant blend between urban and suburban life. On the outskirts of downtown in neighboring suburbs, another notable feature is Lake Ray Hubbard. This lake is one of the most expansive man-made lakes in Texas and is used primarily for recreational purposes, such as boating, water skiing, and fishing. In growing up in close proximity to a lake, Lake Ray Hubbard is an attractive feature of Dallas to me. The appendix includes a picture of the city's skyline.

IV. Tax Rates

Texas differs from other states in that there are no individual income tax burdens on the state and local level. Additionally, state sales tax is 6.25 percent and local sales tax is 1.94 percent, with a combined sales tax of 8.19 percent. Since I plan to rent apartments for my first few years in the city, I don't expect to have property tax deductions. The appendix includes a breakdown of the Federal, State, Local, and FICA tax rates, and their effect on a salary of $55,000 per year.

V. Transportation

Although Dallas offers public transportation, Dallas Area Rapid Transit (DART), the common mode of transportation is by car. A surprising 76.2 percent reported driving personal vehicles to commute to work. In addition, there are extensive interstate routes that connect Dallas to several cities in neighboring states and beyond. The state generates revenue through tolls located throughout the interstate system. Other transportation hubs in Dallas are Dallas/Fort Worth International and Dallas Love Field Airport which service all the main airlines and offer many flights to a number of international destinations.

VI. Prevalent Industries

The city's most prevalent industries include business and financial services, information technology (IT) and telecommunications, health services. It is worth noting that Texas is prominent in the oil industry, generating millions of dollars in revenue for the oil companies headquartered across the state. There are numerous Fortune 500 companies headquartered in Dallas, including Exxon Mobil, Mckesson, AT&T, Energy Transfer Equity, and American Airlines Group, to name the top five. These five largest companies alone generated over $750 million in revenue last year according to Fortune 500.

VII. Healthcare and School Districts

Dallas is equipped with a sound healthcare infrastructure, including good numbers of providers per capita and hospitals. But despite having good hospitals in the region, Dallas was second to last in the ranking for patient satisfaction and efficiency. Even so, the region was ranked top five when it came to overall access. As for school districts, most neighborhoods within Dallas city limits are located in the Dallas Independent School District. This district also happens to be the 12th largest school district in the nation, comprising 337 public schools and 89 private schools. In the future, I foresee my children attending public schools in this school system.

VIII. Crime

In a recent report by the Dallas Police Department, the majority of crimes are non-violent and are typically property crime, such as theft, robbery, and burglary. However, the city is not free of violent crime. In order to be cautious, a few places to avoid are Northwest Dallas, South Dallas, and Southeast Dallas. These areas trend to experience violent crimes like aggravated assault and battery charges.

IX. Rent

In moving to Dallas as a young professional, I plan to live in the middle of the downtown area, in either Uptown Dallas or Oak Lawn, amongst other young adults. Living in close proximity to both work and several entertainment venues has countless advantages, not to mention opportunities to network and meet new people in a new city. Although rent in these areas initially look fairly steep, there are copious advantages that come along with the sample properties in the two neighborhoods of downtown Dallas. For instance, living in the heart of the city will cut commute time and transportation costs to work and elsewhere. I have included in the appendix sample properties from each of these neighborhoods for reference.

X. Commute

The US Census reported that 76.2 percent of people in Dallas commute in their own car alone with only 11.3 percent participating in carpooling. Consequently, the city's one-way commute averages at 26.8 minutes. Based on sample living locations, I will be able to walk to work each day without having to fight the strenuous commute other workers make each day traveling into Dallas. In other regards, I will more than likely drive my car around the city when necessary for other aspects of life.

XI. Grocery Shopping

Grocery stores are abundant across the Dallas area, ranging from basic chains such as Wal-Mart and Kroger to specialty stores like Whole Foods and Trader Joes. Coming from a small town where specialty stores don't exist, I look forward to the chance to experience other grocery stores like Whole Foods, depending on frequency of cooking and leisure time. I look forward to the availability of gourmet cooking options and expansive selections of groceries.

XII. Laundry

Each of the living arrangements above have a washer and dryer within the apartment, so there will be no need to venture outside of my home to do laundry.

XIII. Involvement

In moving to a new city alone, being involved outside of the workplace is a great way to network while also contributing to causes that resonate with you. In moving to Dallas, I would pursue involvement in three philanthropic initiatives: Dare to Dream Children's Foundation, The Girl Scouts of America, and Hope International.

XIV. Entertainment

In the number of times I have visited Dallas, I have never run out of opportunities to experience new activities. Dallas has a variety of sports entertainment, including the famous Dallas Cowboys and the Dallas Mavericks. I have always aspired to be a Dallas Cowboys Cheerleader, so if given the opportunity, I hope to frequent at Cowboy's games. The city also offers a number of shopping centers that offer a variety of big brand names and even local shops that receive a lot of recognition. In my analysis of Dallas, I read a lot about the Dallas Arboretum and Botanical Gardens, which gives the Dallas residents a chance to escape the downtown skyscrapers without actually leaving the downtown area. The Gardens are the largest green space in the downtown area, which offers a great space to get fresh air on lunch breaks. Dallas also has many large-scale venues that host the nation's most famous music stars.

XV. Travel Home

Dallas is within both driving and flying distance from my hometown. The drive is fairly straightforward via I-30E which takes an average of 10 hours, including time to stop and refill on gas. With a 634-mile stretch, the cost of the drive would average about two tanks of gas. In my car two tanks of gas can average anywhere between $80-$100, depending on gas prices. On the other hand, United offers a flight with an average of 6 hours travel time and one connection for $283 at current airfare. (634.2 mi) Personally, I would rather pay more and optimize my time by flying.

Part Two: New York City, NY

I. Population

In the 2010 Census report, the population of New York City was 8,175,133, and was projected to reach 8,336,817 in 2019. New York City is not only the largest city in the United States, but is also reported as one of the most progressive cities in the nation. Despite decades of continuous growth and expansion, a recent Wall Street Journal reported a population dip in 2019; the first in over a decade.

II. Climate

In recent years, New York has become subtropical in nature. According to Art DeGaetano, director of the National Oceanic and Atmospheric Administration, average temperatures this Winter in Central Park was 42.5 degrees Fahrenheit, the second warmest winter on record. Still, the city sees many weeks of snow and ice during the winter months. In comparison to Oxford's climate, this would be a rather drastic change, however it doesn't necessarily impact my decision between the two cities.

III. Topography and Scenery

While New York City is largely flat, the state as a whole is dominated by mountain ranges and encompassed by water on most sides. Major of the city's waterways include the Hudson River and the East River, which add to the scenery while also acting as common modes of transportation. Within city limits, Central Park holds the majority of the city's green space encompassed by the concrete jungle. The appendix contains a picture of New York City's skyline.

IV. Tax Rates

The average combined sales tax rate is 8.52 percent. In regard to other taxes, I do not expect to pay property tax during my first few years of residence, since I will likely be living in an apartment under lease. The appendix includes a breakdown of the Federal, State, Local, and FICA tax rates, and their effect on a salary of $55,000 per year.

V. Transportation

As the city that never sleeps, New York City's transportation hubs also are busy much of the day and night, not just during normal commuting hours. The city's transportation network is the largest public transportation system in America encompassing the World Trade Center Transportation Hub, the famous Staten Island Ferry, and the nation's busiest rail hub. There are also three major airports that serve the city and surrounding areas: LaGuardia, John F. Kennedy International, and Newark Liberty International. Since many New York residents don't have their own car, nor use one often, Uber, Lyft, and other taxi services are popular modes of transportation around the city. The transit options are endless in the hustle and bustle of New York City.

VI. Prevalent Industries

New York City's most prevalent industries include financial services, health care services, professional and technical services, retail trade, manufacturing, and educational services according to the Department of Labor. Five of the largest companies headquartered in New York City include JPMorgan Chase, Verizon Communications, Citigroup, MetLife, and Pfizer. Even more impressive, 73 businesses headquartered in New York City made the Fortune 500 list.

VII. Healthcare and School Districts

A New York public interest group recently completed research on the state's quality of attainable healthcare, in which the state ranked poorly when compared to 16 other major urbanized states.

Although healthcare is easily attainable, the quality of the care is substandard. As for school districts, more than a quarter of New York City students in grades K-12 attend either private or charter schools. The city's Department of Education highlights that public vs. private school enrollment depends on parent's wealth and religious traditions, but mostly on the performance of local schools. I would prefer my children to attend private school, especially so in such a large city where public schools can become too large in enrollment.

VIII. Crime

Especially so in today's world, New York City is a center for large protests and violent acts against the government, ideologies, and social progressions. However, in years past New York has been ranked the tenth safest city overall. Ultimately, certain locations within the city could be where you encounter crime such as Brownsville, Soundview, and much of the Bronx.

IX. Housing and Rent

Finding living arrangements near New York City was not only difficult, but when options did present themselves, they were unrealistic economically. I had to venture into the Upper West Side and even across the Brooklyn Bridge to find rent options that I could afford with a starting salary. On top of astronomical rent, New York City housing is very compact and on top of one another offering very little personal space. Even further, most living arrangements had limited amenities for the price you pay. Living arrangements is one factor that dramatically affected my decision between the two cities. I would enjoy interning in New York senior year, but I would not be able to spend a few years establishing my professional career there.

X. Commute

The Upper West Side properties listed above are about three miles from where the majority of the accounting firms are located. Considering parking is unavailable, I assume I will be living without a car in my young professional career in New York. I will more than likely be commuting via public transportation or by Uber, Lyft, and other taxi services. The city's average one-way commute is 36 minutes, however I don’t expect my commute to work to reach the average. On the other hand, the Brooklyn apartment isn’t in the city limits, so public transportation to commute to work will be necessary. Strategic planning and time management will be required to effectively commute and arrive on time to work each day.

XI. Grocery Shopping

Although I love to go grocery shopping, the impracticability of carrying your groceries home or hauling them in an Uber will probably limit my grocery shopping habits. Instead, I foresee using Amazon Prime for many of my household items and nonperishables. For cooking and meal purposes, I will use Hello Fresh meal deliveries as I do now. Personally, I am bothered by the inconvenience of grocery shopping without having a car to transport your groceries.

XII. Laundry

Both of my living options above have a washer and dryer within the unit, so it will not be necessary to leave home to do laundry.

XIII. Involvement

Potential organizations I would like to pursue involvement in include the Alzheimer’s Association, American Red Cross, and Behind the Book (an organization to build literacy skills and nurture young learners). I have personal ties to each of these organizations' missions and values.

XIV. Entertainment

New York City has limitless opportunities to engage in the culture surrounding the city. There are numerous ways to indulge in the artistic realms of the city, something I’d like to partake in.

Prominent Broadway shows on Times Square with world famous productions and various museums, such as the Metropolitan Museum of Art, are highly accredited features of New York and its culture. Additionally, there are many opportunities to indulge in the professional sports world with New York Giants and New York City Yankees games. Beyond sports and entertainment activities, many New Yorkers spend their leisure time exploring the expansive Central Park and engaging in physical activity.

XV. Travel Home

Although New York City and Paducah Kentucky are separated by hundreds of miles, there is one flight that will bring me directly to my hometown airport. Flights to Chicago O'hare from John F. Kennedy International cost $126 in current airfare with a three-hour flight time. I would then take a flight from Chicago directly to Paducah, only offered by United Airlines, that takes a little over an hour and costs $218 in current ticket prices. In total, traveling home would take an average of four and a half hours and $350.

Appendix 1: Skyline of Downtown Dallas

Appendix 2: Breakdown of Personal Income Taxes for Dallas, $55,000/yr

Tax Type	Marginal Tax Rate	Effective Tax Rate	2019 Taxes*
Federal	22.00%	9.59%	$5,275
FICA	7.65%	7.65%	$4,208
State	0.00%	0.00%	$0
Local	0.00%	0.00%	$0
Total Income Taxes		17.24%	$9,482
Income After Taxes			$45,518
Retirement Contributions			$0
Take-Home Pay			**$45,518**

Appendix 3: Apartment option for Uptown Dallas neighborhood

4600 Ross Apartments

Rent: $2,120 per month, $1,060 per bed

Square footage: 1,073 sq. ft.

Number of roommates: 1

Amenities: personal balcony, washer and dryer in unit, smart home system, pool and cabana, fitness center, parking, skydeck with downtown view, walking distance to work

Appendix 4: Apartment option for Oak Lawn neighborhood in Dallas, TX

Gables Park 17 Apartments

Rent: $2,210 per month, $1,105 per bed

Square footage: 1,285 sq. ft.

Number of roommates: 1

Amenities: gourmet food and coffee bar, rooftop pool and lounge, washer and dryer in unit, parking, fitness center, WiFi included, walking distance to work

Appendix 5: Dallas Budget

Monthly Operating Budget: Dallas	
Monthly income	$5,000
Expenses	
Item:	Amount:
Rent	$1,000
Utilities	140
Taxes	75
Phone	80
Groceries	500
Gas	150
Credit Card	500
Discretionary	1,000
Total Expenses	$3,445
Savings	$1,555

Appendix 6: Skyline of New York City

Appendix 7: Breakdown of Personal Income Taxes for New York City, $55,000/yr

Tax Type	Marginal Tax Rate	Effective Tax Rate	2019 Taxes*
Federal	22.00%	9.59%	$5,275
FICA	7.65%	7.65%	$4,208
State	6.21%	4.79%	$2,632
Local	3.82%	3.09%	$1,699
Total Income Taxes		25.11%	$13,812
Income After Taxes			$41,188
Retirement Contributions			$0
Take-Home Pay			**$41,188**

Appendix 8: Apartment option for Upper West Side neighborhood, New York City

964 Amsterdam Ave.

Rent: $3,000 per month, $1,000 per bed

Square feet: 900 sq. ft.

Number of roommates: 2

Amenities: washer and dryer in unit, recently renovated, security system, water utilities included

Appendix 9: Apartment option for Brooklyn, New York

149 Prospect Ave #1

Rent: $2,750 per month, $915 per bed

Square feet: information not available

Number of roommates: 2

Amenities: nearby public transportation, stainless steel appliances, spacious bedrooms and living spaces, parking available, washer and dryer included

Appendix 10: New York City Budget

Monthly Operating Budget: New York	
Monthly income	$5,000
Expenses	
Item:	Amount:
Rent	$1,100
Utilities	145
Taxes	105
Phone	80
Groceries	300
Gas	50
Credit Card	500
Discretionary	1,200
Total Expenses	$3,480
Savings	$1,520

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Case II: Asset Concepts

Cristina Trefry, Anne Elise Pillow, Elle Eickholz, Bailey Baudier

September 30, 2020

Executive Summary

The purpose of this case study was to consider two varying viewpoints and, as a group, argue in favor of which viewpoint should be the FASB's focus when propagating new accounting standards. Not only were we challenged to think from the FASB task force's perspective, but also in terms of GAAP and reimagining its guidelines. Although this case was largely abstract and hypothetical, it allowed us to challenge the conventional accounting standards and consider changes in the accounting world that could account for the following disparities.

The first question questioned the primary goal of financial reporting as dealing with the valuation of assets and liabilities or the determination of revenues and expenses. The question further analyzed whether we consider firms as "asset greenhouses" or "asset furnaces." As a group, we understood the basis of the question to be valuing the importance of one financial statement over the other.

Question two dealt with the valuation of assets and their contribution to firm value. In this question, we were asked to consider whether assets should be measured as "value-in-use" or "value-in-exchange" and how the use of such assets is expected to generate firm-specific value. Based on our answer to question two, we created accommodations for current accounting standards and practices to account for the value definition. Through specific, abstract journal entries, we were able to exemplify this change under the new definition and what it would mean for the accounting world moving forward.

In summary, this case was challenging in that we were forced to think beyond the accounting denotations we use in day-to-day life and into the practicalities associated with the accounting world.

Question I

The basis for question one is debating which financial statement is more important: the income statement or the balance sheet. Viewpoint one focuses on the balance sheet while viewpoint two leans more towards the income statement. Viewpoint one considers assets to be “greenhouses,” meaning their purpose is to bring money into the firm by being investments. Viewpoint two considers assets “furnaces,” meaning the purpose of having assets is merely to use them in the process of generating revenues and earnings.

Viewpoint I:

Anne Elise: Upon first glance, viewpoint one seems to value and prioritize balance sheet items, whereas viewpoint two focuses on the income statement items. Essentially, this question appears to be debating which financial statement is more important and how it affects the valuation of assets.

Cristina: Viewpoint one talks about how assets drive the growth and development of a firm and the firm’s main goal is to collect assets.

Bailey: I think that viewpoint one focuses on assets being long-term and allowing them to grow over time. It describes assets as a “greenhouse” because viewpoint one believes assets will nourish and provide some sort of “produce” for the company. It takes time, but eventually, the company will make a profit from its assets. After coming up with this assumption, I think it can be reasonably determined that viewpoint one prioritizes the balance sheet of the company versus the income statement.

Elle: By establishing assets as the primary goal of financial reporting, GAAP prioritizes the longevity of a company. However, changes in assets and liabilities do not directly generate income for a company; they are a means for generating income and can provide a peripheral gain or loss, as in the case of a gain on the sale of a piece of equipment.

Viewpoint II:

Cristina: In viewpoint two, assets change due to revenues and expenses that occur in a business. Revenues and expenses drive a firm and earn the firm money, while assets are designed for continuing to push the production of revenues. For example, a factory machine is an asset under equipment and is used in manufacturing to produce a good to be sold.

Anne Elise: Viewpoint two seems to value the income statement over balance sheet items and definitely lines up with the revenue definition in that it is an inflow of cash from ongoing, central operations, which are the very purpose and livelihood of any business. Assets, in this case, are what a company sacrifices or uses to attain those revenues and earnings. In my mind, I think of assets such as inventories and property, plant, and equipment as being used up or depreciated as a means for generating revenue for a company.

Bailey: Viewpoint two is the complete opposite of viewpoint one. Here, the main goal of the company is to produce revenues and expenses. The company does not focus on the assets, but it does acknowledge that assets can be affected by the outputs of the company. As a result, assets are “sacrificed and transformed”. I align more with viewpoint two because I think the future of the company depends greatly on its profit and loss. That is what revenues and expenses are. A company cannot succeed or fail without creating revenues or expenses, therefore, these two subjects should be the main focus of a company and assets should follow instead of being the center of the company like viewpoint one suggests.

Elle: This viewpoint essentially reinforces the notion that firms are "asset furnaces" in that assets are used to generate revenue through the company's central operations. This viewpoint also supports the notion that a firm's assets are only essential for the larger goal of producing revenue. Generating revenue, not accumulation of assets, adds to firm value and profitability. Thus, through sacrificing or transforming assets, we achieve the overarching goal of generating inflows.

Conclusions: We side with viewpoint two, because the question is asking what should be the FASB's focus when creating new accounting standards. Financial statements should be clear and concise in nature so internal and external users alike can use them efficiently and effectively. FASB should implement the double sided system, presented in viewpoint two, so that it is evident when revenues and assets increase (e.g. debit. cash, credit sales revenue in journal entries) and the respective effect is shown on the income statement and balance sheet.

Question II

Question two examines two different methods of valuing assets. Viewpoint one, the "value-in-exchange" method, values assets individually based on their current cash equivalent, or an equally economically valuable asset. Viewpoint two on the other hand, the "value-in-use" method, looks at how assets are used in conjunction with each other and values them based on the value they bring to the firm incremental to their individual exchange value.

Viewpoint I:

Elle: An asset's value can be measured in terms of its contribution to the firm through its length of use or even revenue generated by said asset. Another alternative to measuring an asset's value is the value of what you exchange it for, essentially another economically valuable asset. This valuation method is rather straightforward when compared to valuation methods we use in accounting principles. However, this assumption fails to note gains and losses associated with exchanges. The key to this viewpoint is to note the asset's salvage value and recognize the gains or losses associated with the sale thereafter. Lastly, this viewpoint fails to recognize assets used in conjunction with other assets to perform tasks, produce products, or provide a service for the firm. Instead, it measures value on a standalone basis.

Cristina: Viewpoint one states that the purpose of assets is to eventually be liquidated into cash. This is easily done for current assets such as accounts receivable or trade securities, but assets that fall under PPE for example are physical assets and are harder to liquidate.

Anne Elise: Viewpoint one's asset valuation method makes it easier to trace the value of an asset to how much the individual asset is worth in cash or in exchange for another asset. It takes a more literal, tangible approach to valuing assets. Determining the asset's value becomes easier because the value comes from the asset's cash worth (or equivalent asset worth). However, this viewpoint fails to recognize the going concern assumption. By valuing an asset at the price at which it can currently be exchanged, a company takes a liquidation valuation approach and fails to assume the company will continue operations long enough for the asset to provide real value to the firm. This individualistic view of assets also fails to acknowledge that assets work in conjunction to make a product or provide a service for the firm.

Bailey: While, originally, I sided with viewpoint one because I thought of assets in terms of liquidity, I realized later on after discussing with my group that there are many sides to assets. Assets can be used collectively, individually, periodically, you name it. This viewpoint, though, considers assets to be more of a single isolated item that cannot join or work together with anything else owned by the company. Because of this, viewpoint one believes that assets do little to nothing to increase the value of the company unless they are "exchanged".

Viewpoint II:

Elle: Viewpoint two argues that assets are measured through "value-in-use." I side with this perspective as typically assets aren't just exchanged. They're used throughout the central operations of a firm, individually and in combination with one another, to generate profit and add value to the firm. Not only does this add firm value in what's produced, but it also adds an incremental value. In accounting, we rarely see assets used individually or for a single purpose. Typically, assets are used in conjunction with one another for a multitude of reasons to reach goals of the organization. The downfall in this argument is the notion that assets don't have value on their own, they have to work in conjunction with other assets to create value.

Cristina: Viewpoint two focuses on how assets contribute to firms by being consumed either by themselves or in combination with another asset. We can see this in the way assets are used differently for revenues and expenses. In creating revenues, assets such as equipment or supplies are used up and equipment will be used with accumulated depreciation. In expenses we see cash being used to pay expenses such as salary or insurance.

Anne Elise: Viewpoint two maximizes the amount of value an asset can have by looking at assets in conjunction with one another and the incremental value they bring to the table. For example, raw materials inventories work in conjunction with pieces of equipment in a factory to make a final product, which generates revenue and value for a company. This valuation method does prove difficult because there is more of an allocation rather than a direct tracing that must be done in order to properly determine the worth of an asset and how it contributes to a firm. However, I agree with this viewpoint because it takes the going concern assumption into consideration and gives firms more value by accounting for the life and use of the asset, not just when it is purchased and sold.

Bailey: This viewpoint sides more with what I understand assets to be described as. Viewpoint two idealizes assets working together to gain additional profit for the company. Assets can work in conjunction with one another with this viewpoint while viewpoint one focuses more on assets working separately. The more the assets work together, the higher the production rate and value goes up.

Conclusion: In conclusion, we side with viewpoint two. In summary, viewpoint one literally means assets can only ever amount to their original value and can only be exchanged for that same amount. Viewpoint two, on the other hand, states assets alone can contribute their respective value, but when used in combination, the firm benefits from the sum of value with an additional incremental value as well. So a firm is better off measuring assets as “value-in-use” to where additional value is continuously being generated.

Question III

Current accounting practices already account for gains or losses in transactions and journal entries when fixed assets, such as equipment, are sold or exchanged for a price that is either above or below their present value. Additionally, current accounting includes salvage value, which can either be a set amount or, in some cases, zero if the asset is deemed useless after depreciation is completely expensed. In order for the incremental value, mentioned in question two, to be accounted for properly in journalizing, we can call the incremental amount “value-in-use”, that has a normal credit balance that will in turn equate the debits and credits in sale transactions. Without the gain, debits would exceed the credits and the books would not balance. In addition, an asset’s value coming from its use would also transform the meaning of accumulated depreciation, depletion, and amortization. When an asset’s value comes from how it is used, accumulated depreciation no longer is a contra asset: it becomes the valuation of the asset itself.

Example 1: For example, say a construction firm is currently selling a piece of equipment. The equipment was initially purchased for $25,000, and has an expected life of three years with a salvage value of $10,000 (meaning depreciation expense each year would be $5,000). In addition, the accumulated depreciation would become the value of the equipment, so you would debit Accumulated Depreciation and credit Value-In-Use. The equipment sells for $17,000 on June 1, 2020. The journal entries below demonstrate the change in accounting given the above viewpoint.

For Equipment purchase:

6/1/17	Equipment	25,000	
	Cash		25,000

For one year's accumulated depreciation:

6/1/18	Accumulated Depreciation	5,000	
	Value-In-Use		5,000

For the sale of the equipment:

6/1/20	Value-In-Use	15,000	
	Cash	17,000	
	Equipment		15,000
	Accumulated Depreciation		15,000
	Gain		2,000

Example 2: In regards to assets used in conjunction, suppose a merchandising firm is valuing the use of its inventory and store building together. Instead of operating through an online format, the company provides tangible goods and services to customers at the point-of-sale. This in turn generates more revenue and value for the firm in its ability to sell more products. The firm has determined that using these assets together has created an incremental value of $1,000, evenly split between the two assets.

For recognizing incremental value:

10/1/20 Building	500	
Inventory	500	
Value-In-Use		1,000

Example 3: When dealing with intangible assets, such as patents and copyrights, standard journal entries would need to be adjusted when accounting for amortization to include the value-in-use concept discussed above. For this specific example, we will deal with the purchase and expiration of patents. The patent was originally purchased at the beginning of January, 2020, for $20,000. Upon expiration, the patent has zero value to itself, but has generated $20,000 of value-in-use for the organization.

For the issuance of a patent:

1/1/20 Patent	20,000	
Cash		20,000

For one year's accumulated amortization:

1/1/21 Accumulated amortization	1,000	
Value-In-Use		1,000

For expiration of patent:

1/1/40 Value-In-Use	20,000	
Patent		20,000

Case III: Presidential Debate 2020

September 29, 2020

Executive Summary

The purpose of this case study was to determine what unites our country and how the country will return to harmony after the election is over. Through all the interruptions and inaudible moments of the presidential debate, a clear message has been made. Our country is currently not united, and many trials and tribulations have created a great divide between its people. This environment is especially alarming as we place the determination of our future in the hands of two candidates who failed to have a civil debate on the prominent issues occurring in our country today.

In the aftermath of the debate, I was left rather hopeless leading into election season. I have failed to realize the painstakingly large gap the two parties have created between this country and its citizens. The rampant criticism and snide comments made between President Trump and Vice President Joe Biden completely debunked the authority both candidates should possess and the power of their positions. I have come to the conclusion that it is up to the American citizens to return our country to harmony and peace after election season and realign our nation's overwhelming sense of unity that has once belonged.

While it was clear neither candidate mentioned a definitive plan to combat the current obstacles we're facing today, supplemental research has provided me with a more concrete foundation for each candidate's platform and agendas for the country in the weeks ahead and beyond. Considering I will soon be entering the workforce, I have a personal stake in this election and its outcome. The next President and his administration will directly affect the job market, the general business economy, and the overall financial stability of this country for years to come.

Part I

"United we stand, divided we fall" is a common phrase we use, most often to inspire unity and collaboration. When I think about what unites us, I initially think of a common goal: prosperity. However, the cornerstone to unification is the ultimate human need to be united. It's the need to have human interaction, sense of community, sense of self, and sense of belonging. There are no two people alike, so there's not one definitive factor that unifies this nation's people other than the desire for unification. Majority of the time we aren't even aiming towards one common goal, instead we are all relying on the people around us for purpose and for stability in order to carry out day to day activities and be one nation as a whole.

However, I believe there is one characteristic that unites this nation, and ultimately the entire human race as a whole. It is the idea that each human, regardless of race, gender, age, ethnicity, or any other factors we generally use to categorize the human population, desires to be accepted or to identify with a particular group. This innate desire for human connection is not a new concept that we are seeing in millennials or even the more recent generations that have come before us. The need for belonging and connection is universal among all humans.

Even though this idea is not new or ground-breaking, I do believe that it has become more prevalent among my generation of millennials. This, in my opinion, is the reason why various social media platforms have become so popular and widely used. They are all based on the basic premise of connecting with other users. With this human need for community and belongingness, we experience millions of users seeking connections through one or more of these platforms regularly.

As much as social media has facilitated the connection of human beings, allowing us to form relationships and friendships with people across the globe, it has without a doubt changed the way we are united as a human race. With each new technological development, we are becoming less dependent on face to face communication and more drawn to building virtual connections. The question becomes, is this what has created such a deep divide between the human race? At the end of the day, it is undeniable that the desire for connection, belongingness, and relationships with other human beings is inherent in our human nature and unites "us" as a whole. This societal change, technology revolutionizing the way we connect with others, depicts that humans are more connected than ever before, but there has become an undeniable disconnect between one person and their neighbor.

Part II

Although neither President Trump nor Vice President Joe Biden spoke much on their platform for rebuilding the economy and the job market during their presidential term, I can foresee what economic conditions we can expect in the months following the election. President Trump, as the businessman that he is, chose to shut down America for only a short period of time following the initial COVID-19 outbreak. This led to many Americans being furloughed or let go completely, while the economy took a steep decline due to the closing of many of our country's largest corporations. The stock market even hit an all-time low in March. However, President Trump fought to reopen the world, and spent many weeks rebuilding the economy back to its condition prior to the outbreak. In the debate, Trump claims, "[I] closed down the most massive economy to this day, and now we're reopening, making record business, putting people back into the workforce at record pace." When in comparison with other nations around the world, it is notable that the United States is making an economic recovery at a substantially fast pace given our current circumstances. The unemployment rate fell to 8.4 percent, indicating a revolutionary recovery for the economy.

Furthermore, Trump is fighting to keep the country open and continue lifting restrictions in correspondence with the CDC guidelines and COVID-19 restrictions claiming, “More people will be hurt by continuing restrictions with reopening.” Although this rapid pace of returning to normal life has had its implications as outbreaks have not slowed substantially, Trump argues that if Joe Biden was our current president, “our country would still be shut down.” President Trump has had to make some tough calls in regard to balancing widespread public health and the regeneration of the economy, however the rate at which people are returning to jobs in a safe manner and the reopening of businesses to generate revenues has had notable contributions to the success of our recovery. Trump’s business mindset has clearly shown the country he is fit for his position, especially in such times of uncertainty and unease. He has been successful over his current term in decreasing unemployment rates and increasing the availability of jobs to all Americans, and I predict to see the same trends in the years to come if he is elected President once again. Under his administration, we experienced 10.4 million people, in a four-month period, return to the workforce. He has the most power in determining the job market when I graduate, and he has allowed the clients and employees alike I will be working for return to work to reignite the business world.

In regard to Joe Biden’s platform for the job market and economy in the coming months, and even years if elected, he has been much more reluctant in the reopening of our country and its economy. Biden emphasized, “You’ve got to provide these businesses the ability to have the money to be able to reopen with the PPE, as well as with the sanitation they need.” President Trump continually shot down Biden by snidely commenting that Biden wanted to “shut down the whole country.” From a personal stance, I believe returning the country to the state we were in back in March would be a grave mistake. Having to rebuild back to where we are now would not be achieved as swiftly as before, and this would have devastating consequences on the job market, potentially eliminating some jobs as a whole. With graduation just around the corner, this is very unsettling for the thousands of college graduates who will be seeking employment, especially with very limited positions to fill. Throughout the debate, Biden was very repetitive in saying, “People just want to be safe,” when asked about the reopening of the nation and the COVID-19 implications. It is obvious Vice President Joe Biden is still very concerned with the spread of the disease in social gatherings, rightfully so. However, it is almost as he is in fear of the disease instead of being strategic about its containment. This risk averse approach could have largely negative effects on the progression of our country back to its normal conditions. When asked about the recovery of the economy, Biden replied, “You can’t fix the economy until you fix the COVID crisis.” Although he makes a valid point, if we intended to wait until a proper vaccination was released for the general public, this nation and its economy would be in unrepairable shape. Not to mention, our generation specifically would suffer the repercussions. With the approaching entrance into the workforce, jobs must be available, and the economy must be in good conditions to support our generation.

Throughout the economic segment of the debate, it was clearly evident the conservative viewpoint is to rebuild the economy and to focus decision-making on our country’s prosperity and financial health. The alternative, the liberal perspective, is more concerned about the health of the American people and the precautions necessary to keep people in good health. Whatever outcome we experience in a few weeks, it will have substantial implications on the job market and economy of our country for generations.

Part III

Both candidates during the debate commented on the unity of the country. Biden pronounced, "... with regard to more divided the nation, it can't stay divided," while Trump added, "it's time [for unity]." In a time where division has become the central weakness of our country, it is pertinent to overcome our political differences in the aftermath of the election. Considering tensions and emotions are running high, as both sides think this is the most important election in American history, it's important to formulate a plan to achieve peace in the near future.

I believe the key to achieve this is to take a step back from personal beliefs and stances in the election and realign our values on the common goal: the prosperity of the United States, not only in financial respect, but also in overall well-being and health. This past year has brought so much strain on the mental health of this nation, only further contributing to the great divide between its people. If everyone takes a step back and recognizes the blatant problems outside of their own personal beliefs and the beliefs of their community alike, we can start to be more sympathetic and empathetic towards our neighbors as a whole.

I personally don't have significant emotions towards the election or either candidates, so won't be personally distraught over the election results. Although I want what is best for our country, I simply cannot side, one way or the other. Even so, I plan to take a period of self-reflection after the election and contemplate what I can contribute in order to achieve the betterment of the overall society of America. As discussed in part one, we find unity through our innate human desire to feel a sense of belongingness and community. It is worth noting that even on an individual basis, your actions can have a significant impact on the reunification of this country. Contemplating whether you're contributing to the positive air surrounding your life and others, or if you're creating a further divide between fellow Americans, is the foundation to begin with. Contributing positively to the closing of this division should be at the forefront of each person's actions in the coming season. Without awareness of our actions and their impact will only keep the disunity stagnant.

Case IV: Excel Certification

October 21, 2020

Corporate Finance Institute®

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

Elle Eickholz

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

Excel Crash Course

with all the rights and privileges
pertaining to this certificate.

VERIFIED CFI™ CERTIFICATE

Certificate number
24420637

Chair of the Board

Director

Director

Oct 19, 2020

Case V: Taxodus

October 28, 2020

Executive Summary

The purpose of this case study was to investigate the effects of corporate tax rates and to form an opinion on what I believe the optimal tax rate is. This case is relevant to the current rhetoric as current President Donald Trump signed into law the Tax Cuts and Jobs Act (TCJA) at the end of 2017 that lowered the corporate income tax rate from 35 percent to 21 percent. More recently, one of the presidential candidates proposed raising the corporate statutory rate to 28 percent during a presidential debate. The question is now which corporate tax rate, higher or lower, is the optimal rate for the U.S. economy and the global economy as a whole.

The U.S. Department of the Treasury's "More Jobs and Bigger Paychecks" statistically outlined the impact of the TCJA on the nation's economy. The common underlying theme is decreased unemployment rate, increased job availability, increased wages, and a more expansive economy as a whole. Continuously, the Tax Foundation's Scott A. Hodge released a testimony on the positive economic growth effects of the TCJA that further supported the tax reform and its effect on the U.S. Under other conditions, however, the documentary *Taxodus* explicitly depicts the effects of high corporate statutory rates, which ultimately led to the creation and continued use of offshoring and tax havens. These multinational corporations move their capital flow to various havens where tax rates are null or minimally impactful to avoid paying the high rates of domestic nations, which has global implications.

Moving forward, I have expanded my knowledge of tax reform and the effects on the individuals, businesses, and economies involved. I have increased awareness of the fine line between tax evasion and avoidance as detailed by tax havens and the systemic corporate structure of multinationals for fiscal advantages.

Part I: The Optimal Corporate Tax Rate

With a better understanding of the U.S. tax code and global tax practices, it is evident that lower corporate statutory tax rates are most beneficial for economic renewal and expansion. Under the TCJA, Americans are experiencing historically low unemployment rates and a multitude of full-time job opportunities. In March of 2018, the number of job openings reached 7.3 million jobs, enough jobs for every unemployed American to enter the workforce. As for the unemployment rate, America experienced a remarkable low of 3.7 percent. Tax reform has generated significant economic expansion, relief, and success.

More specifically, the TCJA tax reform reduced tax rates for both individuals and businesses. It was designed in such a way so taxpayers will earn more money, invest more money, and save more money in the long run. The TCJA improved incentives to work and to invest, which are the primary factors that drive economic growth. With a lower individual income tax rate, workers are now seeing more money in their paychecks, inducing the desire to increase productivity. This is why we anticipate the new law to have a positive, long-run effect on the economy. A high corporate statutory tax rate, on the other hand, creates a wedge between what an individual is paid and what they receive after taxes, directly affecting how much people are willing to work. When more work equates more economic output, we see increased productivity and willingness to work. A common misconception is that corporations bear the cost of the corporate income tax. However, the true burden of the corporate income tax is split between workers through lower wages and owners of the corporation. In actuality, labor workers bear over half of the burden of the corporate income tax and shareholders bear a mere thirty percent. It is evident that high income tax rates have a significant, negative impact on worker productivity. If we hope to continue to see increased employment and job availability, the statutory tax rate must remain lower than in years past to incentivize worker productivity and, in turn, generate economic expansion.

Taxes notably affect economic growth and expansion. Evidence shows that of the different types of taxes, the corporate income tax is the most harmful for economic development. Since capital is highly mobile, it has significant sensitivity to taxation and offshoring. As income tax rates increase in America, multinational corporations arrange financial structures and capital flows in a way to minimize taxation in order to greedily retain the majority of revenues. This is achieved through offshoring and tax haven structures that allow multinational corporations to acquire their wealth and employ their mischievously designed corporate structures to minimize tax burdens. It is not an easy task to measure what the actual benefits are for the tax haven itself, but for the multinational, everything revolves around reporting as little profit as possible. The most common tax evasion routes of multinationals for fiscal advantages are through the Netherlands due to its neutral, or null, taxation policies. This jargon, such as neutral taxation, is designed to make people feel comfortable, and allow them to get around the law in saying they want no income tax burdens. A prime example of offshoring is seen in Walmart’s capital structure. As a global corporation, Walmart has six entities in the Netherlands, however it doesn’t operate there. Therefore, Walmart’s profits are subject to the Netherland’s effective tax rate of 1.1 percent as opposed to the United States’ historical 35 or current 21 percent. This structure’s objective is purely to route capital flow through countries with insignificant tax rates for fiscal advantages, as described previously. This creates a concentrated industry where .14 percent, less than ten million people, control 95 percent of offshore private wealth. These “citizens of nowhere” comprising less than one percent are at the top of global economic order with the most influence. These people are “fundamentally at odds with the interests [of the rest of us] in regard to shared tax institutions and shared bank regulation institutions across borders," according to economist James S. Henry. Essentially, at the heart of the mechanism lies diverting, what are in effect, the public resources of the entire world, but especially of developing countries, to private shareholders. As mentioned earlier, this consequently means domestic corporations and individual workers alike suffer a disproportionate share of U.S. taxes as a result. From another perspective, it also means large multinational corporations are not paying their fair share for benefits of taxpayer dollars despite depending on these services for their profitability. While these offshore havens are at their peak during *Taxodus,* it is clear society is suffering, unemployment is at a high, and the world is run by multinational corporations. The TCJA outlined new rules for fiscal policies of domestic corporations with revenue-producing operations overseas. In order to reduce its economic harm, corporate statutory tax rates must decrease in order to minimize the incentives associated with tax havens and to bring multinational corporations' revenues back to the United States.

In addition to economic expansion, corporate income tax rates affect economic decisions. When firms are considering making an investment in capital assets, like purchasing equipment, they follow common accounting and economic practices by considering the cost constraint. The Cost-benefit analysis approach requires corporations to weigh all costs, including taxes, of investing in new capital goods, and weigh those costs against the expected benefits, or revenue, the capital will generate. The cost constraint states projects where the costs exceed the benefits are not undertaken. Hence, a higher corporate income tax could prevent a project from being undertaken. Lowering the corporate income tax incentivizes new investment as previously unprofitable projects are now worthwhile.

The TCJA essentially made the U.S. tax code more competitive. However, tax competition has already been present due to the conservative argument that every economy will be more prosperous and will grow faster with tax cuts. James S. Henry concluded that this is "essentially a race to the bottom." If competition continues to drive the corporate statutory tax rate down, eventually we will reach a null tax. This tax minimization is what tax havens offer and the negative implications associated with tax havens have been expressed clearly as undesirable. Continuing to lower tax rates will only entice competition from international competitors, a pressure felt today. Accordingly, I believe the optimal corporate tax rate is the current U.S. rate of 21 percent. Although tax reform and economic growth do not produce rapid results and it will take years to fully assess the economic impact, it is imperative to keep the rate constant so we can continue to experience the economic renewal since the passing of the TCJA. In order to manifest and fully experience the results of lowering the corporate tax rate from 35 percent to 21 percent, we must leave the rate relatively stagnant for a period of time. The TCJA is projected to expand the economy, which in turn brings higher GDP, higher wages, and increased full-time job availability, all outcomes that promise a prosperous U.S. economy. If we allow the rate to continue to decrease, we will begin to experience the corruption tax havens entail with tax minimization and will return to the economic state prior to the tax reform of 2017. The optimal corporate tax rate of 21 percent will continue along the trajectory of prosperity and economic growth realized since the passing of the TCJA.

Part II: Interest in Pursuing a Career in Tax

I found this case extremely interesting, especially so because I didn't have a comprehensive understanding of tax evasion and the use of tax havens by multinational corporations. I found it compelling that although these practices are largely unethical and even illegal in some respects, however, it hasn’t stopped these corporations from structuring their capital cash flows to avoid tax burdens. Merely wondering whether it is legal or not is not enough. Certain laws are being abused while intensive use of tax havens by multinationals seem legal at first, but investigations by tax authorities would uncover the illegality. Accountancy is deliberately hiding what is happening in tax havens, creating a considerable climate of concern for the profession and its integrity. When considering both perspectives, the systemic tax deference and the ethical corruption, although I find it interesting, I still am not interested in pursuing a career in tax. Accountants are supposed to be some of the most ethically sound professionals, so I would want to follow that stigma and give assurance in accounting practices outside of tax. Accounting is a profession that is respected and known for integrity and ethics, and quite frankly I wouldn’t feel fulfilled in a job that is deceitful in such ways. Although the typical day-to-day workload for a public tax accountant won’t involve finding ways to minimize taxation for these multinational corporations, I am convinced the tax accounting profession is largely centered around loopholes in the tax code and finding ways to minimize tax burdens. Tax accountants do more than prepare tax returns with a large degree of work focused on complex problem-solving and using logic to overcome challenges. They should also possess a thorough understanding of tax laws. While I enjoy practicing these skills, I don’t think I would like the continuously changing accounting code and having to memorize new tax codes as they are passed. Tax regulation is not only complex, but it is also constantly evolving. In the long run, I believe my personality and skill set would be best fit in the auditing profession of accounting instead of the tax realm. Although the information presented was very interesting, it wasn’t enough to sway my decision in service line choice.

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Case VI: Interview Case

January 27, 2020

Executive Summary

The purpose of this case was to interview a business professional to gain insight into what life experiences and choices lead to her current career. The interview questions followed a sequential order, beginning with life during adolescence through college years and finally to her professional career. Comprehensive questions were also asked in order to assess what choices she, retrospectively, would've chosen differently, and what words of wisdom her generation has for our generation.

For this case, I chose to interview a life-long mentor of mine. Tressa Wilham Harrison became an entrepreneur at the young age of twenty-three by starting her own dance company which has successfully thrived for over ten years. I chose to interview Tressa as she not only has shaped me into the young woman I am today but has also been a successful business owner in our small hometown. She is well respected for her ability to lead young women in the dance realm and instill confidence and work ethic, amongst other qualities, that follower her dancers into their careers beyond dance.

Through interviewing Tressa, I have learned that the journey leading to the outcome is more important than the outcome itself. As Tressa and I talked through the stages of life that lead her to her professional career today, it is evident that she experienced learning curves that greatly contributed to her success today as an honorable woman in our small community and beyond. I also learned that work ethic, from her generation to ours, has declined. Since my graduation almost three years ago, I have been putting to work the attributes Tressa instilled in me from a young age to my young adult life, and I have noticed how these attributes have set me apart from my peers today. The interview also reminded me to find the beauty in the journey and to live in the present, instead of always seeking the outcome.

I.Background

Growing up, Tressa was the youngest of the family with two older brothers. Her mother worked as an elementary school teacher and her father worked in human resources most of his career. In being the youngest sibling, she watched and learned from the actions of her older brothers which blessed her with a stronger work ethic and seemingly more common sense than her older siblings. Tressa was brought up very differently than her two older brothers, she mentioned “I was the favorite and was raised like that”. She had a happy childhood full of everything she asked for and wanted, raised to believe she was made for greatness. Tressa found her life-long passion early on, and from that early moment, her life revolved around it for years to come. Dance was the driving force in her life.

Tressa took her dance career to the next level when she attended a four-year college in Manhattan where she graduated Cum Laude in three years. Moving from a small town in Kentucky to the big city, Tressa immediately fit in with the fast-paced, stereotypical lifestyle of fellow New Yorkers. She packed her course load with 21-23 hours a semester, participated in a work study program at Broadway Dance Center, and centered her whole NYC life around her passion for dance and motivated work ethic. College was more work than play which made her more introverted during her college years. Retrospectively, Tressa believes although college taught her things, living in NYC is what truly challenged her to grow and learn. New York morphed her into the businesswoman she is today and developed a lot of her character as a teacher. However, socially, she does not think college forced her to grow in that realm.

At a young age, Tressa dreamed of owning her own dance studio one day. She first gained experience as a dance teacher at the age of twelve at the studio she was trained in. As she grew older, however, she toyed with the idea of pursuing another career. Her rigorous training in dance during her college years didn't necessarily push her towards a career in dance. Instead, it had the opposite effect, and made her lose sight of her passion. The idea that remained was to own her own business.

II. Professional Dance Career

After graduating college and moving back to her hometown, Tressa opened up her own studio at the young age of twenty-three. Her various jobs leading up to this decision, she explains, were the driving forces behind starting her own company. Her first job, assisting at her teenage studio, shaped her into the teacher she is today through rigorous training and strict teachings. She noted that this job ultimately taught her indirectly by picking up on things that the original studio owner did not excel in. Namely, keeping the attention of young students. A task that Tressa deemed her biggest takeaway from this experience.

Upon her move to New York, Tressa worked various jobs that further added to her skillset and knowledge in the business world. Her work study at the Broadway Dance Center was where her professionalism was put to the test. She was tested by communicating through a multitude of language barriers, accommodating for different schedules, and understanding protocols for different groups, "all while smiling". She then worked as a personal trainer at a gym in Manhattan where she began to notice her entrepreneurial aspirations. This job opportunity taught Tressa to manage time, organize her clients' workout routines, and sell her services in order to create repeat business; a skillset she carried on to becoming a successful studio manager. Her last work experience in New York was a startup Barre company as a front desk manager. At Physique 57, she helped establish a clientele by carrying over her sales experience in order to ensure repeat business. The biggest battle for Tressa in this position was to be prepared to meet each customer's specific needs as they were often different from one customer to the next. She was forced to understand her environment and tailor fit services to each new client. New Yorkers feel as though they are busier and more entitled than most everyone else, so Tressa had to make the customer feel like they were the most important client at the studio and offer fitness plans that met every need of the client. Her biggest takeaway from Physique 57 was recognizing services, especially those in the fitness industry, are best sold when they are made to feel personal and customized.

Upon the opening of her own company, Academy of Movement and Performing Arts (AMPA), Tressa found success quickly. Teaching is her passion and she found working for herself fit her personality and work ethic. Shortly after AMPA's opening, it became the largest dance studio in the region with over 300 dancers in total. Not only was Tressa successful in selling her "service" by having high enrollment in various dance classes for a widespread range of ages, but her dancers were well accomplished in the competitive world. Through strict training, Tressa led her competitive dancers to numerous regional and national titles. She successfully branded her business by instilling confidence and work ethic in young women and by producing skilled dancers that followed in her footsteps by taking their dance careers into the professional world. Tressa found her niche in teaching dance and gained wide recognition for the performing arts in a small town in Kentucky.

III. Mentor Insights

Although Tressa is still the proud owner of AMPA, she is also the proudest mom to two kids. After over a decade of national champion titles and numerous studio awards, Tressa is most proud of her family. She explained, "I am all about women finding success in the workplace, but personally, nothing fulfills me more than being a mom and wife at home.” Her favorite trips in her book are those where her family of four is all together and neither her nor her husband have work obligations. In retrospect, Tressa wished she would have studied something other than dance in college so she would have a degree to fall back on in the case that she decides to sell her current business and move on to something different. As a teen, Tressa felt a lot of pressure to dance, both from her mom and dance teacher, so that became her identity. She’s blessed to have found her passion at such a young age, but now as a mom and a mentor to so many young students, Tressa doesn’t want her mentees to feel the pressure to dance that she once felt. Although she feels grateful to have the life she does, Tressa mentioned a resentment towards her elders in her life growing up didn’t encourage her to find herself outside of the studio. She wished, at the age of twenty-one, that someone wouldn’t led her to believe she had to follow a certain path. Instead, she wished she wouldn’t have let the mentors in her life set the timeline for her, making her afraid of change. Tressa concluded, “I firmly believe that if I changed anything from my past, then I wouldn’t have the present I am blessed with now”. In her adult years, Tressa is focusing on being aware of the ever-changing world around us and not being afraid of change in response to the environment around us.

IV. Takeaways

I had the privilege of being mentored by Tressa from a young age through my young adult life, and I have been shaped dramatically from her boundless wisdom. Through my training as a competitive dancer, she instilled in me a strong work ethic, unwavering confidence, and fierce determination. This skillset has not only set me apart from my peers but has also brought great success in every aspect of my life. As the ominous season of accounting recruitment approaches, I find myself in a constant state of anxiety in making such a big decision that will ultimately impact the rest of my career. As every gifted mentor does, Tressa unknowingly eased all of my fears with her advice for my generation. She advised to focus on the journey for this is where you truly find yourself and where you discover what is truly going to keep you happy in life. Our generation is hyper focused on being successful but aren't eager to learn and grow by putting in the hard work to achieve outcomes. What really impacted me was her statement, "Patience and your ability to listen to others keeps you humble, and the willingness to learn keeps you growing". Our journey in this season of life is just beginning, and we must be constantly reminded that opportunities are endless. Moving forward, I'm going to place a higher emphasis on the journey by not limiting myself to the opportunity to grow through the knowledge and resources we are provided, and by constantly pushing myself out of my comfort zone. The work we put in now is the greatest determinant of success and happiness.

Case VII: The Financial Crisis of 2008

Elle Eickholz

April 21, 2021

Executive Summary

The purpose of this case was to further understand the financial crisis of 2008 by investigating the actions leading up to the calamity coupled with the involvement of the federal government and large financial institutions in the downturn of our economy. In analyzing the materials given for this case, many top executives of investment banks and other financial institutions had significant influence in deregulating the industry. Deregulation of the financial sector is commonly referred to as the catalyst of the crisis. Deregulation allowed investment banks to give uncreditworthy Americans subprime loans backed by heedless mortgages, thus instigating the housing bubble and predatory lending, only further contributing to the overall impact of the financial crisis of 2008.

The documentary *Inside Job* interviewed many of the chief executives and government officials involved in the crisis to emphasize the unseen power these people have in Americans' financial stability. Repeatedly, throughout the film, these professionals claimed they were unaware of the impending crisis, even when presented with evidence suggesting otherwise. Furthermore, many of the people that played a big role in the downfall of the U.S. economy weren't held accountable for their actions and remained relatively unscathed, both financially and morally.

The supplemental materials given for this case emphasized the immorality of the financial sector. Financial institutions and the government alike play a significant role in the economy and are not always acting in the best interest of the American people their decisions impact. This case has further developed my opinion on the financial crisis of 2008 and made me a more informed citizen that, moving forward, will be more aware of the economy and how it is impacting my life.

Part I

As I progressed through the materials provided for this case, my trust in financial institutions and the government continued to diminish. It was shocking to see the flagrant disregard of their actions in the progression of the crisis. I genuinely believe the financial crisis was not an accident. Instead, it was manipulation by an industry that was entirely out of control. The financial sector was steadily rising and accumulating power beginning in the 1980s, which led to a series of crises. By the end of the decade, considerable savings and loan companies failed, costing many Americans their savings accounts and millions of dollars, all contributable to deregulation and the resulting risky investments made by these institutions. Although the dangers of deregulation were apparent, the Clinton administration didn't reverse the Reagan administration's decision to deregulate. During the 1990s, deregulation and advancements in technology led to a complex, innovative product known today as derivatives. Within the decade, derivatives were a $50 trillion unregulated market, clearly imposing a considerable risk in the industry (Damon and Charles, 2010).

Andrew Lo, professor and director of the MIT Laboratory for Financial Engineering, commented on the creation of derivatives by stating, "Regulators, politicians, and businesspeople did not take seriously the threat of financial innovation on the stability of the financial system," (Damon and Charles, 2010). The creators and users of derivatives were more concerned with their prosperity than the effect these derivatives would have on the American people. This issue continued as more executives were interviewed on their financial gain throughout the crisis, emphasizing the selfishness of the industry as a whole. At the onset of the financial crisis, many members of the Federal Reserve resigned. When asked about his resignation in August of 2008, Frederic Mishkin said he needed to revise a textbook, even though his resignation was in the middle of the worst crisis this country has seen (Damon and Charles, 2010). Needless to say, there are numerous instances throughout the documentary that chief executives and government officials deflected those questions that put their characters into question. Questions that, although aggressive, were seemingly true about their actions. Each interviewee could not answer the question directly, if at all.

This case taught me a lot about the relationship between big business and government and helped me better understand our current system. I now see that although we have a democratic government operating with a capitalist system, there are many imperfections in the current system that play a significant role in the crisis undergone by our nation in 2008. Seeing the business practices that Wall Street institutions performed leading up to the crash was, although interesting, incredibly frustrating to me. The investment banks and financial institutions were not working in the interest of their clients, but in the greedy interests of themselves. They jeopardized what used to function as a resounding, faithful industry to one that is based on schemes and is ultimately unreliable. Americans cannot possibly trust a deregulated financial sector after witnessing the crisis of 2008. As the documentary highlighted, investment banks bet against their loans, invested in faulty businesses, published inaccurate ratings, and proceeded to earn millions even after the onset of the crisis as the government bailed them out. If we were to see signs of another financial crisis in the future, and if the U.S. government expects to use taxpayer funds to bail out chief executives of big businesses again, there should be a great deal of oversight and regulation against this political action. If the monetary schemes and unethical risks taken leading up to the crisis are expected to stop, there has to be significant consequences tied to this activities in the future.

Part II

As I get closer to the professional world, it is evident how important it is to be aware of current news and the history of this nation, especially so for young professionals working in the financial sector. Ultimately, digesting the materials of the financial crisis of 2008 made it abundantly clear that it is of utmost importance to be ethical in this industry. Relatively all of the damage caused by the financial crisis could've been avoided if financial professionals and institutions had chosen to be ethical instead of taking significant risks for their monetary benefit. As I enter the workforce, I will be constantly aware of the knowledge I've gained through this case and the conviction to be moral in all business practices ahead of me. I feel as though currently I'm unaware of the temptations that arise in the financial realm to act unethically as you handle large quantities of money and that I may be undermining the fact that this is a common occurrence within the industry. However, the impact these decisions had on both an individual and a ubiquitous scale will drive me to be ethical throughout my professional career. Additionally, the interviews with chief executives in *Inside Job* made me realize I would not want to work for a company that doesn't have others' best interests at heart, especially when working with others' hard-earned money. Ultimately, I wouldn't want to be working for a company that isn't reputable or respected.

From a personal standpoint, the materials presented clearly displayed that dishonestly always comes with consequences and that greed is an ugly trait. I live by the saying that "you are who you surround yourself with." Consequently, as I move to a new city in this upcoming transition from my educational career to my professional career, I need to be more conscious of who I involve myself with and choose friends that share the same values as myself. I fear that poor influences in the early developments of my career can have detrimental and lasting effects in the long term. In terms of starting to earn money and invest as a young adult shortly, it is my responsibility to know how my financials are handled. I have the natural right to choose whether or not to invest and what institutions are privy to my financial information, if at all. Moving forward, I will be more aware of human nature and will not trust that every person is innately good.

Part III

I recognize a parallel between the political landscape leading up to the financial crisis and our current political environment in that the financial sector is still primarily deregulated. Immediately following the crisis in 2008, the Obama administration enacted the Dodd-Frank Act of 2010, which promoted financial stability by improving regulation through the use of accountability and transparency while also protecting the consumers of America. The Act was structured to avoid future crises and eliminate the substantial government bailouts in the aftermath of a crisis. However, under Trump's administration in 2018, a bill was signed that loosened or eliminated some of the key regulations under the Act ("Trump Is Deregulating Banks: Here's What That Means For You.", 2019). As each administration changes, so does the sitting President's outlook on regulation in the financial sector. Granting change in this aspect, rather than keeping policy on the matter the same, could lead our economy in the direction the 1990s economy faced. Additionally, the Dodd-Frank Act protected against the government authorizing the distribution of a large sum of taxpayers' dollars as aid. Yet, the government has issued billions of dollars in aid as Covid-19 relief, another economic crisis, although not quite to scale. Aid distribution could impact inflation to increase more than we've seen in the years following the financial crisis. Further, we are experiencing decade-high unemployment rates and are seeing many of our businesses close due to a lack of consumerism throughout the pandemic. Each of these indicators run parallel to the rates experienced in the onset and aftermath of the crisis in 2008.

American citizens and those in positions of power can learn several things from the financial crisis that can help us avert future financial crises —The first regarding power. There is a fine line to the amount of government power that allows the nation to operate efficiently. If the government acquires too much power, there is a systemic weakness. On the other hand, as clearly expressed through the financial crisis, if the government loses control of an industry, like the deregulation of the financial sector, the sector spirals out of control. The span of control of this nation's government must incorporate both regulation and freedom. Another lesson learned from the financial crisis that will help protect against future problems is that there cannot be freedom without responsibility. However, as seen in the documentary, many chief executives and Wall Street professionals couldn't handle the responsibility of freedom. The participants in the crisis were not concerned with the long-term consequences that came with their risky, unethical actions. The adverse side effects of their practices were meaningless to participating professionals if the impact didn't directly affect them and if laws didn't exist to force them to take into account their decision-making process. I like to think the policymakers and lobbyists who promoted deregulation never foresaw the impending financial crisis, and the purpose for deregulation wasn't to derail the nation's economy. In the future, there shouldn't be blatant neglect and carelessness when it comes to the financial sector, as consequences should follow these actions and the like.

In summary, this case held eye-opening truths that further developed my understanding of the financial crisis of 2008 and the actions of our government in the aftermath. In 2008, I was too young to understand the widespread reverberations felt by the American people by the steps of a few, not to mention the minimal repercussions for the individuals accredited for the downfall. As I am transitioning into young adult life, I have a better understanding of the complexity of the financial sector and now have faith that there are regulations in place to counteract another crisis of this magnitude.

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General Motors

Case Competition: Week 1

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Executive Summary

The purpose of this case was to choose a company to study; however, the company we chose had to fit certain criteria. These criteria stated that the company had to be domiciled in the United States, listed on a major stock exchange, and traded publicly on that exchange for at least the previous five years. Our group decided to study General Motors (GM) because of President Joe Biden's recent statement that the government will replace the entire federal fleet of cars, trucks, and SUVs with electric vehicles manufactured in the United States. Once our group chose General Motors, we researched the company's financials, publicity, and the industry's market to understand GM's current position as a multinational corporation.

We discovered that hydrogen fuel cells have been researched and are in the process of being developed by GM among other companies for long-haul trucking and transportation. Trucks that typically travel long distances carrying large loads need to be operated by a more powerful source than battery-powered vehicles. Thus, the idea of hydrogen fueled cells. These cells will allow trucks to travel over 500 miles without the need to be refueled or recharged. We learned that the process of making less environmentally hazardous automobiles is currently being developed. This step forward will allow a safer future without putting chemicals into the atmosphere.

General Motors launched a new business unit this year which will offer more electric vehicle options. By 2025, the company plans to bring 30 new electric vehicles to the market. Over two-thirds of these will be available in North America. With Joe Biden's new promise to only have electric government vehicles, we believe this company will be exciting to study over the course of this semester.

Annual Reports

General Motors Company designs, builds, and sells trucks, crossovers, cars, and automobile parts worldwide. They first became a publicly traded company in 2010, and their automotive business is divided into two segments: General Motors North America (GMNA) and General Motors International (GNI). GM is currently investing in battery electric vehicles, car and ridesharing, autonomous driving technology, alternative fuel vehicles, and hydrogen fuel cell technology. These are potential positive indicators of General Motors potential future profitability; however, the research and development costs of these endeavors could become costly if they are not completed in a timely manner. What is interesting about GM's profitability as a company heavily relies on the success of their SUVs and full-size pickup trucks. GM's management believes that the future of their company relies heavily on the success of its crossovers, SUVs, and full-sized pickup trucks; its ability to reduce the cost of manufacturing electric vehicles; and the unique technological, operational, regulatory, and competitive risks related to the timing and commercialization of autonomous vehicles.

In 2019, General Motors sold 8.5 percent of the total vehicle industry sales in the world. This is a drastic decrease compared to the filings from 2017, when GM sold 10.2 percent of the total vehicle industry sales in the world. GM also had a net loss of $6.667 billion; however, they made roughly $1.3 billion more than they did in 2018. They also held a total equity balance of $45.957 billion, an increase of roughly $3 billion from 2018. The General Motors company also possessed an earnings before income and tax (EBIT)-adjusted balance of $8.393 billion in 2019, a decrease of roughly $3 billion from 2018. They have also suffered a 1.8 percent decrease in units sold in North America and a 1.1 percent decrease in units sold internationally since 2018 (www.sec.gov, "General Motors Company form 10-K").

Recent News

In November, GM gave up its equity stake in Nikola. The agreement began in September when GM and Nikola announced a $2 billion deal that gave GM an 11 percent ownership in Nikola to supply battery and fuel-cell technologies for the electric truck prototype. GM is currently partnering with Navistar to create fuel-cell technology for a new semi-truck. GM is commercializing this unconventional hydrogen fuel technology to develop new revenue in the auto industry by focusing on sustainability tactics. In the near future, America will be introduced to the new electric truck prototype as General Motors will push its new product via advertisements during the 2021 Super Bowl (Wayland). Another marketing strategy GM included to promote the electronic vehicle was a modern logo (Abuelsamid). Although GM has produced vehicles for over a century, the company's name nor logo have ever appeared on the vehicles it produces. GM prepares to introduce its new electric vehicles, rebranding its "corporate badge". In addition, GM is redesigning its marketing campaign to include the new contemporary design and the updated logo. GM's CMO Deborah Wahl says, "it's optimistic, it brings energy and vibrancy and reflects our view of the future," (Abuelsamid).

Industry-Level Data and Statistics

General Motors Company is part of the Car and Automobile Manufacturing Industry. Major players in this industry include Toyota, Honda, Ford, and General Motors. The current revenue of this industry is $69 billion dollars. The annual growth of the industry was negative 12.6 percent between the years 2015-2020. This was caused by the declining prices for fuel and crude oil. Between 2020-2015, the average industry growth is expected to grow 5.2 percent ("General Motors Company (GM) Latest Stock Analysis"). Key external drivers in this industry are the world price of crude oil, consumer confidence index, trade weighted index, and new car sales. There are many key trends in this industry as well. For example, consumers in the United States have become less likely to make large discretionary purchases; this includes sedans and compact cars. Additionally, federal and state regulations have a major impact on the industry. If tariffs are placed on foreign vehicles, there will be an increase in car and automobile manufacturing in the country.

Blogosphere

Over the past year, General Motors has been one of the best-performing auto original equipment manufacturers. As of January 20, General Motors is ranked number one in the Automotive Manufacturing industry based on Seeking Alpha's Quant Ranking. GM is number four within the Consumer Discretionary sector. At the 2021 Consumer Electronics Show, General Motors announced GM's new flying EV Cadillac and sleek design EV Hummer (Egan). GM had also announced that there would be self-driving vehicles, electric vans, and electric-powered pallets in the future. The response they received from this announcement was positive. The high level of excitement that came after the announcement increased General Motors' stock price a couple of weeks ago. General Motors is working on introducing 30 new models by 2025 across its many brands. General Motors is also partnering with LG and some innovative startups to stay ahead of battery design development (Egan).

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General Motors

Case Competition: Week 2

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Executive Summary

The purpose of this case was to study our company’s 10-K Form to assess its financial statements and the accompanying notes to determine whether the company’s financials are reasonably assured. Without learning, to any degree, the audit process, this case taught our group critical thinking skills and a more in-depth understanding of how to maneuver the financial statements. The hands-on skills learned through this case can be further applied in our later studies and will set us apart from our peers in our baseline understanding of auditing.

As an overview of our process and the tasks at hand, we initially broke down each statement by account to ascertain relevant audit risks. After choosing the six riskiest accounts, we further analyzed comparative statements to determine the materiality of the account and to describe the audit failure risk associated with that account. We then considered both preventative and detective internal controls that, if not already implemented, could minimize the occurrence of these risks. Furthermore, we considered substantive tests the auditor can do to ensure, through evidence, that the account is not misstated.

Throughout this case, our group was challenged to think like an auditor; a task we’ve never been tried with. The six riskiest accounts from GM’s 10-K Form, as assessed by our group, are cash and cash equivalents, allowance for loan losses, inventories, goodwill and intangible assets, accumulated depreciation, and pensions. In terms of risk, these accounts were assessed on existence, completeness, valuation, and presentation to ascertain whether General Motors’ financial statements are accurate as provided by the corporation.

Cash and Cash Equivalents

There is a high risk of misstatement when it comes to reporting cash due to its nature. The reason why cash reporting carries high risk is that cash is the most liquid asset and is very easy to transfer. The risk of cash misstatement can vary depending on the company's level of controls in place and the size of the business. The two causes of cash misstatement are error and fraud. The internal controls that a company can utilize to reduce cash misstatement are the segregation of duties, a regular cash count, and the safekeeping of checks and cash equivalents. The segregation of duties allows a company to make sure that separate employees record different inflows and outflows of cash to avoid any opportunity for fraudulent behavior. A regular cash count will help to ensure that the cash is not missing. The safekeeping of checks and cash equivalents entails keeping the checks and cash equivalents in a locked box in a safe. A good way to audit the cash balances is by taking a closer look at the specific cash transactions using a cash cutoff test which ensures that all transactions are shown in the financial statements. For foreign currencies, GM should perform a test of translation in which auditors will calculate the cash balances using the most recent exchange rate. If there is a material difference, the auditor looks at the reasonableness of the exchange rate. GM could use Alteryx to interpret all of their data.

Allowance for Loan Losses

Considering allowance accounts are largely estimations in nature, these accounts pose a significant risk to corporations' financial statement's accuracy. The allowance for loan losses on GM's balance sheet is further explained in the company's Notes, namely Note 5. Although the allowance has remained consistent across the comparative balance sheet, allowances are risky in terms of completeness and valuation. Without close auditing, corporations would have the ability to minimize their estimation of allowances in order to report a higher amount of net receivables. A critical internal control that could be implemented to control the evaluation of the allowance would be quarterly analysis to assess risk. Furthermore, GM could design and implement a risk-rating system to indicate when the estimation is outside of a plausible range when compared to prior statements. GM could also use data analytics to track ratios over time such as the proportion of the allowance to gross accounts receivable. By tracking ratios over time, it allows for the creation of trends that would enable outliers to be easily identified.

Inventory

Inventory is one of the riskiest accounts General Motors has on the balance sheet. There are many risks involved with inventory. There is the merchandising concern, in which there is only one inventory account. Contrary to this, there is a manufacturing concern that typically has three inventory accounts. Another risk associated with inventory is deciding what to include in the inventory account. Goods in transit are only in inventory if they are f.o.b. destination, compared to f.o.b. shipping point, in which goods are not included in the company's inventory. Returned inventory goes back into stock. The company must also decide which cost flow assumption to adopt, which will ultimately decide the balance of the inventory account that is reported on the balance sheet. Rebates and incentives are big in the car industry. Generally, corporations give rebates and incentives to the dealerships and they are passed through the dealership to the customer. GM also gives incentives to individual dealerships for hitting certain sales targets. Considering that GM is a massive corporation with the ability to scale its production to fit demand, inventory write-downs likely are not an issue. However, because of the current Covid-19 pandemic, reduced consumer demand could lead to a decrease in sales and would then create a need for inventory write-downs. In GM's 10-K, there are references to the use of just-in-time inventory. This reduces the risk of obsolescence since the goods do not sit in the back of warehouses for extended periods. Just-in-time inventory can make the valuation of inventory hard because of the possibility of significant price changes due to market conditions. These price changes make the testing of cost of goods sold challenging. The challenge with testing the cost of goods sold is due to the samples selected possibly not being an accurate representation of the entire population. To mitigate the misstatement risk, there are internal controls for General Motors to implement. First, the company can count all incoming and outgoing inventory to keep a record of what should be stated on the account. In addition, the company can conduct cycle counts throughout the whole year, where a staff member will choose one section of the inventory to count to find any additional or missing inventory. Auditors use substantive tests to gather evidence that the inventory account is not misstated. One commonly used test is conducting an onsite physical inventory count. Now, auditors are conducting inventory counts virtually as well. Auditors also match purchase orders and supplier invoices to the inventory records to make sure the account is correctly stated. Finally, data analytics can streamline the audit process for the account by using software, such as Tableau, to visualize inventory levels and compare them to the different quarters or periods. Tableau could also show a spike in sales which would result in inventory being low and any fraud or suspicious activity taking place internally.

Pensions

Pensions can be easily described as complex. There are many unknowns and vague explanations to people who retire and how they might receive their pension. Employers must exceed expectations, and even then, there is no guarantee when those retiring will receive their money. Especially during the beginning of the current Covid-19 pandemic, pension plans could have been in jeopardy since the stock market dropped 37 percent. The pension plan could have been strapped for cash since it has required distributions. Pension plans are ultimately being phased out. In GM's 10-K, it notes that employees hired before October 2007 are eligible for pension plans. This means that anyone hired after 2007 can participate only in the defined contribution plan (401k). The expense they expect does not necessarily mean cash equivalence. It also results in an issue with expense and recognition. Therefore, it becomes a liability to many. For General Motors to be successful in creating a reliable pension plan for retirees, there needs to be a set framework for the pension account. Guidelines need to be enforced. Also, a selected board of trustees must be in place. Their job specifically should fall into guaranteeing or helping navigate the systems needed to receive a pension. A large portion of the money to be received in pensions is spent elsewhere such as stocks and shares. With the board of trustees in place, the risk of the pension account should be reduced greatly. In addition, since the inputs come from actuaries in calculating pensions, making sure that the calculations are accurate and double-checking their work would be a necessary control.

Goodwill and Intangible Assets

The goodwill and intangible assets account on General Motors' balance sheet is an account that could very easily be miscalculated. One of the big issues with the goodwill and intangible assets account is that it is recorded at cost. The items in this account also have a limited or indefinite useful life. One way that GM could help combat a miscalculation would be to record items in the goodwill and intangible assets account, such as technology and intellectual property, at market cost. Another way that GM could make sure that this account is valued correctly is to verify the valuation, amortization, and usefulness periodically. For the goodwill and intangible assets account, the first test you can conduct is to see if the reporting unit's fair value is less than its carrying amount. If it is, then you need to recognize a goodwill impairment equal to the difference between the carrying amount of the reporting unit and its fair value, but it cannot surpass the carrying amount of the account. General Motors could streamline the audit process by using data analytics to reduce some of the risks surrounding miscalculations in the calculations of amortization and usefulness. We suggest that GM use data analytics to correlate the present value cash flows generated by the intangibles to the recorded balances. For example, regression analysis could be used to better estimate future cash flows used as an input to the impairment test process.

Accumulated Depreciation

Accumulated depreciation expense is used by companies to reduce the cost of assets in the asset accounts. It is considered risky in nature due to the account being understated on financial statements. With understating accumulated depreciation expense, accounts such as gross profit, retained earnings, and stockholder's equity can be affected as well. This alone emphasizes how risky the accumulated depreciation expense account can be. A change in the depreciation method is a change in an accounting estimate so it should be accounted for prospectively. Therefore, the prior period depreciation expense and net book value of fixed assets should not be restated. Fixed assets becoming obsolete should not be a big deal to GM if the assets are used effectively and efficiently to fulfill their intended functions. Just because a fixed asset has been fully depreciated does not mean that it no longer has function and value, since the net book value of fixed assets can be manipulated throughout its useful life estimate. Since GAAP gives the ability to choose between various depreciation methods, it leaves a lot of room for subjective estimates. Property, plant, and equipment (PPE) needs to be tested for impairment not just based on damage, but also for the future cash flows that the PPE is expected to generate. This is because fixed assets should be impaired if they can no longer be used to generate cash flows. In order for General Motors to control the risk of this account, internal controls from the company must force a resolution to these issues. Their priority should be stating the official depreciation costs in a policy that requires consistent entries to be made so that one may guarantee General Motors' numbers correlate. An addition to this policy would be acknowledging the evolving depreciation expense as it changes through inflation and other factors over time. Once this policy is in place, a system should be developed that allows internal controls to know what the accumulated depreciation expense is at the given time and confirm the entries that follow to verify the numbers are correct. GM can also utilize a data analysis tool that puts fixed assets into various categories and uses that in conjunction with sales of certain classes of cars.

General Motors

Case Competition: Week 3

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Reshoring Tax Credit

Under Biden's administration, he has proposed a plan to incentivize returning jobs and corporate operations to America with a 10 percent tax credit. This tax credit applies to General Motors (GM) if the corporation revitalizes the previously closed manufacturing plants while also increasing their manufacturing payroll, which, in essence, will also allow the company to avoid the offshoring tax penalty. As of the beginning of last year, GM closed overseas plants in Australia, New Zealand, and Thailand. Additionally, General Motors is currently undergoing efforts to reopen and restructure plants in America in order to manufacture the electric vehicles domestically. The other direct effect of the Tax Cuts and Jobs Act on GM's tax liability is the increase of the federal corporation flat tax rate from 21 percent to 28 percent. In recent years, General Motors restructured its operations and financials to minimize its income tax liability. These moves are apparent in Note 17, "Income Taxes," located in the notes to their financial statements. In the past three years, General Motors claimed $769 in 2019, $474 in 2018, and $11,533 in 2017 in income tax expenses ("PDF.",General Motors Form 10-K). These numbers don't relay other figures GM is taxed on since tax returns are not public; however, it clearly illustrates their efforts in minimizing taxable income and the tax liability as a whole. Given that General Motors meets the reshoring criteria to be eligible for Biden's 10 percent tax credit, the corporation is likely to experience a more minimal tax liability or even a refund for the extent of his administration.

Research and Development Tax Credit

General Motors should take advantage of the Research and Development Tax Credit. This tax credit is applicable to General Motors because of its commitment to creating 30 new electric vehicles by 2025. The tax credit will be a short-term solution until these new vehicles are released. There is a requirement of the tax credit to, "develop or design new products or processes" ("U.S. Research and Development Tax Credit.", 2017). This requirement means that the company will need to design, engineer, and produce new vehicles. There is another tax credit requirement to develop or improve existing prototypes and software ("U.S. Research and Development Tax Credit.", 2017). General Motors says they are building a competitive advantage in batteries, software, vehicle integration, manufacturing, and customer experience. One option with this credit is to take a deductible of $100,000. However, this option will not be as feasible as taking the tax credit. Form 6765 from the IRS calculates the credit for researching activities.

100 Percent Bonus Depreciation Provision

The 100 percent bonus depreciation provision will expire in 2026, but it could be one of the best short-term tax credits that General Motors could use. This provision allows businesses to immediately deduct the total cost of machinery, equipment, and other various forms of property from their net income. However, the temporary nature of this provision only allows companies to deduct the total cost of short-lived assets from 2018 to 2022 ("Testimony: The Positive Economic Growth Effects of the Tax Cuts and Jobs Act", 2020). In 2023, the provision will begin reducing the amount available to be written off by 20 percentage points each year until it expires at the end of 2026. If General Motors wants to benefit from this provision, it needs to recalculate the amount of depreciation expense that it faces for 2019. We were unsure of how to calculate this figure because we did not know the exact change in total assets and the depreciation rate that they face on certain assets. However, we do know that they would need to depreciate 100 percent of the taxable cost of the property purchased during the fiscal year. The depreciation rate of property purchased during the previous years would not change; however, GM could use this provision to its full advantage until the law is changed or until 2024. It would be more beneficial not to use this provision during the year 2025 because the provision depreciation rate would be lower than the normal bonus depreciation rate, 50 percent. This tax advantage will especially be useful in General Motors' investments in EV production equipment, battery production equipment, and acquiring new property for manufacturing plants. Utilizing the bonus depreciation election for the current and upcoming capital expenditures for the EV program will minimize General Motors' corporate tax liability.

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General Motors

Case Competition: Week 4

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Operations and Other General Information

General Motors' (GM) core business is to design, manufacture, and sell different automobile parts. They conduct business and generate revenue on six different continents ("About Us" 1). General Motors conducts over half of their businesses in the United States with corporate headquarters located in Detroit, Michigan. General Motors' mission statement is, "to earn customers for life by building brands that inspire passion and loyalty through not only breakthrough technologies but also by serving and improving the communities in which we live and work around the world," (Kissinger 5). The company's vision statement is, "to become the world's most valued automotive company," (Kissinger 3).

General Motors has numerous suppliers. In June 2020, GM recognized 116 suppliers for the "Supplier of the Year" award. These suppliers are from 15 different countries. Over the past eight years, GM spent an average of $3.6 billion with minority suppliers, "GM Honors Top Global Suppliers for Innovation and Performance" 3). General Motors' largest customers are dealerships. GM has 4,232 dealers in the United States and many more outside the country as well. This is where the majority of their profit comes from ("About Us" 1).

General Motors has more than one competing brand. GM's strongest competitor is Ford Motors (FM). GM seems to continue with a narrow lead in revenue against FM. "The U.S. is the core market of General Motors accounting for a sizable part of its revenue where Ford is trailing GM," (Pratap 3). Both companies are respectable and reliable to the people of the United States and have been rivals for decades.

Government Regulation

One of the biggest threats to General Motors success is government regulation. Changes in financial policies under the Biden administration could have a negative impact on the success of General Motors; however, changes in environmental policies could have an even more detrimental impact on their success. The Biden administration has expressed their hopes to replace all federal vehicles with 100 percent clean energy and zero emission vehicles, promote advanced biofuels, and implement new fuel economy standards (natlawreview.com). These are a few of the potential policy changes that could be detrimental to GM's success. To combat these changes, GM should adopt pricing strategies based on gas prices and projections, increase the speed of production of the electric and sustainable vehicle programs, and use tax credits offered by the Tax Cuts and Jobs Act as well as tax credits that are planned to be offered by the Biden administration.

If General Motors wants to succeed after the implementation of certain environmental policies, then they need to adjust their vehicle prices based on trends in the consumer gas market. When looking at gas prices from 2004 until 2007, there is an increase in the sales of vehicles possessing fuel efficiencies of over 30 mpg when gas is over $2.00 per gallon (www.alliedacademies.org). The basic rules of supply and demand support the decision to change the prices of vehicles as their demands shift. This could help offset any sales decrease in GMs' SUVs and trucks.

Increasing the speed of production for the electric and sustainable vehicle programs could bring GM great success. If GM were to become the first large automobile manufacturer to create only electric or sustainable vehicles, then they could potentially see great increases in revenues, a slight increase in the cost of goods sold, and an increase in their operating income.

Using tax credits that are already offered by the federal government is one of the best ways for GM to avoid the majority of the headaches that come with changes in public policy. Credits such as the 100 percent bonus depreciation rule, the reshoring tax credit, and the research and development tax credit are the three credits that could play a large role in the success of GM.

Success of the Electric Vehicles Program and Sustainability

One of General Motors' biggest threats is the success and sustainability of the new electric vehicle prototype. Considering other major competitors are trying to produce, if not already producing, similar automobiles with electric and sustainable capabilities. To remain a major competitor, GM should roll out the sale of electric vehicles before other companies maintain a competitive advantage. General Motors has experienced a decline in auto sales in recent months largely due to the slowdown of the economic market coupled with the financial implications of the COVID-19 pandemic. If GM can put electric vehicles on the market before other competitors, the company will see a substantial increase in revenues, which in turn will also increase its record low-profit margin. Although the manufacturing and distribution of electric vehicles is costly, the increase in operating income will combat the high cost of goods sold and selling general and administrative expenses. Ultimately, the success of the new prototype for cars can minimize the effects of the high expenses involved with the innovative product. Additionally, the electric vehicles will flip GM's market from most revenues being derived from trucks and SUV sales to electric cars which successively will make the company more profitable and stable for future years. In the rollout of electric vehicles, General Motors is continuing to align its operations with its strategic mission by offering more sustainable solutions and innovative technologies for its customers and market base. The overall goal is to produce new and emerging vehicles that are just as safe and reliable as the company's previous, well-known vehicles (Kissinger 7).

General Motors Short-Term Projections

In recomputing the ratios for profitability, we increased revenues by 3.2 percent on average to account for the rollout of the electric vehicle and the increase in profits expected from the new product line. Consequently, the cost of goods sold account had to be increased by 2.2 percent on average to forecast the high direct and indirect manufacturing costs to produce the new electric vehicles, and selling, general, and administrative expenses were also increased by 3.2 percent. Increases in the above accounts consequently increased GM's expected operating income and assets were also increased by 1.2 percent. Each of the projections above was made with consideration to future government regulations, including Biden's environmental policy, fuel efficiency requirements, and expected tax credits. GM's short-term projections coupled with the solution implementations produced a steady increase in the company's return on assets, profit margin, and asset turnover ratios over the next five years. Return on assets is expected to increase from three percent to six percent over the next five years. Additionally, the profit margin doubled from five percent to 10 percent, depicting the degree to which the new electric vehicle will be profitable. Asset turnover, on the other hand, remains relatively constant throughout the next five years as the asset account isn't projected to see a substantial increase (only 1.2 percent). Refer to Figure 1.

Figure 1

GM's Projected Growth (in millions)						
	2020	2019	2018	2017	2016	
Revenue	$122,485	$137,237	$147,049	$145,588	$166,380	
COGS	$97,539	$110,651	$120,656	$114,869	$120,499	
SG&A Expenses	$7,038	$8,491	$9,650	$9,570	$11,710	
Operating Income	$6,634	$5,481	$4,445	$10,016	$9,962	
Assets	$235,194	$228,037	$227,330	$212,482	$221,690	
Liabilities	$185,517	$182,080	$184,562	$176,282	$177,615	
Return on Assets	2.82%	2.40%	1.96%	4.71%	4.49%	
Profit Margin	5.42%	3.99%	3.02%	6.88%	5.99%	
Asset Turnover	52.08%	60.18%	64.69%	68.52%	75.05%	
	2025	2024	2023	2022	2021	Projected Growth %
Revenue	$143,359	$137,845	$132,543	$128,683	$124,935	(3.2% AVG.)
COGS	$108,736	$105,569	$102,494	$100,485	$98,514	(2.2% AVG.)
SG&A Expenses	$8,237	$7,921	$7,616	$7,394	$7,179	(3.2% AVG.)
Operating Income	$14,385	$12,355	$10,433	$8,804	$7,242	
Assets	$249,639	$244,744	$242,321	$239,921	$237,546	(1.2% AVG.)
Liabilities	$176,425	$178,207	$180,007	$181,825	$183,662	(-1.0% AVG.)
Return on Assets	5.76%	5.05%	4.31%	3.67%	3.05%	
Profit Margin	10.03%	8.96%	7.87%	6.84%	5.80%	
Asset Turnover	57.43%	56.32%	54.70%	53.64%	52.59%	

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General Motors

Case Competition: Week 5

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General Motors Stock Price & Other Financial Indicators

General Motors' (GM) stock's closing price on the last day of the fiscal year was $41.64 per share. GM's Price-to-Earnings ratio (P/E) as of the last day of the fiscal year was $9.62. We computed this number by taking the closing stock price and dividing it by earnings per share (Net income / Common Shares Outstanding). The stock's closing price from today is $52.90 ("General Motors Company (GM) Analyst Ratings, Estimates & Forecasts").

General Motors' beta is 1.36 (5Y monthly). A beta greater than one indicates that the stock price is more volatile than the overall stock market. In the current year, 18 analysts follow their company. In the current quarter (March 2021) there are 13 and in the next quarter (June 2021) there are thirteen. The forecasted growth rate for GM for the current year is 5.7 percent; 56.5 percent for the current quarter; and 332 percent for the next quarter. The recommendation to buy for GM is 1.8 where two is "buy" and one is "strong buy." The trend to buy has been consistent over the past few months ("General Motors Company (GM) Analyst Ratings, Estimates & Forecasts").

Net Income & Common Shares Outstanding Projections

The net income for the year 2021 is $7.242 billion. The common shares outstanding will be 1.396 billion for 2021. The projected stock price for 2021 will be $48.10. This was calculated by taking the P/E Rato ($9.62) and multiplying it by the projected EPS for 2021 ($5). In 2022, the net income will be $8.804 billion. The common shares outstanding will be 1.382 million for 2022. The projected stock price will be $57.72. This was calculated by taking the P/E ratio ($9.62) and multiplying it by the projected EPS for 2022 ($6). The net income for the year 2023 is $10.433 billion. The common shares outstanding are 1.3541 billion. The projected stock price for the year 2023 is $76.96. This was calculated by taking the P/E Ratio and multiplying it by the projected EPS for 2023 ($8). For the year 2024, the net income is $12.355 billion. The common shares outstanding for 2024 are 1.327 billion. The projected stock price for 2024 is $86.58. This was calculated by taking the P/E ratio and multiplying it by the projected EPS for 2024 ($9). The net income for 2025 is $14.385 billion. The common shares outstanding for 2025 are 1.300 billion. That was calculated by taking the P/E ratio and multiplying it by the projected EPS for 2025 ($11). The projected stock price for the year 2025 is $105.82. All of the projected stock prices were calculated using the earnings multiplier valuation approach method.

Validity of Tax & Advisory Strategies

The positive effects of our tax and advisory strategies can be seen in our future ROA and stock price calculations for the next five years. The ROA for the year 2021 is 3.05 percent, and we project that it will climb to 5.76 percent by the end of 2025. We also project that the projected stock price will be $48.10 per share in 2021, and it will climb to $105.82 per share by the end of 2025. These numbers are achievable due to our tax and advisory strategies.

The increase in ROA validates the positive effects of our tax strategies. The increase in stock price also validates our advisory strategies. Our advisory strategies are validated by our increase in stock price because an increase in the price of GM stock shows an increase in demand. This increase in demand can be directly linked to the negative effects of government regulation on traditional vehicles, and it can be linked to the positive effects of GM being the first large automobile manufacturer to release a full line of electric vehicles. The risk that General Motors would take by utilizing our strategies is at a moderate level. General Motors' cost of capital will increase, but we believe that it will be a worthwhile investment. The effects of the increase in the cost of capital have been reflected in our stock price.

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General Motors

Case Competition: Defense

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Samantha LaBuda, Evelyn Rowan

General Motors (GM)

Bailey Baudier, Elle Eickholz, Alec Hudson, Samantha LaBuda, Evelyn Rowan

March 17, 2021

AGENDA

01 Introduction

02 Summary of Research

03 Tax & Audit Strategies

04 Financial Indicators

05 Q&A

Introduction

General Motors- News

- Investing in battery electric vehicles
  - Navistar’s fuel cell technology
- New, modernized logo
- Increasing stock price

Engagement with GM

Tax Strategies

Lowering their expecting corporate taxes

Audit Strategies

Analyzing at the riskiest accounts and ways to combat the risk with data analytics and internal controls

Advisory Strategies

Planning against the threats of government regulations and the success of the EV Program.

Audit Strategies

Audit- Riskiest Accounts

Cash & Cash Equivalents

Allowance for Loan Losses

Inventory

Pensions

Goodwill & Intangible Assets

Amortization Depreciation

Cash & Cash Equivalents

- Causes: Error & Fraud
- İnternal Controls
- Cash Cutoff Test & Test of Translation
- Data Analytics

Allowance for Loan Losses

- Risky in terms of completeness and valuation
- Internal Control
- Risk- Rating System
- Data Analytics

Inventory

- Risks
- İnternal Controls
- Onsite physical inventory count
- Tableau - Data Analytics

Tax Strategies

Tax Strategies

Reshoring Tax Credit

Research & Development Tax Credit

100 Percent Bonus Depreciation Provision

Overview

Focusing on each of these strategies will allow the company to saves millions of dollars a year.

Reshoring Tax Credit

- Biden’s 10% tax credit
- Plant Closures Offshore
- Domiciled Plants

Research & Development Tax Credit

- Research
    - Competitive advantages in batteries
    - Software
    - Vehicle integration
    - Manufacturing
    - Customer experience
- Development
    - 30 new Electric Vehicles prototypes

100 Percent Bonus Depreciation Provision

- Intended for use in the conversions of conventional factories to EV factories
  - Could also be used in conjunction with the reshoring tax credit

General Motors Short-Term Projections

GM's Projected Growth (in millions)

	2020	2019	2018	2017	2016
Revenue	$122,485	$137,237	$147,049	$145,588	$166,380
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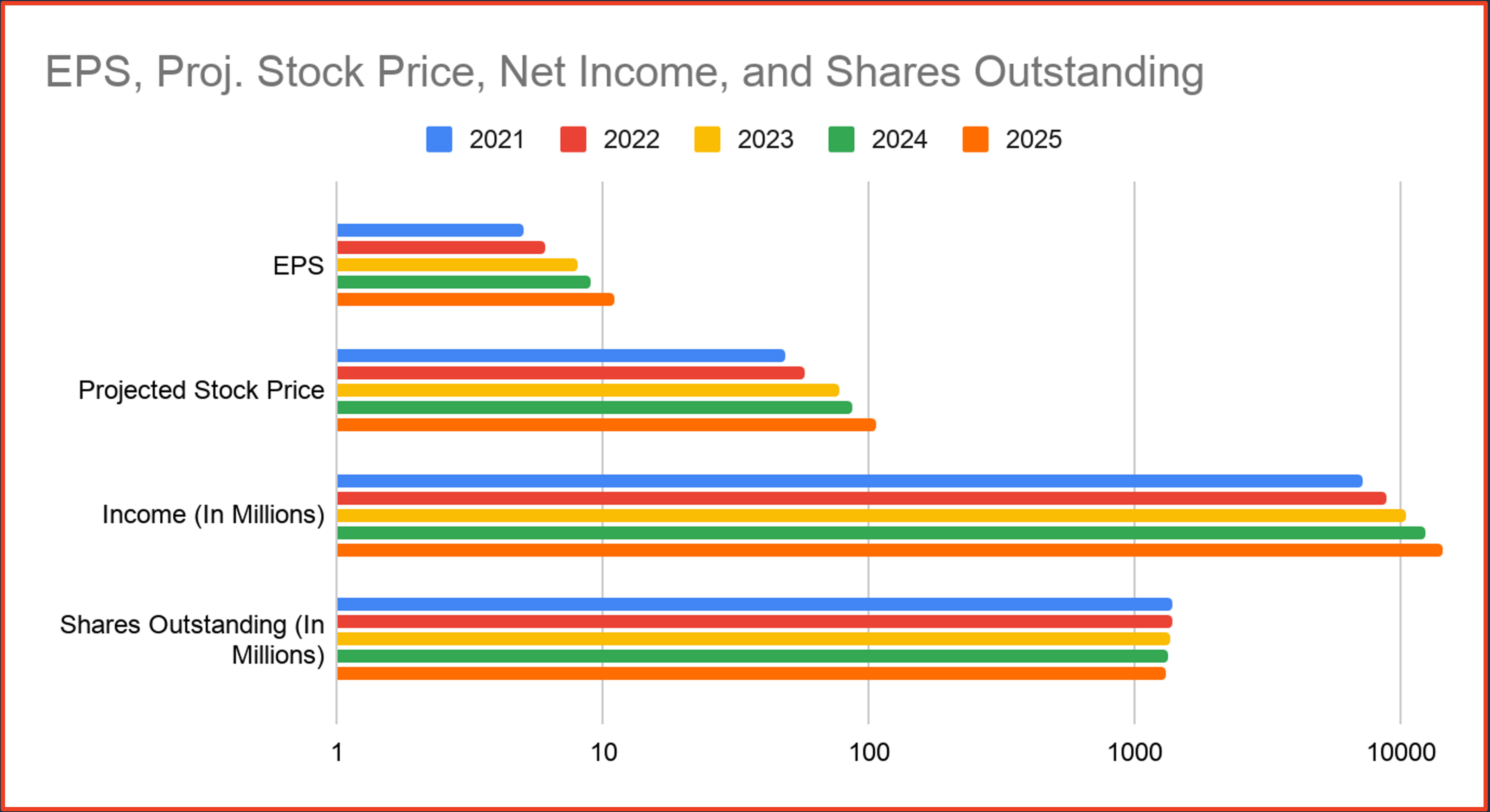
Net Income & Common Shares Projection



Summary

Q & A

Appendix

THANK YOU ！

General Motors Stock Price & Financial Indicators

- GM Stock closing price: $41.64 per share
- GM’s P/E Ratio: $9.62
- GM’s beta: 5Y Monthly
- Forecasted growth rate for current year: 5.7%
- Forecasted growth rate for current quarter: 56.5%
- GM has consistent trend to buy

Pensions

- Expense and Recognition
- Successful and reliable retirement planning criteria
- Data Analytics

Goodwill & Intangible Assets

- Biggest risk - Miscalculation
- Ways to reduce miscalculations

Accumulated Depreciation

- Risks
- Internal controls - Consistency and Verifiability check
- Data Analytics

Validity of Tax & Audit Strategies