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## A Collection of Financial Accounting Case Studies

Evelyn Rowan

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A COLLECTION OF FINANCIAL ACCOUNTING CASE STUDIES

By  
Evelyn Rowan

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

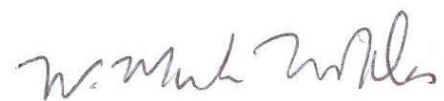
Oxford, Mississippi  
December 2021

Approved by:



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Advisor: Dr. Victoria Dickinson



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Reader: Dean W. Mark Wilder

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Evelyn Rowan

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## ACKNOWLEDGEMENTS

I would like to thank Dr. Dickinson and the Sally McDonnell Barksdale Honors College faculty for their support during this process. I would also like to thank my family for their support and encouragement during my college career.

## ABSTRACT

### EVELYN ROWAN: A Collection of Financial Accounting Case Studies

Throughout my two semesters in ACCY 420, taught by Dr. Victoria Dickinson, I wrote my thesis for the Sally McDonnell Barksdale Honors College. Throughout this class we analyzed different case studies, completed an excel certification, participated in a case competition, and listened to presentations from different accounting firms.

Each case study helped me gain knowledge in different accounting topics in the real world. We read articles, watched a movie, watched a presidential debate, and conducted an interview with an accounting professional to complete the case studies.

For the case competition our class was divided into teams of four to five students. Each team chose a company to analyze that was actively traded on the stock market. For five weeks we looked at different aspects of the company and provided advice to better their audit, tax, advisory, and earnings per share strategies. We then presented our conclusions to different accounting firms that recruit out of Ole Miss.

During a few weeks, different accounting firms came to present to our class. Each firm came with a different presentation, and then allowed us to ask questions after. Every week we wrote reflections on the presentation.

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Case One: Tale of Two Cities

Evelyn Rowan

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

## **Case Description**

In this case we were asked to choose two cities we would prefer to live in after graduation. After choosing these two cities we were asked to research them thoroughly so we could compare and contrast the city. We researched topics including population, climate, topography, tax rates, transportation, industries, health care, education, crime, and rent. On top of these categories, we also researched organizations and recreational activities we would like to get involved in each city. After all of the research and compiling the case we had to choose which city we would prefer to live in.

In this case the two cities I researched were Atlanta, Georgia and Houston, Texas. Going into the case I was torn between the two cities. There are great things about both cities, but there are also detrimental factors, such as the crime rate. One of the most interesting factors to me was the tax rate. I did not realize how much of my future income would be affected by tax rates, and I was very surprised that Texas does not have state taxes.

After all of the research, I decided I would like to live in Atlanta, Georgia after graduation. For me, there were more positives for living in Atlanta than living in Houston. I feel like this case study will be very beneficial as I go through the recruiting process. I have more information about both the cities I would be interested in for the interviewing stages. When making the decision of where to live, I truly needed to look at all the factors required through this case study.



## **Population**

Atlanta, Georgia has an estimated population of 528,738, making it the most populated city in Georgia. It is the 36<sup>th</sup> largest in the United States. Atlanta's metropolitan area exceeds 5.5 million people. The city is very diverse; the population includes 51.85 percent Black or African America, 40.27 percent White, and 4.16 percent Asian ("Atlanta, Georgia Population 2020.").

Houston has a population of 2,340,890, making it the most populated city in Texas. Houston is the fourth largest city in the country. It is the third largest Hispanic population in the United States. This city's population includes 57.63 percent White, 22.54 percent Black or African American, 6.89 percent Asian, and 10.5 percent other race ("Houston, Texas Population 2020.").

## **Climate**

Although Atlanta, Georgia is typically thought to be always hot, the city actually experiences all four seasons. In the hot months, Atlanta is very hot and humid with temperatures in the upper 80s before humidity is taken into consideration. During the winter Atlanta cools all the way down to the 30s, drastically different from the hot months. It rains about 117 days a year in this city; the rainfall average is about three inches each month. There is little to no snow in Atlanta ("Weather Averages Atlanta, Georgia.").

In Houston, Texas the weather is much hotter, reaching the nineties nearly every day in the summer not factoring in humidity. In the coldest month, January, the temperature only gets down to about 45 degrees. There's about 106 rainy days every year in the city; average rainfall

per month is about 3.5 inches. It rarely ever snows in Houston, Texas (“Weather Averages Houston, Texas.”).

The climate in these two cities is completely different from where I am from. In Lakewood, New York the hot month temperatures only reach the upper 70s and the winters are frigid. Lakewood gets over two feet of snow every month in the winter and the temperature is below 20 almost every day. The climate in either Atlanta or Houston will be hard to adjust to because of the extreme heat, but Mississippi has prepared me over the past few years to live in a Southern climate.

### **Topography, Include pictures where appropriate.**

Atlanta is situated at the bottom of the Appalachian Mountains; it has one of the highest elevations east of the Mississippi River of about 995 feet. Within two miles of Atlanta, the area is covered completely by artificial surfaces. However, within ten miles of Atlanta artificial surfaces cover only 83 percent of the area and 13 percent of the area is covered by trees. There are a few parks in the city, including Piedmont and Centennial Park.

Houston is in Southeast Texas. It is near the Gulf of Mexico, making downtown only 50 feet above sea level. The city is 367.4 square mile, making it the largest city in the United States by area. The city is prone to flooding because of the Bayous leading from the Gulf of Mexico. There are also lakes outside the city.

### **Tax Rates**

The federal tax rate for an income of \$55,000 per year is 22 percent. For the same salary, Georgia’s state taxes are 5.75 percent. There are no local taxes in the city of Atlanta. Property

taxes in the city are equal to about 0.91 percent (“Georgia Income Tax Calculator.”). After taxes, an income of \$55,000 in this city would turn into \$47,264.

Contrast to Georgia, Texas has neither state tax or local tax. The property tax in Houston is 1.89 percent “Texas Income Tax Calculator.”. Therefore, after federal and property tax, in Houston an income of \$55,000 becomes \$49,209.

## **Transportation**

Atlanta has a public transit system called “MARTA” which is a rapid transit rail system. A single trip is only \$2.50. Additionally, there is a system called Streetcar, which runs 6am-11pm weekdays and 8:15-1am weekends (“Getting Around.”). There are also Taxis, Uber, Lyft, and other ride share services. Nevertheless, there is always walking as a mode of transportation through the city.

Houston transportation hubs are very similar to Atlanta. There’s a METRO Rail system downtown which is a low-cost way to get around; one day passes on the metro cost only three dollars. There is also a METRO bus system, that has a one-way fare between \$1.25-\$4.50 “Getting Around in Houston.”). Again, there are taxi systems, Uber, and Lyft, and walking.

## **Industries, Five largest companies**

The major industries in Atlanta, Georgia include finance, technology, and television and film (Suites, posted by NorthPoint Executive, and NorthPoint Executive Suites). The city is known for its up-and-coming industries. The five largest companies in Atlanta are Home Depot, UPS, Randstad USA, Delta Air Lines, and Arby’s (“These Are The 100 Largest Companies In Georgia.”). These companies and many more add value to Atlanta’s economy.

Houston's most prevalent industry is energy, particularly oil. Healthcare, biomedical research, and aerospace also tend to be very prevalent in this city. The five largest companies in Houston include Schlumberger, Sysco, Baker Hughes, Halliburton, and Waste Management ("20 Biggest Companies In Houston, TX."). Many of these companies are included in the major industries within the city.

### **Health Care and Education**

There are many hospitals in the city of Atlanta, many of which are nationally ranked. Emory University Hospital takes the top ranks for hospitals in the city (*U.S. News & World Report*). It is a training hospital for students, and also specializes in cardiology, neurology, cancer care, and ophthalmology. From personal experience of being under different hospital's care, I would feel extremely comfortable at Emory University Hospital.

Assuming I stay in Atlanta to raise my family, I plan to send my children to public school. I had great experiences attending public school, and I intend to give my children that same experience. Two of the best public-school districts in the area are Buford City Schools and Decatur City Schools (Belt, Deb).

The healthcare in Houston is also very highly ranked. Through Houston Healthcare there are over 31 different specialties. Throughout the city there are multiple locations of different hospitals and urgent cares ("Find Care."). There is also a Shriner's hospital in Houston, Texas which is important to me because I was treated at Shriner's Hospital for scoliosis, a genetic condition.

In Houston, I would also plan for my children to go through a public-school system. The top two school districts in the area are Katy Independent School District and Friendswood

Independent School District (“2020 Best School Districts in the Houston Area.”). The schools have overall high ratings, but they are very different in size. One district has over 79,913 students and the other has only 6,070. Location in the city would help decide which district my children would attend.

## **Crime**

Atlanta is only safer than 2 percent of all United States cities. The annual number of crimes totals 28,769. A person’s chance of being a victim in a violent crime in Atlanta is 1 in 125. This city has one of the highest murder rates in the nation. A lot of the crime in Atlanta is property crime, such as burglary, larceny, motor vehicle theft, and arson. The chances of being in a property crime here are 1 in 20 (“Atlanta, GA Crime Rates.”). The worst areas for crime rate are located in the Southern area of Atlanta.

Houston is ranked in the top 100 of most dangerous cities in America. It is safer than 4 percent of cities in the United States. The annual number of crimes totals 120,256. A person’s chances in being in a violent crime in Houston is 1 in 96. The violent crime rate is one of the highest in the nation; violent crimes include rape, murder, armed robbery, and aggravated assault. The chances of a person being involved in a property crime is 1 in 24 (“Houston, TX Crime Rates.”). The most dangerous areas in Houston are located right in the city.

## **Living**

In Atlanta, there is a one-bedroom, one-bathroom apartment on Auburn Avenue. The price of this apartment is \$1,204 per month for 876 square feet (“Luxury Apartments Atlanta: Dwell ATL.”). This apartment comes with air conditioning, washer and dryer, dishwasher, microwave,

refrigerator, and a disposal system. The apartment complex has a pool and fitness facility. I do not plan on having a car my first few years of working.



Figure 1.1 Atlanta Apartment

In Houston, there is a one-bedroom, one-bathroom apartment less than a mile away from most of the downtown offices. This apartment is 642 square feet and costs \$1,282 per month (Eighteen25). The apartment has features such as high-speed internet, washer and dryer, dishwasher, full kitchen supplies, and a balcony. The apartment complex also has a pool, fitness center, and many board meeting rooms. Again, I would not have a car my first few years of living in Houston.



Figure 1.2 Houston Apartment

## **Commuting**

In both Atlanta and Houston, I found apartments that were 0.8 miles away from many of the big four offices. I plan it would take less than 15 minutes for the commute. In this case, I would walk to and from work every day. If I were to work late, for example during busy season, I would uber home for safety reasons.

## **Grocery Shopping**

In Atlanta, there is a grocery store, Peach Tree Grocery, on the same block as the apartment I chose to live in; it is a one-minute walk down the street. Peach Tree grocery is open 24 hours, making it very convenient because I could take multiple trips. In Peach Tree, Atlanta there is also Publix grocery store 1.2 miles away. I could walk to the grocery store, and Uber or take the bus back home.

In Houston, the grocery shopping would not be as simple. There is a grocery store called Randall's located over a half mile away from the apartment I chose. I could walk to the grocery store, but I would have to buy only enough that I can carry back. I could also Uber or bus back to my apartment.

## **How will you do your laundry?**

In both of the apartment complexes I researched, the apartments came with a washer and dryer. In this case I would not have to go to a laundry mat or down to a laundry room.

## **Civic, Religious, or Charitable Organizations**

In Peachtree, Atlanta there is a Methodist church one mile away from the apartment I chose, and many other churches throughout the city (*Atlanta First United Methodist Church*). I would like to attend church every Sunday and get involved with a church. A charitable organization I would like to get involved in is the Atlanta Hope Lodge, a place where families with cancer can stay while the patient receives treatment (“Atlanta Hope Lodge: Atlanta GA Cancer Patient Lodging.”). I love to do hands on community service where I can build relationships and see the difference I’m making. Another charitable organization I’d like to be involved in is the Arthritis Foundation. This is my sororities international philanthropy. It would warm my heart to stay involved with this organization for over four years.

In Houston I would be involved in similar organizations. There are multiple Methodist churches throughout the city of Houston that I could attend. Additionally, the Arthritis Foundation also has a location in Houston. The foundation hosts lots of races and other fundraising events to support children and adults who are diagnosed with arthritis. In Houston I would love to volunteer or donate to help Shriners Hospital (“Shriners Hospital for Children – Houston.”). Shriners helped me throughout my high school years and I believe it is important to give back to those who helped you.

## **Activities**

Outside of working in Atlanta, there are many activities to take part in. I have been going to NFL games since I was a baby and in Atlanta, I could cheer on the Falcons at the Mercedes-Benz Stadium. I also really enjoy working out. There are plenty of different workout classes such as Zumba I can attend. Throughout my life I have also traveled around the world and have gained



a liking for visiting different tourist spots. In Atlanta I can visit the World of Coca-Cola, the Atlanta Zoo, the Georgia Aquarium, the Delta Flight Museum, and even the Chattahoochee River (“Discover 50 Fun Things to Do in Atlanta.”).

Houston also has several activities for me to take part in. Houston also is home to an NFL team, the Texans, that I can spend my Sunday evenings cheering for. Again, there are multiple workout classes and studios I can spend time at during the week. Houston also has many fun outdoor activities. There is kayaking, paddle-boarding, surfing, walking tours, and boat rides I could partake in. There are so many fun activities outside of work in both of the cities.

### **Travel Home**

From both Atlanta and Houston, I would have to fly to my hometown. There are direct flights from Atlanta to Buffalo that cost about \$150. A direct flight is just over two hours. From Buffalo I would then have another hour and a half drive to Lakewood.

Flying home from Houston would be a couple hours longer. There are no direct flights to Buffalo, so I would have a layover in a different airport. With an average layover time, the travel time would be close to five hours, in addition to the hour and a half drive to Lakewood. The one-way trip would cost around \$200.

**Figure 1-3**

**BUDGET - ATLANTA**

<b>Object</b>	<b>Per Month</b>
Salary	5,000
Federal Tax	1,100
State Tax	287.50
Property Tax	45.50
Rent	1,204
Utilities	100
Grocery	250
Transportation	100
Entertainment	100
Phone	45
<b>TOTAL SAVINGS PER MONTH</b>	<b>1,768</b>

**Figure 1-4**

**BUDGET – HOUSTON**

<b>Object</b>	<b>Per Month</b>
Salary	5,000
Federal Tax	1,100
State Tax	0
Property Tax	94.50
Rent	1,282
Utilities	100
Grocery	250
Transportation	100
Entertainment	100
Phone	45
<b>TOTAL SAVINGS PER MONTH</b>	<b>1,928.50</b>

**Preferred City**

After researching both Atlanta and Houston, I would prefer to work in Atlanta. At the beginning of my research, I knew that Atlanta is a very dangerous city, however I had no idea how much more dangerous Houston is. Also, I prefer the slightly cooler climate in Atlanta. Another positive for me was the number of recreational activities I could be involved in within the city, I thoroughly enjoy being active and touring new areas. A big factor going into my decision was the travel home. Being able to have a quick, direct flight home would make visiting home for holidays so much easier.

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Honor Code

On my honor, I pledge that I have neither given, received, nor witnessed an unauthorized help on this case study.



Evelyn J Rowan

Case Two: Financial Statement Concepts

Seth Gerus, Rip Pugh, Evelyn Rowan, and Francena Sekul

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

## **Summary:**

The Financial Statement Concepts Case is the second case that we will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. In this case study we were asked to analyze suggested changes to the Generally Accepted Accounting Principles (GAAP) and decide which suggestions we were most in agreement with.

The first question in this case study had two different viewpoints discussing the primary goal of financial reporting. The first viewpoint states that the proper valuation of assets and liabilities is the primary goal of financial reporting, with income concepts occurring as the result of changes in asset and liability values. The second viewpoint states that the determination of revenues, expenses, and especially earnings is the primary goal of financial reporting, with asset and liability values being updated by changes in the income statement accounts. After analyzing both of these statements we were easily able to choose which one we agreed with.

The second question in this case study gave us two more viewpoints, this time about how assets should be valued. Viewpoint One states that assets should be measured as “value-in-exchange.” This differs from Viewpoint Two that states assets should be measured as “value-in-use.” While analyzing these viewpoints, our group had to take into account the different types of assets and their uses. Choosing a viewpoint for question two proved to be substantially more difficult than for question one.

The final question of the case required us to make journal entries implementing the suggestions from each viewpoint we selected. We made these new journal entries by changing either the account used or the amount used in each entry in accordance with these new principles.



Throughout this case our group was made to evaluate the current rules of accounting as entailed by GAAP and contrast them against the suggestions proposed by the viewpoints in the case. As we were going through this process, our group learned that the governing bodies of accounting, namely the Financial Accounting Standards Board (FASB), must consider a variety of factors when writing and reevaluating the rules of accounting.

### **Question 1:**

#### **Viewpoint 1**

Question One of this case asked us to analyze two different viewpoints regarding the FASB's focus in promulgating new standards. Viewpoint One states that firms are essentially "asset greenhouses." This viewpoint believes that the growth of assets represents the earnings for the company, and that the company should focus on acquiring and growing their assets. Listed below are some pros and cons of this viewpoint.

#### **Arguments For**

Acquiring, storing, and growing assets are critical to compensating for liabilities. Additionally, storing assets such as PPE is necessary for the expansion of companies. These two points line up well with the "asset greenhouse" concept of Viewpoint One. Analysts and investors often rely on financial ratios when evaluating a company. A large portion of financial ratios depend on the measurement of a company's assets and liabilities; therefore, it would be prudent to make sure that the way we measure assets and liabilities remains consistent and does not change the meaning of these ratios. We believe Viewpoint One would allow that.

#### **Arguments Against**

First, this viewpoint basically sounds like the definition of a balance sheet. While that is not necessarily a bad thing as a goal of financial reporting is to give a picture of where the

company stands at a point in time, there should be major emphasis on the operating ability and going concern aspects of a business. We don't believe that Viewpoint One portrays that emphasis. Second, since periodicity is one of the primary assumptions of financial reporting, we believe that it should be thoroughly incorporated into GAAP standards. This viewpoint does not account well for periods of time which makes it not ideal. Third, Viewpoint One states, "where the primary mission of the firm is to *earn* money by *acquiring* assets, *storing* and *growing* them, and earnings represents the realized or unrealized growth in these assets,". This statement is only partially true because one must first pay or trade with another party before acquiring an asset, which is not the primary goal of a firm. Generating earnings in this manner gives the impression that we are talking strictly in terms of an investment agency or a bondholder corporation. Growth in assets is great, but without certainty that the assets will increase in value, there should be some source of regular income that can help counterbalance unpredictable losses and spontaneous liabilities.

## **Viewpoint 2**

Viewpoint Two states that firms are essentially "asset furnaces." This viewpoint believes that assets should be continually transformed for a larger goal of producing revenue and earnings, whether they are acquired assets or internally created.

### Arguments For

During our discussion, it seemed that the group immediately developed a strong conclusion that this viewpoint more closely aligns with the primary goal of financial reporting. Our group is equally divided into those that hope to pursue a career focusing in audit and those that are looking into tax. From our group members who shared an audit perspective on the

matter, it seemed like this viewpoint also aligns more closely with audit objectives and acceptable audit risk. If an auditor tries to determine which viewpoint has greater significance in terms of materiality, Viewpoint Two contains the most important aspects. When performing an audit, one is less concerned with the labeling and balance-related misstatements than those concerning income, trends in cash flows, and targets set by the firm. Just like the difference between a balance sheet displaying a “point-in-time” and an income statement displaying a “period of time”, the users of financial statements are more concerned with a period of time due to its reliability and inferential data. At the end of the day, where you stand at a point in time can only be backed up by what actions were taken during the preceding period of business operations. Additionally, we like that Viewpoint Two paints the picture of an “asset furnace” which depicts assets as something a firm makes use of, rather than holding them for future use or sale. This better captures the big picture of a business’s mission and encapsulates the basic assumption of going concern. Firms acquire assets, so they can use them to generate earnings and retain the consideration exchanged over time. This goes for both long term and current assets. Long-term property and equipment is used and worn over time in the hopes that the assets achieve the goal of allowing the firm to profit from their usage. Supplies on hand are also to be used in business operations for that same function. Viewpoint Two adds emphasis on earnings. This is important because it highlights how you made use of your assets over a period of time to generate revenues and minimize expenses, once again relating to the asset furnace view of firms.

#### Arguments Against

A drawback to this viewpoint that our group considered is that it regards assets as tools that should be “sacrificed or transformed” in order to generate revenue for the firm that owns the asset. This view of assets is difficult to apply to long-term assets such as land and patents

because these assets are helpful to the firm without being sacrificed or sold. These assets are critical to continuing the business operations of the firm that owns them, but under this viewpoint, it is presumed that they would be valued strictly by the revenues they generated and be subjected to changes in the income statement. Yes, it is important to realize some value provided directly from the use of an asset, but it is difficult to quantify the earnings with so many other factors affecting the earnings made. If sales revenues slightly drop, does this mean that a business should automatically assume that assets designated for assisting in the production of merchandise sold become less valuable to the firm?

### **Conclusion**

Our group came to the consensus that Viewpoint Two better captures the main objective of financial reporting. This viewpoint won the debate for reasons concerning the use of an asset and the overall mission of a business entity. Assets should not be acquired with the notion that they have an indefinite life span. Most acquired assets are expected to be used in regular business activities and should be considered expendable if a liquidation were to occur. The overall mission of a business is to provide value to its consumers and the economy whilst maintaining a steadily realizable profit for its shareholders. In order to retain some sort of return from purchases, assets must be used, replaced, updated, and transformed so the consideration transferred in the acquisition of such assets is not wasted. If a firm wants to provide value to its consumers, they must first create the object of value through use of an asset.

### **Question 2**

#### **Viewpoint 1**

In Question Two we were asked to analyze and evaluate two more viewpoints. These viewpoints discussed how assets should be measured and valued. Deferring the topic to an

emphasis on how to *value* an asset, rather than what an asset's *role* is in the objective of financial reporting, posed more difficult and tedious discussions within the group. Viewpoint One conveys the idea that assets are valued on a standalone basis in exchange for cash, or other liquid assets. Their use in combination with other firm assets generates little or no incremental firm-specific value. Listed below are some arguments for and against this viewpoint.

#### Arguments For

Our group brought up many key aspects when considering the justification for this viewpoint. For one, this viewpoint is similar to current accounting principles. It states that assets are recognized at a specific point in time, which is how assets are valued on the balance sheet. The historical cost principle is not compromised by this viewpoint, and the argument considers specified dollar amounts that are recognized in the exchange of an asset that may be more or less valuable than the other. This viewpoint also supports having assets held for sale and predicts that the user will look to principles of historical cost and current market values when determining what gain or loss is to be recognized in the exchange of an asset.

#### Arguments Against

\_\_\_\_\_The members in our group also disliked aspects of this viewpoint. One major point of discussion in our group was about the statement, "use of assets in combination with other firm assets generates little or no incremental firm-specific value,". While thinking of examples of using combinations of assets, there may be instances where one asset can help slow the deterioration of another asset. Assets can generate incremental value through the prevention of deterioration (lengthening the life and use of an asset). Assets also can create incremental value in manufacturing or adapting parts of the firm or another asset which can create new value.

## **Viewpoint 2**

Viewpoint Two conveys the idea that assets realize their contribution to firm value by being consumed or used in combination with other assets. Use of these assets in combination is expected to generate firm-specific value incremental to the sum of the assets' individual values-in-exchange. Listed below are some pros and cons of this viewpoint.

### Arguments For

When considering this viewpoint, our group liked that it recognized the value of assets over a period of time rather than only during a moment in time. This would allow for a firm following this viewpoint to account for gains in the value of an asset through improvement or other increases in valuation. A firm following this viewpoint would focus on planning for future events and valuing their assets based on predictions of what could happen in the future. This viewpoint supports the use of short-term assets, such as prepaid expenses, that are expected to be used up in operations.

### Arguments Against

When considering this viewpoint, our group thought of drawbacks that would make it difficult to implement. One drawback is that this viewpoint does not give consideration to assets that are held strictly for sale. Assets such as debt securities or available-for-sale securities are not held for continuous use, and as such it would be very difficult to value these assets from the perspective of Viewpoint Two. Another drawback from this viewpoint is that it is difficult to quantify the potential value of assets in combination with other assets. While it is possible to rely on depreciation, market valuation, or other trends to predict the future value of an asset, there is not an objective way to find the potential value of an asset. The use of the historical cost

principle allows for a clearer measurement of the value of an asset than an estimation of the hypothetical use of an asset can.

### **Conclusion**

Our group came to the conclusion that Viewpoint One better captures how assets should be measured. This viewpoint won the debate for reasons concerning the valuation of assets and the feasibility of future valuation. Assets on the balance sheet are valued at a specific time rather than by their potential value, and this viewpoint was in agreement with the balance sheet presentation of assets. Viewpoint One gives consideration to assets that are held for sale, and the idea of “value-in-exchange” is consistent with the historical cost measurement when valuing assets. While it does not give consideration to the potential value of assets or the value of assets when used in combination with each other, this viewpoint provides a feasible view of assets as standalone items that can be easily transferred within and between economic entities. Viewpoint One allows for a clear valuation of assets that is objective and reliable rather than a prediction of the potential value of an asset in a hypothetical situation.

### **Question 3:**

For this question our group decided to implement the suggestions from Viewpoint One of Question 2. Current accounting would hardly have to change to accommodate the “value-in-exchange” valuation of assets, due to the fact that current accounting standards clearly define principles like historical cost and revenue recognition which aid a firm in determining the appraisal and gain/loss that would be recognized in an acquisition or sale of an asset. However, this viewpoint disregards the notion of manpower value and potential value created by combining the value of assets as they are used in combination with one another. The examples below illustrate the changes that could be suggested in terms of journal entries, values placed on

abstract assets, and values assumed to be gained or lost when using assets alongside others. Each example gives a scenario, and then displays sample journal entries in general compliance with current accounting standards followed by the adjustment to the entries that would be made in conjunction with the adapted valuation methods.

### Journal Entries: Examples

Example 1: An At&t service representative is installing a cable box for a consumer.

#### **Current method:**

A/R	600	
Service Revenue		600
COGS	400	
Inventory		400

#### **Adapted method:**

Aggregate Accounts Receivable	600	
Service consideration		600
COGS	400	
Inventory		400
Manpower Expense	50*	
Field Labor		50*
Receivables Yield	150	
Material Revenue		150

\*Estimates based on economic opportunity forgone.

Example 2: A firm maintains a production line machine by using internally-owned power tools to clean and preserve the machine.



**Current Method:**

Machine	100	
Accumulated Depreciation-Machine	100	
Depreciation Expense		100
Miscellaneous Maintenance		100

**Adapted Method:**

Machine	200	
Accumulated Depreciation-Machine	100	
Depreciation Expense		100
Miscellaneous Maintenance		100
On-Sight Labor		50*
Gain On Repair		50**

\* Assumes that manpower and labor costs are considered in terms of opportunity cost as the laborer could have spent his time making the product.

\*\* Assumes that the firm recognizes a gain on the value from the prolonging of the life of the machine in comparison to what they would have sacrificed for a third party to repair the asset.

Example 3: A firm purchases a trademark for its slogan.

**Current Method:**

Accounts Payable- Trademark Registration Fees	500	
	Cash	500

**Adapted Method:**

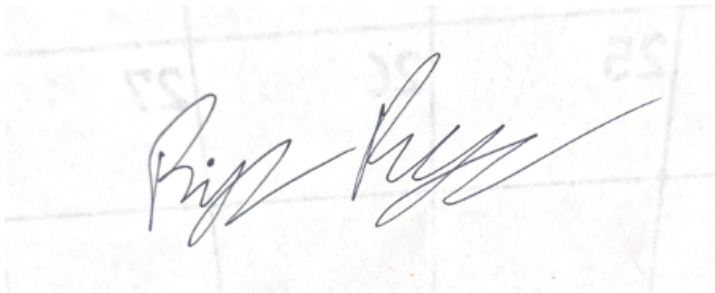
Trademark	300*	
Accounts Payable-Trademark Registration Fees	500	
	Cash	500
	Unrealized Gain-Establishment of Trademark	300

\*This estimate is based on the current value the trademark presents to us by preventing it from being stolen while also solidifying the assumption that the slogan directly correlates to more sales.

**The Honor Code:**

“On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this case study.”

Signed,

A handwritten signature in black ink on a grid background. The signature is cursive and appears to read "Pip Rys".A handwritten signature in blue ink on a plain white background. The signature is cursive and reads "Evelyn J Rowan".

Case Three: Presidential Debate Case

Evelyn Rowan

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

## **Summary:**

The Presidential Debate Case is the third case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. In this case study we were asked to watch the first presidential debate in 2020 and analyze different policies of each candidate and discuss how the different policies will affect different aspects of the economy.

The first requirement of the case study was completed before I watched the debate. The question we were asked is to explain what warrants the right to name our country the United States of America. We were asked to give an explanation of what unites our country to the point that we could put the word “United” in the name. Through this we were asked to consider shared goals and values of the country.

The second requirement of the case was to watch the Presidential Debate on September 29, 2020. While watching the debate I took notes on both Donald Trump’s and Joe Biden’s policies. Then we were asked to predict how taxes, regulations, employment, wages, outsourcing, manufacturing, and overall financial health would be under each of the administrations. This part was the most difficult part of the case because you have to understand the candidates’ viewpoints and policies to understand each of the aspects we were asked to discuss.

The third and final requirement asked about life after elections are over. We were asked to discuss how the country would unite again after we elect our President. We had to explain how the “losing” side would be able to cope in the future, and how we could provide our support and spread positivity to help the country unite.

This case was very beneficial to me. It helped me understand the different policies each candidate plans to put in place for the next few years. It also was interesting to hear the topics each candidate is passionate about and how they want to better our country. This case made me reflect on the current state of our country and see how divided it truly is, but reminded me of the times this country is united what defines the state of being united.

### **Requirement 1:**

Today, the United States seems to be very divided. I feel as if the country seems more divided because the media is constantly becoming a bigger part of our life. All the different sources of media, such as social media platforms, news outlets, and radio stations have biases to one side. Media consumers also tend to only watch or listen to media sources that have the same biases as them. This is causing more radicalized opinions in our country.

Despite all the current political climate our country was named the United States of America in 1776. We “united” from a sense of nationalism when the Patriots defeated the British army and we gained our freedom. The strong sense of pride our people had united our country, which is represented by the name. I believe that our country is United when we have to come together and prove to be the superpower we are.

The Fourth of July is the day I see our country most united. There is such a strong sense of nationalism on that day. On the holiday, so many people fly our country’s flag, dress in our colors, and represent our country in a positive way. Our country is united by a sense of pride to remember how we were able gain our independence from Europe.

During the Olympics the citizens of the United States show a strong sense of nationalism. As a country we come together and support our own athletes, even though most of

us have never met them in our life. When you are at the Olympics, other Americans meet you, just because you are from the same country. The similarities of being from the same country unites us. The United States typically does very well in the Olympics. The sense of pride of our athletes representing our country so well unites America. This is similar to the World Cup. Our country comes together to cheer our country on.

Although there are many times our country unites under positive circumstances, our country also unites after tragedy occurs. Many people believe our country showed the strongest sense of nationalism the day after the terrorist attack on September 11, 2001. On that day it did not matter what your political ideology was, it only mattered that you were an American and you were there to support your fellow citizens in this time of loss and sadness. Our country united to rebuild and strengthen together. On the anniversary of this date our country still shows such a sense of nationalism as well to show we do not forget and we honor those who lost their lives. We have the same sense of patriotism on days such as Memorial Day and Veterans Day where we honor those who served our country to keep it as a superpower in the world.

## **Requirement 2**

### **POLICIES UNDER DONALD TRUMP**

During the presidential debate on September 29, 2020 multiple topics were discussed such as the coronavirus, the economy, the supreme court, race and violence in American cities, each candidate's records, and the integrity of the election. Many people are saying the 2020 election is the most important election in history. Trump explained some of his policies that would change the job market within the next four years in the case that he is reelected to be president.

One of the elements that was discussed is taxes. President Trump currently has corporate taxes at 21 percent. The reason he lowered the corporate tax is because he wants companies to continue manufacturing domestically, resulting in a better economy within the country. Trump supports manufacturing within the United States. He said he will continue manufacturing because it helped him bring back 700,000 jobs during his presidency so far. Continuing the process would discourage companies from outsourcing.

President Donald Trump is very proud of his success regarding employment. Before the coronavirus traveled to America, the unemployment rate was at the lowest point this country has ever seen. Trump says it was the greatest economy in history and everything was going well. In the next term, Trump plans to rebuild the military, including the Space Force. This will create even more jobs after COVID. No matter who wins the election, the employment rate will increase because of the number of jobs lost from the pandemic.

During the debate, Donald Trump did not outright say anything about wages. However, from his policies we know he does not support raising minimum wage. Raising the current minimum wage would create inflation in our country.

Based on the trends of the past four years, and the policies Trump plans to pursue within the next four years, I believe that job creation will continue to increase. Trump's economy was booming before COVID, and I believe after our country gets through this pandemic Trump will get the economy back to where it was and continue to grow the economy. The general business economy will also be better supported if Donald Trump stays our president. He cares about the big companies within our country.



## **POLICIES UNDER JOE BIDEN**

Joe Biden was very passionate about the topic of taxes. He stated that he wants to eliminate a significant portion of taxes, such as the Trump tax cuts. He believes that it takes advantage of the tax code. Additionally, he would like to increase the corporate tax rate. He would like to take the current tax rate of 21 percent that President Trump set, and increase it to 28 percent. Under this taxation, corporations will be required to pay more money in taxes. Joe Biden also supports minimum wage being at 15 dollars an hour, and would likely continue to raise that price to support the working class. This would cause inflation to our economy, which would not help the original cause.

During the debate, Joe Biden said manufacturing has not helped our country. Therefore, I believe that he will not support the amount of manufacturing that is currently taking place. Between this and corporate taxes being raised, American companies will begin to outsource. This could cause our country to go into recession.

Joe Biden spoke on his plan for employment if he were to be elected President in November. He said an analysis from Wall Street firms stated that his economic plan would create seven million more jobs than Trump created, just in his first year. Biden also stated that he wants to create more Green Jobs. He says he could create “thousands and thousands of jobs” in terms of energy production. Biden states these jobs will help protect the environment and help come up with 20 billion dollars to stop tearing down rainforests. Although these ideas sound promising, during the years Joe Biden was vice-president the economy was in a period of recession.

No matter the outcome of the election, the job market will increase because of the effect the pandemic has put on the economy. There will be more jobs for the average working-class

workers, and they will have less taxes. I do not believe that the general business economy will be as successful if Joe Biden wins the election because of the increase in corporate tax he plans to put in place.

### **Requirement 3**

After the elections there will be lots of chaos in this country. The supporters of the candidate who loses the election will have to cope with the other candidate leading our country for the next four years. With people having such radical opinions today, this could be an issue for some people.

After the election we will have to focus on the aspects that unite our country and cause the divisions to vanish. For example, it needs to be reminded that we are lucky to be able to vote for our President, not many other countries have this privilege.

Within a year of the election, we will be participating in the Olympics which will cause unity and pride in our country. Also, it is expected that there will be a vaccine for COVID very soon, which could cause unity as the states are able to reopen and more people can interact again. Different positive attributes throughout the next year will begin to unite our country once again.

If the candidate I support does not win the election, I believe it is important to respect the president. I would like this message to be spread to every citizen of the country to help them cope as well. It is important that the leader of our country is not torn down by hate, but should be looked upon as a role model for all citizens. We want other countries to view the United States in a positive way and see us as the superpower we have always been. It embarrasses our country when our own citizens do not support the leader of our country.

It is also important to remember that the president is just one person in our government. He is the leader of the executive branch; the United States government also has two more branches, the legislative and the judicial. With the checks and balances system put in place, the president cannot enforce any extremely radicalized policy without it being checked by other branches first. Although the president has one of the most important jobs, he only holds one of many positions in our government. Whoever the next president may be, he will serve our country in a positive way and do the best for our country.

**The Honor Code:**

“On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this case study.”

Signed,

A photograph of a handwritten signature in blue ink on a light-colored, textured paper. The signature reads "Evelyn J. Rowan" in a cursive script. The "J" is written with a vertical line that extends downwards and loops back to the right. The "R" has a long, sweeping tail that extends to the right.

Case Four: Excel Certification

Evelyn Rowan,

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

The Microsoft Excel Certification is the fourth case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. This class I watched short instructional videos and took periodic quizzes to test our knowledge on Microsoft Excel.

During this class I learned many excel shortcuts and was provided with many documents of information for Microsoft excel. I will continue to use these documents and practice my excel skills throughout the summer and fall semester, because this class was difficult for me. I have not used this program much before completing this class, so it was a challenge for me.

I have been told by multiple former students of ACCY 420, that this one of the most beneficial cases because of the intensity and use of this program during their accounting internships. Many accounting professionals suggest that my classmates and I learn the shortcuts and familiarize ourselves with the program before we begin our internships in January of 2022.



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

*Evelyn Rowan*

*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.*



*Certificate number  
24305754*

*Tim Ford*  
*Chair of the Board*

*Scott Powell*  
*Director*

*Ben Dorman*  
*Director*

*Oct 15, 2020*

Case Five: Tax Cuts and Jobs Act

Evelyn Rowan

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson



## **Introduction**

This is the fifth case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. In this case I was asked to read two articles about the Tax Cuts and Job Act signed into law by President Donald Trump. In addition to reading these articles, I watched the documentary called 'Taxodus' which shows the world-wide corporate tax scenario before the Tax Cuts and Job Act was put in place. After completing these tasks, I was asked to answer the following questions: what do you think the optimal corporate tax rate should be and why and did this case increase or decrease your interest in pursuing a career in the tax service line of public accounting?

This case was very interesting because I did not know much about the Tax Cuts and Jobs Act prior to this case study. The articles I read really showed me many advantages to the enactment of this law. The two articles influenced my opinion to agree with President Donald Trump that the corporate tax rate should be lowered. When the corporate tax rate is lowered it does not only benefit the companies, but it also greatly benefits the United States' economy. With the enhancement of the economy, unemployment rates drop, salaries increase, and many Americans can support their families.

The documentary also had effects on my opinion. I am more interested in the tax service line of public accounting after learning about what these accountants do. There is much more to the job than I originally thought, such as finding the lowest tax rates and helping companies legally race to the bottom of the tax rates. Although I am more interested in the tax service line than I previously was, the case did not completely switch my preference choice from the audit service line as my number one choice. It was very beneficial learning more about tax because

choosing a service line of public accounting is an important decision that I will have to make in the near future for my accounting career.

### **Requirement 1**

When Donald Trump was elected into office in 2016, the statutory federal income tax rate was 35 percent. In 2017 Trump signed into law the Tax Cuts and Jobs Act. This significantly lowered the tax rate down to 21 percent. This had many effects on the United States' economy and citizens. Personally, I believe the corporate tax rate being lowered has had many positive outcomes for the country.

Since the Tax Cuts and Job Act was signed the economy has been doing much better. The Labor Department has been keeping track of job openings since 2000, and in March of 2018 they said this is the first time they had seen enough job openings in the country for every unemployed American to go to work; there were 7.3 million job openings in the country. Later in the year, the unemployment rate was at the lowest the country had seen in 50 years, 3.7 percent. This rate continued to stay that low for over six months. During those months the government was also able to create 224,000 jobs in the economy ("U.S. Department of the Treasury."). In the following year, the manufacturing jobs in the country reached a two-year high. When these jobs were created this gave more Americans the opportunity to earn a paycheck and support their families. Our country benefits more when more citizens are able to earn money because they put that money back into our economy. Clearly American's are benefiting from the corporate tax being lower.

With the corporate tax being lowered, businesses are able to increase worker pay. There is a lower cost of capital with a lower corporate tax rate. This leads to more investments to be

undertaken. There are more investments because companies previously could not be paid for; these investments include machinery, equipment, factories, and more. The larger capital stock increases worker productivity, which directly affects the output, overtime, and higher wages (Hodge, Scott A.). The increase in productivity and output helps increase the source of revenue for our economy. These tax rate directly affects Americans' take-home pay and their ability to provide for their loved ones.

The Tax Cuts and Job Act is projected to have impact over at least a whole decade. Companies are expected to invest more in capital stock, increasing the economic impact this act will have. In 2018 it was projected that the economy would be 0.13 percent over the baseline, and by 2020 the economy would be 1.4 percent over the baseline. The projection increases every year, and by 2025 it is now projected that the economy will be three percent over the baseline. It is expected that 2025 will be the highest point the economy will be over the baseline; however, it will still stay over the baseline for many years to come. This act has a major impact on the country.

In my opinion, one of the most important aspects of the corporate tax rate being lowered is the effect it has on American companies offshoring. Offshoring is the practice of basing some of a company's processes or services overseas to take advantage of lower costs. When the tax rate is high, companies seek out a place for offshoring. The United States Economy does better when more companies are in the country because when the companies leave, we get zero percent of that revenue. I think it is smarter to decrease the corporate tax rate and make some profit, rather than to increase the corporate tax rate and not make any profit. Trump decreased the corporate tax rate to 21 percent, which makes the United States tax rate below average compared to other countries tax rates ("How Did the Tax Cuts and Jobs Act Change Business

Taxes?”). Being below average will keep more companies in the United States and continue to create a source of revenue for the economy.

For all these reasons, I believe that Trump chose the optimal corporate tax rate for the United States. It has clearly impacted the economy, considering the country was in an economic boom before COVID-19 hit, and how the unemployment rate has been affected. I would choose to keep the corporate tax rate the same for the current time period.

## **Requirement 2**

Before this case study I was not sure which service line of public accounting I was interested in going into. On all of my interest sheets I wrote down that I wanted to do my internship in audit, even though I did not know much about it. Many of the campus recruiters said it is hard to know which service line to go into before taking the classes senior year of college. This case study has given me more insight into which service line of public accounting I want to go into. I did not realize the type of material that is involved in tax. There were a lot of really interesting aspects to me, especially learning about how companies try to go around the laws to find the lowest tax rate. This overall made me more interested in the tax service line.

During this case study I feel like I got to know more about the tax service line. There were many facts I learned that were very interesting to me. I did not know how concentrated this industry was. For example, during Taxodus an economist said that, “0.14 percent of the world population controls 95 percent of offshore private wealth.” He continued to explain this has become more prevalent in the past 20 years because of globalization. The people who have this wealth are “citizens of nowhere,”. The economist said these billionaires do not have any contact with their money. This is because billionaires make themselves invisible and want to be behind the scenes with their money to keep them out of the media. I think it would be interesting to

look at billionaires' tax reports and see where their money goes and make sure there is no fraud involved.

Another interesting part of the documentary stated that while working with tax you have to work in the gaps of the law in order to still be legal. The example given in the documentary is with Starbucks, Amazon, and Google. It is stated that there are two phases to these organizations: the public face that we see through the services, and an underground secret phase of the companies. Companies use "deception and trickery" to get what they want and preserve their freedom of operation. Companies seek out places to offshore so their corporate taxes are lower. This is further explained and compared to what criminals do. Companies set up systems to pay these taxes in ways to attempt that it will not be traced back and found. The public sees that there is nothing wrong within these companies, this is the public phase of the company. However, the public does not see what goes on behind the scenes. The intriguing part of this deception is that some of the employees think they are only doing ethically and morally acceptable things. I believe it would be interesting to review these tax returns and see how the companies are finding the moral ways to get around the typical structure.

Learning about the offshoring of different companies was also very interesting to me. One economist said by 2010 it was estimated that the offshore wealth was 21 to 32 trillion dollars. About a third of this wealth is coming from developing countries. This number increases as the years go on while corporate taxes are high because offshoring continues to grow. Different countries have different take rates so companies take advantage of different rates. Many of the countries where offshoring is increasing are developing countries. One country that reduces the tax burden is the Netherlands because it has the most tax treaties in the world and has an extremely low tax rate on property. For these reasons, over 90 percent of the

worlds' largest companies want their revenues to be through the Netherlands. Walmart is one of the major large companies that offshored in this European country. There are six Walmart entities in the Netherlands even though there are no operations there, they strictly have entities there for monetary reasons.

I enjoyed reading the articles about the Tax Cuts and Jobs Act the most during this case study. It was fascinating to see how lowering the corporate tax rate had a direct impact on American citizens, not just large corporations. I think many citizens believe that lowering the tax rate would benefit only the large corporations in the United States, but really, they are also being affected greatly. The unemployment rate was significantly decreased by this Act which greatly benefited the citizens. The United States had the longest economic expansion once this Act was enacted.

All these facts I learned during the documentary and during the two articles I read sparked more interest for me in the tax industry. Ideally, I would like to do the "build your own" internship program that KPMG offers. In this program I would be able to do half my internship in the tax service line, and the other half of the internship doing audit. How it has been explained to me, after the internship you are able to choose which service line you choose to go into. If I was able to do this program, I would be more confident in my choice of which service line of public accounting I choose to go into because I would have experience in each field.

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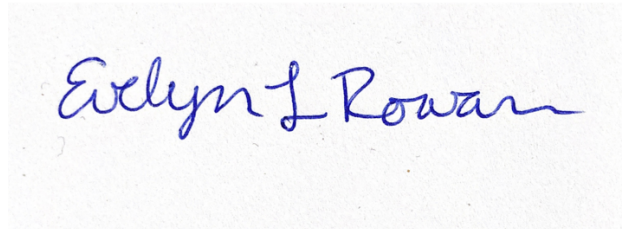
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**The Honor Code:**

“On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this case study.”

Signed,

A rectangular area containing a handwritten signature in blue ink. The signature reads "Evelyn J. Rowan" in a cursive script.



Case Six: Interview

Evelyn Rowan

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

## INTRODUCTION

This is the sixth case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. In this case I was asked to interview an established member of the business community, then write a biography about that person. In addition, I was asked to talk about the important lessons I learned and can take away from the interview.

I chose to interview a family friend, Jake Kane, who is currently a financial advisor with Wells Fargo in Lakewood, New York. I asked him about his life growing up, in college, and all the jobs he held until where he is today. During the interview I was also able to ask about his life outside of work, things he wishes he would have known and done differently when he was younger, what he is most proud of in his life, and more.

I truly believe that I benefited from the short time I spent interviewing Mr. Kane. I have known him for as many years as I can remember, however I realized during the interview that I never knew much about his life before I met him.

The biggest thing I took away from this interview had to deal with passion. Mr. Kane commonly talked about having “passion” for his occupation. I realized one should really have an eagerness toward the field of study they want to pursue, because that is something that you will be doing every day for the rest of your life. If you do not enjoy your field of study now, how will you be able to enjoy it forty years from now? I feel that this is something I will be commonly thinking about now during my accounting classes and the positions I will have in the future.

While we talked about the biggest challenge for my generation, he gave more advice to me. Mr. Kane shared that you have to strive for success, and it is not something just handed to

you. Although this is something we commonly heard, he expanded on this statement. He said to start working towards the success we want now, before our major life commitments. While my classmates and I are in the midst of recruiting for our accounting internships, this feels most prevalent now. I should start working harder and pushing myself at this time. This is the time I get to choose the success path I want to take for myself. In the future my success plan will revolve around family, but currently I only have to achieve my own personal goals.

When Mr. Kane was explaining to me the biggest challenge for his generation, I felt like it even applies to my generation as well. Everything is always changing. Although I feel my generation is better at adapting to change compared to older generations, I think we could do better. My generation is very used to adapting to things such as through technology, however I feel as if we can benefit ourselves by staying informed. Our country is changing rapidly right now, especially with politics. I believe that once my generation forms an opinion on any situation, they refuse to change it. I believe that if we keep ourselves informed and adapt to the change, we will better ourselves, the community around us, our country, and the world.

A final thing I took away from my interview with Mr. Kane, is that there are so many opportunities available when you graduate with a degree in accounting. Mr. Kane worked in many different positions even though he graduated with an accounting degree. Today, he works in the world of finance. I realize that I can change my field of work if I am not passionate about what I choose to do.

## **INTERVIEW**

Jake Kane was born in Warren, a small town in Northeast Pennsylvania. He lived there until he was about six years old, then moved to Russell, Pennsylvania and attended Russell

Elementary School and eventually Eisenhower High School. He was very involved with sports teams in high school; he was on the football, cross country, and the baseball teams.

Jake began his college career at Penn State Behrend, a branch of Penn State University, in Erie, Pennsylvania. He played on the baseball team and was majoring in engineering. After his first two trimesters of calculus and chemistry, he realized he did not have a passion for engineering and it was not the path he wanted to take. At this point Jake decided to switch to business, something he had more passion for. After two years at Penn State Behrend, Jake transferred to Penn State Main Campus, and was a student in the Smeal Business School studying accounting. He joined a fraternity, Theta Delta Chi, and lived in his fraternity house. He decided to initiate in this fraternity because he met a bunch of the brothers in his accounting classes. Seven of the brothers in his pledge class accepted offers from the different big six accounting firms. His fraternity brothers played a big factor in him enjoying his field of study and looking for internships.

During his senior year, Jake interned with a big six accounting firm, Coopers & Lybrand, where he eventually accepted a full-time position in Pittsburgh, Pennsylvania. During this time, Jake passed his CPA exam. The most important thing he learned at this position is that he could compete with all the other bright and competitive people at the firm. He had great experiences at this firm and recognized he could benefit from earning a Master's degree in finance; therefore, he went to Carnegie Mellon University in Pittsburgh to achieve this. Looking back, he believes this was a great decision. Between his two years at graduate school, Jake interned at Crisler in Highland Park, Michigan. Upon completing his master's degree Jake had many offers for work. He decided to join the firm Price WaterHouse in their enhanced due diligence group, a special group within their auditing practice. He believes this was a very beneficial position to

learn from. Jake's next position was at Adelphia Cable Communications where he was the Vice President of Corporate Development. He worked there for seven years managing their acquisitions and relationships with their cable partners. During this time the company grew from 1.2 million subscribers to over five million subscribers. This is where Jake feels he learned a lot about the business world and finance. From there, in 1999, Jake was offered a Chief Financial Officer position in Denver, Colorado at Western Integrated Networks. The company was able to raise a significant amount of private equity and built high speed data networks on the west coast while Jake worked there. In the first few years he was there the tech cycle was going through an initial burst, but after the 9/11 tragedy funding dried up and the business plan was scaled back. This resulted in him moving to Lakewood, New York, where he continues to reside now. A small brokerage firm, Edward Jones, offered to open an office downtown for Jake to work at. He knocked on doors throughout town to introduce himself and ask for business. He has been in the same field of work since then and continues to grow his business. Jake is a financial advisor; he works with individuals and corporations to manage their money and plan for their families and businesses. He left Edward Jones after a few years to join a partnership at Merrill Lynch, then UBS, and finally to where he is now at Wells Fargo.

Jake says from his perspective, he has a good life. He has a wife and three children, whose lives he is very involved with. He is also very involved in the Lakewood community. He volunteers at several non-profits, which keeps him well-known in the community and helps his business. He has a lot of friends in town and still has many friends from his college years and from past positions.

Jake said he does not have one vacation that sticks out as his favorite. This is because he "doesn't relax very well." However, he does take a vacation every year to Florida for about one

to two weeks. Jake, his wife, and his kids take this vacation to visit Jake's three sisters. He considers this a "best vacation" because it is something he looks forward to every year. During the time in Florida, the Kanes spend time on the beach, go to Disney World, and get to spend time together with their relatives.

If Jake could change two things about his life it would be that he should have studied harder in high school and he would have started the work he does now sooner. He wishes he studied harder in high school and competed more academically because he did not start to do that until he got to Penn State Behrend. He believes that studying harder could have achieved him a spot at a better school. Secondly, Jake wishes he started being a financial advisor earlier, rather than going into corporate America. He thinks he should have bet on himself right out of graduate school and began building his business then.

It took Jake until right after graduate school to have the confidence to grow his business. He thinks he should have realized he could have done this earlier because. He says there was no reason he could not have done what he does now right after he graduated from Penn State. Because of this realization, the biggest piece of advice he would share with me and my classmates is to be careful of our insecurities. He wants to tell my classmates and me, not to let insecurities get in the way of achieving our goals. Jake believes we should take risks and always challenge ourselves. He says we will never know what opportunities will be presented to us, but the more opportunities we expose ourselves to, the more likely we are to find our passion and ultimately enjoy what we do.

Jake Kane says the thing he is most proud of is his family and his friends. He has one son that is currently at his alma mater, Penn State University, and two other children still in high school. He enjoys spending time with them and watching them at their sporting events. Jake

also says he has a great group of friends. He says has been able to accomplish all he has and is successful because of this group of people.

The biggest challenge Jake sees with his generation is constantly having to deal with significant change. There is always change with government, technology, and all facets of life. He thinks his generation needs to keep aware of what is going on and to stay in the direction of where the world is heading. This will result in his generation staying successful and more involved with others in the community.

In regards to my generation, Jake refers to the biggest challenge being laziness. He says there is no shortcut to success. He shared more advice for my generation to reach success. Jake says we need to climb the “mountain” to reach success, and that we should start climbing as soon as we can before we have major commitments such as marriage and kids. He says if we work harder now, we will receive better offers from the best companies in the future. This will ultimately result in us having a feeling for what we are passionate about. He says pushing harder in the early stages of our career will pay off “leaps and bounds” in five to six years when we may be ready to head in another direction.

**The Honor Code:**

“On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this case study.”

Signed,

A handwritten signature in blue ink on a light-colored background. The signature reads "Evelyn J. Rowan" in a cursive script. The first letter of "Evelyn" is capitalized and large. The "J" is also capitalized and prominent. The word "Rowan" follows with a long, sweeping underline.



Case Seven: Financial Crisis of 2008

Evelyn Rowan

ACCY 420 – Honors Professional Research and Speaker Series

Dr. Dickinson

## INTRODUCTION

The Financial Crisis of 2008 Case is the final case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. In this case we were asked to perform activities in a certain order. First, we watched two videos; the first video explained the difference between capitalism and crony capitalism, and the second was about the cause of the 2008 Financial Crisis. Next, we watched a movie entitled *Inside Job*, which was about the factors leading up to and during the Financial Crisis. Finally, we read two articles. The first article, "Recipe for Disaster," was about David X Li's formula he discovered to analyze complex risks. The second article, "The Great American Bubble," was about Goldman Sachs and the scandal that takes place within the company.

After obtaining all the provided information, we needed to answer three questions. The first question asked how the materials affected our trust in institutions and the government. Next, we were asked if the materials changed our beliefs about our roles in society, both professionally and personally. Last, we were asked if we see any parallels between the political landscape that brought on the Financial Crisis in 2008 and the current political environment. It further went on to ask what can be learned from the crisis to help us avert any crisis in the future.

This case gave me a lot of insight about the government and powerful institutions, such as Goldman Sachs. Before this case, I trusted the government and these institutions; I valued them for the work they do. After gathering all the information provided in this case study, I am less inclined to trust them. It was eye opening to learn about the behind-the-scenes activities for institutions to gain millions of dollars every year, and how closely they work with the government to make deals.

While learning about the Financial Crisis of 2008 it also occurred to me that there are many parallels between 2008 and 2020-2021. I believe this case study was very beneficial at this time because now I understand some of the factors that begin a financial crisis, such as mortgage rates, gas prices, and risky investments.

**QUESTION 1 - How did these materials affect your trust in institutions and the government?**

The videos, movie, and articles shifted my trust in different institutions and the government. Although it is typically stated that lots of scandal happens behind the scenes in the government, these sources really put this statement in perspective. In the first video I watched, explaining crony capitalism, I was surprised by the government. I understand the benefits of capitalism in our country, but was extremely shocked by crony capitalism, an economic system characterized by close, mutually advantageous relationships between business leaders and government officials. The video explained that members of the government typically buy goods from a seller that may be contributing to their campaign, or from someone that promised them a lobbying position when they retire from their current position, rather than from a seller with a cheaper price (Prager University). This happens in lots of settings, such as defense contracting, farm subsidies, clean energy programs, and many others (Prager University). This process hurts my trust in certain positions of the government, because these officials were elected to serve and better the United States, not better themselves. The United States is already in extreme debt, and spending more money on goods and services, for unfair reasons, is wasteful and impacts the debt the country is currently in. Crony capitalism also distorts the broader economy and ultimately steals from the taxpayers (Prager University).

The second article I read, “The Great American Bubble,” also had an effect on my view of the powerful company Goldman Sachs. A specific line of the article that stuck out to me was, “Goldman won’t even have to rig the game. It will be rigged in advance,” (Taibbi 81). It was shocking reading about Goldman Sachs position to increase revenue. It was stated that the company sells bad investments to average citizens, then rewrites the rules of exchange to gain money while leaving the citizens broke (Taibbi 5). Goldman Sachs is a well-known and respected company, but after reading this article, I am less inclined to trust them with my investments.

Although I did lose some trust in the government and financial institutions after watching the materials, I do believe that it is important to filter the information that is provided to consumers. The article “Recipe for Disaster: The Formula That Killed Wall Street,” is a prime example that people should not be quick to judge or lose trust in an institution. David X. Li calculated a formula that analyzes complex risks, such as the stock market (Salmon 2). This formula was extremely popular, and many investors and banks were extremely successful when applying the formula. Damage was foreseeable while using this formula and it was publicly announced by Paul Wilmot (Salmon 38). It was easy for banks to dismiss the warnings, because they were making too much money to stop (Salmon 39). The damage that came from Li’s formula should not be blamed on Li; he was an easy target to blame, warnings were released. While talking about his own model, Li said, “the most dangerous part is when people believe everything coming out of it,” (Salmon 52).

**QUESTION 2 - How did the materials watched/read change your beliefs about your role in society professionally and personally?**

During the movie *Inside Job*, several business professionals were interviewed. After watching the interviews, it appears as if executives from different financial companies had the same outlook on similar situations. The professionals said it was “unfortunate” that investors lost money from their suggestions, but they did not feel as if they did anything wrong (Ferguson). Rating agencies were making billions of dollars by giving high ratings to risky securities. Investors thought they were investing in safe securities, when in reality they were not. The executives of each company stated their company’s ratings are only opinions, therefore they cannot be held liable for any damages. All the rating agencies declined to be interviewed for the movie (Ferguson).

John Paulson, a hedge fund manager, made \$12 billion dollars betting against the mortgage market. When he ran out of mortgages to bet against, he went to large companies, such as Goldman Sachs, to have them make more mortgages. Morgan Stanley employees also engaged in the same activity, and made hundreds of million dollars while their investors lost all their money (Ferguson).

*Inside Job* changed my beliefs about my professional role in society. As an accountant, I do not want to act the same way as these financial executives did. I do not think it is fair to trick people into investing, even if it benefits the company. I believe that making moral decisions in the workplace will benefit me in the long run.

At the moment, I am not sure how these materials will change my role in society. I currently do not invest my money in securities, but I plan to in the near future. These materials

did make me realize I want to have trust in my financial advisor; I do not want to hire a financial advisor that would think about himself while investing my savings.

**QUESTION 3 - Are there any parallels between the political landscape that brought on the financial crisis and our current political environment? What can be learned from the crisis to help us avert future crises, financial or otherwise?**

One similarity between the current financial situation and 2008 is the economic growth. Between 1993 and 2008, the American economy experienced nearly uninterrupted economic growth (“Cause of the 2008 Financial Crisis - Dr. Thomas Sowell”). The Financial Crisis hit during 2008 and over ten million people lost their jobs (Ferguson). This is similar to the current situation of the American economy. Under President Trump’s administration, the economy was booming. Before both 2008 and 2020, unemployment rates were decreasing, then immediately rose after. Through history it is seen that the market cannot grow forever; it is typical to see an economic decline after a period of growth. The reason for the economic downfall in 2020 is primarily related to the COVID-19 pandemic, but this downfall may turn into another financial crisis.

I saw parallels between the Goldman Sachs article and our current political situation. One thing that stuck out to me was “Bubble #4 - \$4 a Gallon,”. The increase in gas prices has been a prevalent topic in the news over the past month. In 2008, the Republicans and Democrats had opposing views on how to respond to the increase in gas prices. John McCain wanted to begin offshore drilling for a short-term solution, while Barack Obama wanted to invest in hybrid cars (Taibbi 49). Current political rivals have similar approaches to the same gas price issue. Joe Biden released a statement that all federal vehicles will be electric powered by 2025

and stopped offshore drilling. The economic policies during the time of the Financial Crisis of 2008 and now are very similar.

One way I believe we can avert future crises is to keep executives from financial institutions separate from government positions. George Bush's last Treasury secretary was Henry Paulson, former CEO of Goldman (Taibbi 2). Bill Clinton's Treasury secretary was Robert Rubin, a man who spent 26 years at Goldman Sachs then took the position of chairman of Citigroup. Additionally, Mark Patterson was the Goldman Sachs lobbyist a year prior to him gaining the position of Treasury Chief of Staff in 2010 (Taibbi 2). The author of the article stated "... any attempt to construct a narrative around all the former Goldmanites in influential positions quickly becomes an absurd and pointless exercise..." (Taibbi 3). It is important that the United States government positions are filled with unbiased professionals who strive to serve the country and citizens for the better, and not self-serving corporate professionals. Many of the Goldman Sachs employees that held positions in the Department of Treasury were not unbiased, and strived to make money for themselves and their previous company. If the government can deviate from this trend of filling positions with professionals from powerful financial institutions, it may be easier to avoid another financial crisis because these powerful institutions, including Goldman Sachs, have a huge influence on the economy.

History repeats itself, so I think it is important that we learn from our previous mistakes. Watching the parallels between current times and times before economic downfalls is important. The 2008 Financial Crisis did not occur immediately, it was many years in the making ("Cause of the 2008 Financial Crisis - Dr. Thomas Sowell"). If professionals are able to see similarities in the economy, it is more likely that a financial crisis could be avoided, or decrease in severity.

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Signed,

A photograph of a handwritten signature in blue ink on a light-colored, textured paper. The signature reads "Evelyn J. Rowan" in a cursive script. The "E" is large and loops around the "v", and the "J" is a simple vertical stroke. The "R" is also cursive, and "owan" follows in a similar style.

**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 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.

### **Blogsphere**

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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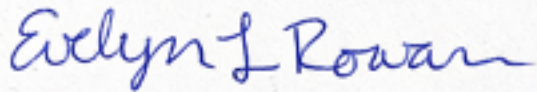
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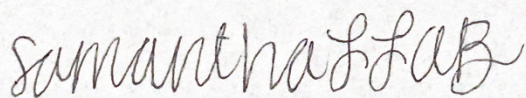
Signed,



Evelyn J Rowan

Bailey B.

Ashley Eickholz



Samantha L Lab

Alec Hudson



**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.



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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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## **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.

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%	

Figure 1

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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 Ratio (\$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.

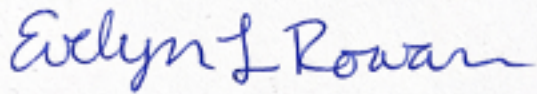
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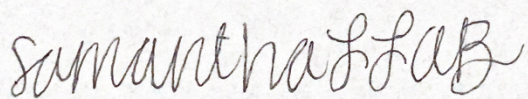
Signed,



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## **BDO**

During ACCY 420 on Wednesday, October 7, we had two speakers from the accounting firm BDO. Michael Berg is an audit partner and Derek VanDunse is an experienced audit manager. Both accountants work in the Nashville office. Nashville typically deals with lots of healthcare.

BDO is right outside the big four accounting firms. The clientele at this firm is generally middle market companies. BDO has about 70 offices and 7,000 employees in the United States. Internationally BDO 65,000 employees. The United States offices generate 1.8 billion dollars of revenue.

There is an appeal to working in an office that is not a big four firm. This is because you get a small firm feel with a big firm appeal. It is easier to be noticed in a smaller office and also employees are not graded on a bell curve system. There are also lots of travel opportunities for this firm.

During the zoom call with Michael and Derek they gave a presentation entitled “Managing Distractions: Time Management and Organizations.” This presentation was very useful and relevant in mine and many students live now that online school has completely changed the way we study and carry out our everyday lives.

The first topic we discussed was about the definition and aspect of time. We build the life we want and time saves itself. Time is highly elastic, and it will stretch to accommodate. We say we do not have time to do everything in our schedule, but if an emergency occurs, we suddenly have time to fix that emergency. This is because we take priorities and treat them as an emergency. If we say “I don’t have time to do that” it really means that that task is not a priority to us.

The next thing we discussed was making our priorities our giving examples on how to make our priorities. For example, you can ask yourself “what three to five things did I do this year that was amazing?” Those few things are a priority to me. Another example of this is making a priority list every Friday. While making the list I should choose one priority for each of the three categories: career, relationship, and self. These exercises help us choose what activities and tasks we need to use our time for.

Time management was an important topic throughout the whole presentation. First, we did an exercise. We thought of different tasks we do during the week and thought of starting statements with “I have to...” or “I choose to...”. We even took it one step further and thought of starting our statement with “I get to...”. This exercise changes your mindset before starting a task. We also used another method for time management, the ABC method. Your A’s are the things you must do, B’s are the things you should do, and C’s are the things that are nice to do. This helps prioritize your time throughout a time period. For your own time management, you must identify your personal and professional goals. You should always consider your deadlines, measure each item’s degree of difficulty, and factor in the amount of time each task will take you to complete. Sometimes it is easier to get the things you do not want to do out of the way first, and continue your to-do list from there. Start with a list of tasks on your list, and prioritize them. A final way to use your time management skills is to ask your peers and colleagues how they prioritize and organize their tasks.

It is always important to remember that sometimes you have to say no. Whether it be to a friend, peer, or colleague, your time will not always allow you to do everything you wish to do; you should never feel obligated to do anything. Consult your schedule, provide alternative options, and explain why you have to say no to someone.

The following table shows ways we discussed maintaining focus and productivity.

	PHONE	INTERNET	PEOPLE
<b>DISTRACTION</b>	<ul style="list-style-type: none"> <li>▶ Unexpected phone calls</li> <li>▶ Texts</li> <li>▶ App alerts or notifications</li> </ul>	<ul style="list-style-type: none"> <li>▶ Spam/Promotional Emails</li> <li>▶ Social networking</li> <li>▶ Email pop-ups</li> <li>▶ Non-work related chats from colleagues</li> </ul>	<ul style="list-style-type: none"> <li>▶ Interruption from visitors</li> <li>▶ Invitations to unnecessary meetings</li> </ul>
<b>SOLUTION</b>	<ul style="list-style-type: none"> <li>▶ Screen calls</li> <li>▶ Turn off notifications or alerts</li> <li>▶ Use “do not disturb” setting</li> <li>▶ Turn phone off</li> </ul>	<ul style="list-style-type: none"> <li>▶ Unsubscribe from marketing emails</li> <li>▶ Set time limits on social media</li> <li>▶ Turn off email notifications and schedule time to check instead</li> <li>▶ Use “do not disturb” or “busy” in chat or status functions</li> </ul>	<ul style="list-style-type: none"> <li>▶ Close your door, and/or put up a “do not disturb” sign</li> <li>▶ Let people know you are busy and can’t chat, but are happy to help them with anything urgent</li> </ul>

The final topic of our presentation with Michael and Derek was about balance. Personal time is just as important to your productivity as work time is. To avoid burnout, make sure to take the time to do the things you enjoy. Always remember to take breaks as you go about your day. The presentation with the accountants from the BDO office was very informative and helpful.

## **BKD**

Tonight, in ACCY 420, the firm BKD, spoke to our class. The main speaker was Kimberly McKay, who is now the south regional managing partner, based out of the Houston, Texas office. In this position she oversees 12 offices in four different states.

Kimberly started her career in Springfield, Missouri. She then moved to Colorado Springs, where she spent the next 21 years of her life working in the healthcare industry. She became a partner in 2003, was elected to be on the AICPA healthcare expert panel in 2009, and then became a BKD governing board member in 2015.

After learning about Kimberly's journey through the accounting world, she presented a PowerPoint about her vision for auditing in the future. She said by leveraging new technologies and data analytics techniques, CPA firms are providing high quality audits that are more effective and efficient. Firms of all sizes have effortless access to the latest standards and technology. The accounting profession has evolved to meet enhanced business needs and client expectations, and auditors are reaffirmed as the ultimate financial service provider. The future key drivers for auditing in the future are technology, methodology, standards, and new skills.

Kimberly's advice for my classmates and I is to know our tools. She wants us to become familiar with scripting and query languages, as they are becoming more prominent in the accounting world. She also advises us to learn robotic process automation. She said an investigative problem-solving mindset is more important than any technology focus.



## **CROWE**

This week in ACCY 420, the firm Crowe presented to our class. The speaker was Michael Giammalvo, a tax partner in the Nashville office. Michael told us a brief overview about Crowe. Then, he taught us about data and how it is useful in accounting practice. He finished the presentation by giving my class advice on how to succeed in the accounting profession.

Crowe is different from the other firms, in the fact that their fiscal year ends on March 31, rather than December 31. The federal tax busy season takes place between January 1 and April 15. Tax also has a second busy season between July and September, roughly, because of extended tax returns.

Data is facts and statistics put together for reference and analysis. There are two types of data: structured and unstructured. Structured data is organized, easy to find, and allows for more complex analysis. It is typically less available because it requires a commitment to maintain. Unstructured data is very flexible, highly scalable, and more readily available. This type of data is easy to create and maintain.

There are many uses for data. Data helps build basic queries, build interactive data visualizations, and automate tasks to eliminate the need for human intervention. Machine learning self-adaptive algorithms can identify patterns in data and use those patterns to make decisions. This can be used for complex tasks with variable rules, especially when there are large data sets available for use. The profession commonly uses robotic process automation today because of the high volume of data, many repeatable tasks, it keeps data structured, and the process is well defined.

The advice Michael gave to our class is to complete the masters of accounting in data analytics. There are only a handful of universities who offer this program, and Ole Miss is one of them. Although all of the universities are exceptional, he suggested we complete this program at Ole Miss because it is one of the best schools, and we are already accustomed to working with these professors. Ole Miss is the only school that offers a masters of taxation and data analytics.

This master's program will help us stick out in the business world. "Data Analytics" is the new buzz word in the profession. The program will give us a desire to learn, help us pay attention to deal, and transition us from the academic world to the real world in a simpler way.

## DELOITTE

Our first speaker in ACCY 420 is the Deloitte campus recruiter, Katie Barber. She is giving us a presentation on getting ready for interviews. She said our beliefs are core to our story and powerful stories have the ability to persuade, explain, and inspire.

Deloitte has five shared values: lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact. Our values come from items or material possessions, people, memories and experiences, goals, and personal attributes.

As an activity we each had to write down ten values. After we decided our values, Katie told us to eliminate one of our values. We repeated this process until we each only had five values left. She then asked us a few questions, “What is easy and what is hard to eliminate? What does that teach you about yourself? How do these values guide your life? “How will these values guide your decision in looking for a career?”. This activity was extremely difficult, but very eye opening. I struggled to eliminate things off my list. This prepared us to start talking about the interview process.

Katie told us to make sure we are prepared for an interview. This year most, if not all, of the firms are conducting interviews virtually. It is crucial we have good internet connection, a fully charged laptop, and a professional location (quiet area, good background). A surprising thing she told us was to have our phone next to us, but on silent. This is preventive in case the internet disconnects us from the interview. This actually happened to me during an interview, so I understand the importance of this tip now. She encouraged us to do our research before the interview, know their company values and look up the interviewer on LinkedIn. If we have questions for the interviewer, it would be a good idea to write them down so we remember them.

To stand out during our interview, she told us to be ourselves. Everyone has their own values and experiences, so you should let that shine through during our interviews. It also helps if we can make connections with our interviewers during the interview. These connections help the interviewer remember who you are. In a follow up thank you note, Katie suggests we write about any connections we made, to continue to stand out.

Lastly, we talked about becoming a “STAR” at behavioral interview responses. This is an acronym that stands for “Situation, Task, Action, Result.” In every behavioral question we should talk about a situation we were in, what task we were supposed to complete, the action we took to complete the task, and the result of the action. We then did a few example questions to know what we may be asked in our upcoming interviews. We practiced a professional skepticism, prioritization, and teamwork example.

This presentation was extremely helpful during the interview process. I used every piece of advice Katie gave us and I hope this presentation is given to the ACCY 420 in all the years to come.

## EY

This week in ACCY 420, EY came to speak to our class. They brought eight employees from Memphis, Nashville, Atlanta, and Houston. Employees were from the campus recruiting, assurance, or tax department.

The employees first gave us a background on EY. EY has offices in 154 countries. It has 300,000 employees and produces \$37.2 billion dollars in revenue each year. Their motto is “A career as unique as you are. It’s yours to build.” They offer careers in assurance, consulting, strategy and transactions, and tax.

EY takes learning very seriously. There are programs with over 100 badges to earn. The firm offers 16 million hours of learning every year. They are the firm to offer the first corporate MBA program. They offer many other amazing rewards as well. There is a minimum of three weeks of vacation offered every year. EY also offers 19 paid holidays. Employees are offered 16 weeks of parental leave.

EY is also the only Big Four Firm to have a “Diversified Staff Group.” This group allows all regional tax staff to do a two-to-four-year rotation with different service lines, such as federal, state, local, international, transaction lines. At the end of the program, each employee gets to choose their sub service line.

The process of EY starts from meeting the professionals at meet the firms. Next you fill out an application and submit a prerecorded interview. Next you may be asked to complete a live interview with a partner. Finally, you will receive an EY internship offer!

## KPMG

This week in ACCY 420, the Big Four firm, KPMG, came to speak to our class. Nine professionals came to speak to our class from New York City, New York. Brian, a partner in the New York Office, gave us an overview of the profession.

Clients of KPMG in New York include Pepsi, Pfizer, Vineyard Vines, the New York Mets, Revlon, Gucci, Foot Locker, SoulCycle, J. Crew, and many more. New York is the largest KPMG office, and has two physical locations for the office. The office audits 77 fortune 500 companies. Behind New York, Dallas has 41, Houston has 22, Atlanta has 16, Nashville has five, and Memphis has three. The office has about 3,000 employees, compared to a smaller office, like Memphis, that has about 150.

There are also many different traveling options with the firm. Professionals have the opportunity to travel to Belgium, England, France, Germany, Italy, Netherlands, Puerto Rico, Spain, Switzerland, China, India, Japan, and many more countries.

The next part of the class was a Question-and-Answer session with different employees in the New York office. The first question was, “What is the best part of interning at New York?” The professionals loved the energy of the city and how there is a large niche of things you can get involved in. The next question was, “What is your advice for the recruiting process?” The professionals said to be honest about what we want, be intentional, and make the effort to go to recruiting events.

We were told the ideal candidate for an internship is someone who has an eagerness to learn, curiosity on what they’re doing, puts themselves out there, and is likable and easy to talk to.

Lastly, a few professionals told us why they chose to work for KPMG. Many people said the culture and the people are the reason they chose KPMG. They said the vibe of the office is very sociable and comfortable. Another professional said KPMG was the only firm that offered the practice he wanted. They valued his skills and his outgoing personality. One perk of KPMG is that they are the largest employer at Ole Miss of any company.

## WHITLEY PENN

This week in ACCY 420, Whitley Penn brought two speakers to our class. Danielle Reynolds, the campus recruiter, and Nathen McEown, an audit partner in the Houston, Texas office gave a presentation on building our professional brand. This presentation was the most beneficial presentation of the whole semester. I never knew so much went into building our professional brand, and how it continues to grow as we begin our career.

The presentation started with explaining the wide variety of firms we have to choose from. There are different industries, team sizes, diversity, and growing rates at many different firms. Sometimes we are so focused on certain firms, we do not realize all the different firms that are out there for us.

We then began talking about how to build our professional brand in the interview phase. The first piece of advice was to build our soft skills: time management, networking, teamwork, creative thinking, and conflict resolution. We were told to do our research on the different firms and show our interest (like following the firms on social media), and most importantly to keep in touch with our recruiters! Being decisive during this phase is also important; we need to know which department and city we want, and to go for it. Lastly, we were told to develop healthy habits that will keep us on track to success. For example, I choose to keep a planner to write all my interview dates on and also write all the work I need to complete that day.

The next phase that takes place is the offer phase. In this phase we need to decide which firm is our perfect fit. There are different cultures, opportunities, flexibility, and possibilities for growth at every firm. We need to find the firm that fits us and helps us achieve our long-term goals. Culture is one of the most important factors because it reflects what the firm considers to be important. This also shows how the people work together and why they love their profession.



While deciding our firm we should look at our options and be timely with communicating our decisions.

Our next phase is the internship phase. In this phase it is crucial that we grow our leadership skills. To be successful, we should ask for feedback from the professionals above us and be a sponge with their input. The professionals suggested we always have pen and paper to write down suggestions we are given, and to always ask for a timeline and expectations on our teams. Attitude and effort reflect largely on our performance at work, and it is important to remember to ask questions and get the feedback we need. This goes along with making sure we are engaged and enthusiastic about learning. Being timely is extremely important and reflects on our character greatly.

During our internship they suggested that we build relationships and engage with the firm leaders. They said we should get to know everyone we can and go to as many lunches, coffee dates, and happy hours as possible. We should attend office events and volunteer for different events.

Building our professional brand is not only important in the first years of our career, but throughout our whole career. We never know when a connection will circle back, so the Whitley Penn professionals suggest we continue to build our network. First impressions are critical, so we should always be positive and dress for success, appearance affects what others think of us.

Finally, we talked about our LinkedIn profiles. This website is vital in business today, so we should continue to expand our network when we can. They suggest we also like, comment, and share posts to stay engaged with the website, and even post a picture, article, or event when possible.