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A STUDY OF PUBLIC ACCOUNTING AND RELATED ECONOMIC
CONCEPTS

By

Seth Gerus

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

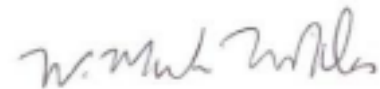
Oxford

May 2022

Approved by



Advisor: Dr. Victoria Dickinson, PhD, CPA



Reader: Dean W. Mark Wilder

ABSTRACT

SETH GERUS: A STUDY OF PUBLIC ACCOUNTING AND UNDERLYING ECONOMIC CONCEPTS

(Under the Direction of Dr. Victoria Dickinson)

This thesis consists of several case studies relating to different topics within the world of accounting. These cases were completed as assignments within the thesis practicum class taught by Dr. Victoria Dickinson. Each case pertains to a different accounting-related topic, and topics include the fundamentals of accounting as well as recent events in the business world. The thesis also includes a five-week long case competition in which students were put into groups to present Audit, Tax, and Advisory strategies for companies headquartered in the United States. Each of these cases were completed during the course of the Fall 2020 and Spring 2021 semesters. Because each case is independent from the others, cases in which outside sources were cited contain their own bibliographies. In addition to assigned cases, summaries of presentations given by accounting professionals invited to speak to the class are included as well.

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Case 1: City Selection Case

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University of Mississippi

ACCY 420

Dr. Dickinson

23 September 2020

Introduction

The City Selection Case is the first 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 case will compare and contrast my two preferred destinations where I would like to begin my career in accountancy and decide which city I would prefer to live in. The outline of the case will guide my decision by comparing the cities through a number of different criteria that will be important in deciding where I would like to work and live after I begin my career. These criteria include the population of Nashville, Tennessee and Charlotte, North Carolina and their respective metropolitan areas, state and local tax rates, the prevalent industry of each city, and measuring the respective living expenses of each city with a monthly budget. Other criteria such as local organizations and recreational activities in each city will allow me to plan my activities within my preferred destination outside of career obligations. This case has shown me that a significant amount of planning is dedicated to life after school, and that I will have many factors to consider when choosing where and how I want to live when I begin my career in accountancy. Currently, my scholastic and social activities are very well planned out for me, and I consider myself to be very self-sufficient. I cook my own meals, do my own laundry, and generally take care of myself and my possessions. However, my life after school will include even more responsibilities. I rely on my parents for funding and making key decisions on my insurance and medical affairs, and while I am sure that they would like to continue to help me, I

need to be prepared to assume greater responsibility for myself. The City Selection Case has allowed me to realize the advantages and disadvantages of both cities that I have considered and ultimately decide which city will best allow me to adapt to the working world and begin my career as an accountant.

1. Population

As of 2019, Nashville, Tennessee has a city population of 575,429 people and a Metro population of 1,959,495 people. Charlotte, North Carolina has a city population of 1,093,901 people and a Metro population of 2,728,933 people. Both cities have seen enduring population growth in the last decade. Nashville saw its population grow by 9.6 percent between 2015 and 2019, the 5th highest rate in the country according to the U.S. Census Bureau (Mojica). By comparison, the population of Charlotte increased by 19.9 percent between 2010 and 2019 (Chemtob & Off).

I am from Mason, Ohio, a city in the Cincinnati Metro area. Cincinnati has a Metro population of 2,137,406 people as of 2019 and is comparable in size to the Metro areas of both Nashville and Charlotte. The Metro areas of Nashville and Charlotte are relatively similar, with high growth rates and population sizes. Charlotte appears to be more populous than both Cincinnati and Nashville, but I believe that I would still be comfortable in that area. As for Nashville, I drive through the city when I travel between Cincinnati and Oxford, Mississippi and I have become comfortable with the area during my travels.

2. Climate

The climates in Nashville and Charlotte are mild and easily comparable. Both cities feature hot and humid summers and mild winters. Nashville receives slightly more snow than Charlotte during winter but both cities see very little snow throughout the year. Nashville and Charlotte have similar high temperatures during summer and can expect rain for roughly a third of the year. July is the hottest month for Nashville and Charlotte with an average high temperature of 89 degrees for both cities. January is the coldest month for both cities with an average low temperature at or below freezing.

Nashville and Charlotte have very similar climates that would both be suitable for me. The climate of the Cincinnati area features hot and humid summers with cold winters, and I would prefer the milder winter that both cities offer.

3. Topography and Scenery

The topographies of Nashville and Charlotte are not as similar as their climates. Nashville lies on the Cumberland River in a geographic area that features rolling hills. Charlotte is located in the Piedmont region of rolling hills and is east of the Blue Ridge Mountains. Both regions are forested and hilly, with Charlotte featuring proximity to mountainous terrain.

Scenery is not a major factor in my decision-making process for choosing between the two cities, but I do appreciate that Nashville and Charlotte both offer hilly and forested environments.

I would be comfortable with the scenery and topography of either city. Charlotte's proximity to the Blue Ridge Mountains does appeal to me since I like to hike.

4. Tax Rates

Tennessee does not have a state income tax, while North Carolina has a state income tax rate of 5.25 percent, or \$2,887.50 on a starting salary of \$55,000. Tennessee has a state sales tax of 7 percent and Davidson County has a sales tax 2.25 percent, while property taxes in Tennessee are around .75 percent on average. North Carolina has a state sales tax of 4.75 percent and Mecklenburg County has a sales tax of 2.5 percent, while property taxes in North Carolina are around .86 percent on average.

I find Nashville appealing based on the fact that Tennessee does not have a state income tax. While Tennessee has a higher sales tax rate at 9.25 percent compared to the 7.25 percent sales tax rate in North Carolina, I would save a significant amount of money by not paying a state income tax. This and the minor difference in property taxes makes Nashville a more desirable location than Charlotte based off of financial benefit.

5. Transportation Hubs

Nashville's Metro Transit Authority (MTA) is the city's local transit system and is made up of a series of bus routes that span the city and Metro area. Charlotte has a similar transit system known as the Charlotte Area transit System (CATS) which features bus routes and a light rail system that covers Charlotte and Mecklenburg County. In addition to CATS, Charlotte has

introduced the 2030 Transit Corridor System Plan to make transportation around the city faster and more centralized by integrating street cars into the current rail and bus systems.

Both cities have public transportation systems that effectively cover their respective Metro areas. I plan to commute by car if possible, but both transit systems look like they would be great secondary options if parking is unavailable. Charlotte's 2030 Transit Corridor System was especially interesting to me and I would be excited to commute by light rail if the rail system was able to transport me to my office in a timely manner.

6. Prevalent Industries

The predominant industry in Nashville is healthcare. The five largest companies in Nashville are Vanderbilt University Medical Center, Nissan North America, HCA Healthcare Inc., Saint Thomas Health, and Community Health Systems. Charlotte is home to a number of diverse industries including business and financial services, furniture, and food processing and manufacturing among others. The five largest companies in Charlotte are Bank of America, Lowe's Inc., Duke Energy, Nucor, and Compass Group USA. Nashville and Charlotte have both seen sustained growth since 2018, ranking respectively as the 14th and 16th best American cities for creating and sustaining job growth (Milken Institute).

I am interested in the diverse portfolio of industries that Charlotte boasts. While Nashville would allow me to specialize in the healthcare industry, I would like to learn more about the financial industry in Charlotte as well as the other industries the city has to offer. The wide variety

of industries in Charlotte would allow me to become versed in all kinds of work and help me to make contacts in these industries. This being said, I would not turn down Nashville because of the industry that I would likely work with there, but Charlotte offers a wider variety of work that would allow me to gain experience in a number of different fields.

7. Healthcare and Schooling

Nashville and Charlotte are respectively home to the Vanderbilt University Medical Center and the Carolinas Medical Center, both of which are nationally ranked. The least expensive healthcare plan in Nashville would cost \$255 per month with a \$7,900 deductible per year (Tennessee Health). The least expensive healthcare plan in Charlotte would cost \$180 per month with a \$7,900 deductible per year (North Carolina Health).

The Nashville Metro area features six school districts ranked in the U.S. News and World Report Best High Schools. These schools tend to be located in the Metro area rather than the city itself. Charlotte's Metro area features 16 school districts ranked in the U.S. News and World Report Best High Schools. Like Nashville, these schools are also located in the Metro area instead of Charlotte proper.

Charlotte has a lower healthcare cost per month that would save me \$900 per year. This amount of savings is helpful but is not a major deciding factor in my choice. The schools in the Nashville Metro area are much higher ranked than those of Charlotte, but that would not be an

immediate concern for me in my first few years in either city. Sending my children to public or private schools would depend on where I lived in the Metro area of either city.

8. Crime

Nashville and Charlotte both have higher crime rates than the national average. Nashville has a rate of 625 violent crimes per 100,000 people and 2,559 property crimes per 100,000 people according to U.S. News and World Report. Charlotte has a rate of 416 violent crimes per 100,000 people and 2,732 property crimes per 100,000 people according to U.S. News and World Report. The downtown areas of both cities are where crime is most prevalent, so it is advisable to stick with large groups or in well-traveled areas after dark.

The high crime rates of both cities compared to the national average was surprising to me. I am not put off by the high rates of crime in Nashville and Charlotte, but I did expect the cities to have lower than average crime rates. With this knowledge I will be sure to be careful in the downtown areas of both cities.

9. Rent

The first location I considered was in the City View apartments in downtown Nashville. This 619 square foot apartment is located in the center of the city and features an attached parking garage, making for an easy commute. Rent is \$1,289 per month without any roommates and the

only utility is gas. It comes with amenities such as a balcony, pool, washer and dryer in the unit, a dishwasher, and a gym within the apartment complex.



Picture 1: The interior of a City View apartment



Picture 2: The layout of a City View Apartment

The second location that I considered was The Mint apartment complex in Charlotte. This 793 square foot apartment also features an attached garage and is located in downtown Charlotte. Rent is \$1,160 a month without a roommate and utilities are included in the price of rent. Amenities included with the apartment are a pool, a washer and dryer in the unit, a dishwasher, and a gym within the apartment complex.



Picture 3: The interior of an apartment at The Mint



Picture 4: The layout of an apartment at The Mint

When I looked for apartments in the downtown areas of Nashville and Charlotte the monthly rent on most units was in the range of \$1,100 to \$1,300 per month. This was what I expected for an apartment in the downtown area of a larger city, so I am not particularly swayed by fluctuations in the rent price of an apartment in either city. I did notice that I can generally get more space for less rent expense in Charlotte, but this will not be a major factor in my decision.

10. Commute

I plan to commute to work every day in my car. Both apartments I chose have attached parking garages that would allow me to easily drive to my office. The two apartments are also located in the city centers of Nashville and Charlotte so I could easily walk or use public transportation to commute if needed. However, I would prefer to drive to my work.

11. Groceries

I plan to buy groceries from grocery chains in or near the downtown areas where I would live. The City View apartment complex in Nashville is an 18-minute drive from Kroger. The Mint apartment complex in Charlotte is a seven-minute drive from Harris Teeter Grocery. Both locations are close to a grocery store and I do not mind driving to buy groceries.

12. Laundry

Each property that I have researched has a washer and dryer provided within the unit. I prefer to not have to clean my clothes in a laundromat in Nashville or Charlotte.

13. Civic, Religious and Charitable Organizations

Nashville offers plenty of opportunities to become involved in the community. I would like to join a local church in the city, as well as the Music City Ole Miss Club in order to maintain a connection to my eventual alma mater. One volunteering opportunity that appealed to me in Nashville was The Land Trust for Tennessee, an organization dedicated to preserving green spaces in the city. Charlotte also offers many opportunities to become involved within the city. I would like to be involved in a local church in Charlotte as I would in Nashville, and I would join the local Ole Miss Club there as well. The Hands On Charlotte organization in the city interested me because it encompasses a variety of volunteering opportunities such as local education and service opportunities.

There are many opportunities for involvement in Nashville and Charlotte that excite me. Since both cities are similar in their offerings, I believe that I would be comfortable with either choice of city.

14. Sports, Recreation, and Entertainment

Nashville is known as Music City, and it is home to great music venues such as Schermerhorn Symphony Center and Marathon Music Works. In addition to music, Nashville is home to professional sports franchises such as the Tennessee Titans in the NFL and Nashville SC in the MLS. Vanderbilt University, a frequent SEC opponent of Ole Miss, is located in downtown Nashville, and I would like to watch Ole Miss play in Nashville if I lived in the city.

Nashville is also known for its nightlife, and I would like to experience night life on Broadway in the city. Charlotte is home to music venues such as The Fillmore and Visulite Theatre. It also is home to a number of professional sports franchises such as the Charlotte Panthers in the NFL and the Charlotte Hornets in the NBA. Charlotte is roughly two and a half hours from the Blue Ridge mountains, and I would like to hike in that area and take in the natural beauty. Night life is popular in Charlotte, and I would like to experience areas such as the Plaza Midwood district in downtown Charlotte.

Entertainment and recreation are in no short supply in either of Nashville and Charlotte, and I would be hard pressed to make a decision based strictly on the activities both cities offer. Nashville has a very well-known music scene and is better known for its night life than Charlotte, but Charlotte does offer plenty of entertainment options of its own.

15. Travel Back Home

I would drive to travel from Nashville back to Cincinnati. The distance from Nashville to Cincinnati is roughly 4 hours. The average cost for the trip from Nashville to Cincinnati would be roughly \$30 to \$50 factoring in the cost of gas and food along the way. To travel from Charlotte to Cincinnati I would also drive. This would take roughly 7 hours and cost \$60 to \$80 factoring in the cost of gas and food.

While I would prefer a shorter drive back to Cincinnati, Charlotte is also close enough to Cincinnati that I would not mind the extra time traveling home. Driving is convenient for me because I can shift it around my schedule.

16. Monthly Budget

Table 1: Comparison of Expenses in Nashville and Charlotte

Monthly Budget	Nashville	Charlotte
Apartment	City View	The Mint
Gross Pay	\$5,000.00	\$5,000.00
Federal Income Tax	\$608.00	\$608.00
Social Security and Medicaid	\$382.50	\$382.50
State Income Tax	\$0.00	\$262.50
Net Pay	\$4,009.50	\$3,747.00
Rent	\$1,289.00	\$1,160.00
Utilities*	\$20.00	\$0.00
Medical Insurance per Month	\$255.00	\$180.00
Gas*	\$80.00	\$80.00
Groceries*	\$400.00	\$400.00
401K Contribution*	\$1,600.00	\$1,600.00

Income after Living Expenses	\$365.50	\$327.00
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*Estimation

My monthly budget for Nashville and Charlotte shows that I would only save around \$40 by choosing to live in Nashville rather than Charlotte. This difference can be accounted for by considering the money I would save by not paying state income tax in Tennessee and subtracting the added living expenses of living in Nashville. I would try to live within my means in either city and I would use the leftover money for recreation and other miscellaneous activity. This section definitely makes me aware of the financial restraints I will have to navigate by living on my own with little or no support from my parents.

17. Preferred City

Nashville is the city that I would prefer to begin my career in for a variety of reasons. The prevalence of the healthcare industry in the city would allow me to specialize in that field early in my career and develop contacts in the field. The schools in the area are very highly ranked, and the lack of a state income tax in Tennessee would allow me to save money over time. I recognize that Nashville is a relatively small market that is highly competitive for Accountancy majors at the University of Mississippi, and I would not be disappointed if I began my career in Charlotte instead of Nashville. Charlotte features many diverse industries that would allow me

to become familiar with a number of different fields. Overall, I believe that either city would be a great place to start my career.

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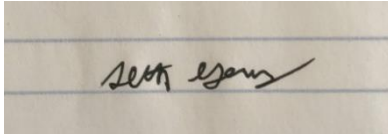
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Honor Code

“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 on a piece of lined paper. The signature is written in dark ink and appears to be "Leah Evans". The paper has horizontal blue lines.

Case Two: Financial Statement Concepts

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University of Mississippi

ACCY 420

Dr. Dickinson

30 September 2020

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 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:

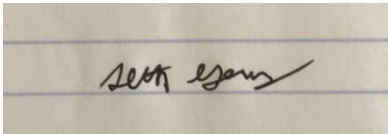
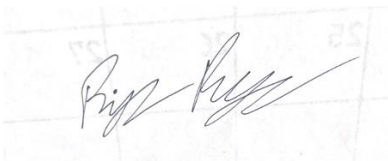
Trademark	300*	
Accounts Payable-Trademark Registration Fees	500	
		Cash
		500
		Unrealized Gain-Establishment of Trademark
		300

*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 photograph of a handwritten signature in black ink on lined paper. The signature reads "Seth Evans".A photograph of a handwritten signature in black ink on lined paper. The signature reads "Pip Ryan".A photograph of a handwritten signature in blue ink on white paper. The signature reads "Evelyn J Rowan".A photograph of a handwritten signature in black ink on white paper. The signature reads "Franckeska Sekul".

Case 3: Presidential Debate

Seth Gerus

University of Mississippi

ACCY 420

Dr. Dickinson

7 October 2020

Introduction

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 tumultuous election year, this class was assigned a case on the Presidential debate. Before the debate, we were asked to describe what unites Americans. We as Americans are not identified by our skin color or our religious creed but rather by our belief that we all are equal, with our inalienable rights guaranteed in the Constitution. Americans are individuals who can work together to accomplish common goals, and we need to work together and unite despite our political differences.

After describing what unites America, the class tuned into the debate to see the different platforms of the two candidates who would like to lead our country. In a heated debate, the two candidates put forth their visions for America under their respective leadership. The class was asked to take note of their economic policies and make predictions about how the presidency of each candidate would affect the economy we would graduate into in a few years' time. By comparing the economic platforms of each candidate, I was able to make predictions of what I thought the policies of each candidate would lead to for taxation, regulation, and a number of other economic factors.

After this the class was asked what we could do to unite disagreeing parties after the election. A key part of democratic elections is accepting the winner and compromising to move

forward. Americans may not be united in support for the winner of this Presidential election, but we will have to stay united and work towards the advancement of our goals in the pursuit of our own life, liberty, and pursuit of happiness if we are to move forward as one nation.

This case showed me that even though Americans may have conflicting ideas on how to reach our goals, we are united in our goals being the achievement of success for all Americans one way or another. The economic policies of Donald Trump and Joe Biden may have their fair share of differences, but they are both meant to secure prosperity for the American people in their own distinct ways.

What “unites” the United States?

The United States is a united country, but not in the traditional sense of the word. Other countries are united by belonging to a common ethnic, religious, or linguistic group. These are not what the United States is unified by. The United States features numerous different divisions such as regional differences, political beliefs, and lifestyle differences. An American living in Mississippi has a vastly different style of life than an American in New York or California. They may eat different foods, drive different cars, and have very different ideas of what they want in life. The United States is made up of people from all different ethnicities, religions, and political beliefs, and often these differences are more divisive than unifying. Americans have more differences than similarities, so it is not any surface level descriptor that unites us.

What unites the United States is the shared belief by Americans that all Americans are entitled to the basic rights of life, liberty, and the pursuit of happiness. Citizens of the United States are guaranteed their rights in the Constitution of the United States and the belief in the American government to uphold their rights. These rights allow for Americans to be treated equally under the law and act as individuals in control of their own affairs. Americans can come from different backgrounds, ethnicities, religions, and still share a common belief that we are all entitled to the pursuit of our own goals while respecting the goals and rights of others. These shared beliefs have long inspired Americans to put aside our differences and work together to pursue our own individual goals, which are often more aligned than our differences may let on. The United States is united through respect for individualism. Americans are able to enlighten and improve ourselves as a whole by working toward our own individual goals while maintaining respect for the goals of others as long as they fell within the acceptable bounds of the Constitution. The United States is united not by religion or race, but rather by the belief in the principles that all are equal and free to pursue the rights of life, liberty, and the pursuit of happiness.

President Trump's Economic Plan

Based on his assertions throughout the debate, a second term for President Trump would be a continuation of the economic policies that he implemented in his first term. The President continually touted the economic success that the United States enjoyed during his first term in

office, and he insisted that his policies that led to this growth could be duplicated to restore the American economy to the levels it saw before the Coronavirus Pandemic.

Taxes

Under President Trump, the Tax Cuts and Jobs Act of 2017 lowered corporate taxes to 21 percent in an effort to incentivize companies to invest in the United States. This law also lowered individual income taxes, allowing for private citizens to save more money from taxes. A second term for President Trump would see corporate and private income taxes stay at their current low rates. Lower corporate and private taxes are thought to encourage private investment through spending from corporations and individuals, allowing for economic growth through increasing hiring from corporations and spending from private individuals.

Regulations

A second term for President Trump would see a continued decrease in regulations in an effort to encourage economic growth for businesses and individuals. President Trump has encouraged deregulation in an effort to incentivize businesses to invest in the United States, and a continuation of this policy is likely in the event of a second term

Employment

Employment would likely be high in President Trump's second term, seeing as the economic growth in his first term led to record lows in unemployment. Incentives such as low taxes and deregulation is likely to lead businesses to employ more Americans and drive economic

growth. This will drive employment to high levels and possibly equal or exceed the employment levels seen before the Coronavirus Pandemic.

Wages

Wages would likely remain the same under the Trump administration in the event of a second term. Lower taxes mean that individuals would take home more of their money than they would under a Biden administration.

Manufacturing and Outsourcing

A key point in President Trump's economic policy has been bringing manufacturing jobs back to the United States. Tax incentives and deregulation have convinced many businesses to bring manufacturing jobs to the United States from China and other countries with low manufacturing costs, and a continuance of these policies would discourage the outsourcing of jobs from the United States.

Financial Health

The overall financial health of individuals and businesses in President Trump's second term is difficult to predict. However, with low taxes and a high likelihood of high employment levels it seems likely that both individuals and businesses would be well off financially. The sustained economic growth of President Trump's first term led to a high level of financial health and growth after the Coronavirus Pandemic could replicate these levels.

Vice President Biden's Economic Plan

Vice President Biden's economic plan that he laid out during the debate would represent a departure from the economic policies pursued by President Trump. While President Trump's economic strategy is based in allowing businesses and individuals to drive economic growth with tax incentives, Vice President Biden believes that higher taxes can give the government more money with which to invest and create jobs through government-led directives.

Taxes

The Vice President believes that taxes on businesses and individuals as of right now are too low and remarked in the Presidential debate that he would raise the corporate tax rate from 21 percent to 28 percent. The Tax Cuts and Jobs Act of 2017 would likely be repealed or nullified. This plan would end tax benefits for many corporations in the Fortune 500 and drive them to invest outside of the United States to avoid higher taxes. The Vice President has stated that this tax revenue would be used by the government to invest in American businesses to create more jobs for Americans and subsidize government spending as well as environmentally friendly initiatives. These goals are very long-term and would probably lead to economic growth slower than that of the economic policies pursued by President Trump.

Regulation

In addition to higher taxes, Vice President Biden would support an increase in regulation rather than a decrease. A Biden presidency would see many of the environmental regulations

removed by the Trump administration reappear, limiting the current growth of the economy but allowing for opportunities for environmentally friendly businesses to grow and receive government subsidies. This increase in regulation would likely disincentivize businesses from investing in the United States and lead instead to government spending on Green projects and infrastructure.

Employment

As the Vice President stated in the debate, a Biden administration would plan to create millions of new jobs through government spending on Green initiatives such as renewable energy, electric vehicles, and new infrastructure projects. This level of spending would be sustained by cutting the tax incentives for businesses and increasing regulation. Private sector unemployment would likely rise as a result. These actions would then cancel each other out as jobs lost from businesses deciding to invest elsewhere would be replaced by jobs created through government spending.

Wages

Wages under a Biden administration would likely remain the same or see slight increases, although not to a proposed \$15 an hour as stated by Vice President Biden in the debate. However, higher income taxes proposed by the administration would likely see wages fall below those seen under the Trump administration.

Manufacturing and Outsourcing

By cancelling the tax incentives and deregulation forwarded by the Trump administration, a Biden administration would be likely to see an increase in manufacturers outsourcing their jobs to countries with a lower manufacturing cost. Many of the manufacturing jobs the Trump administration brought back to the United States from China and other countries would disappear. Vice President Biden stated that these jobs would be replaced by manufacturing jobs created through government spending on Green initiatives, but in the short term there would likely be a mass exodus of manufacturing jobs from the United States that would not be immediately replaced.

Financial Health

The financial health of businesses and individuals under a hypothetical Biden administration is difficult to predict, but I can speculate that businesses would be subjected to high taxes and heavy regulation. Green businesses would receive plenty of government subsidies to create jobs, but the long-term nature of Green initiatives means that the gains from these investments would take a long time to realize. Individuals would be subjected to higher taxes and employment may be harder to come by in the short term with the lack of incentives for businesses to hire and invest in America.

How will we work together in the aftermath?

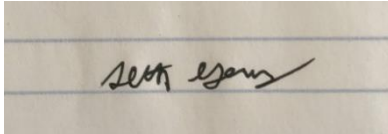
In the aftermath of the Presidential election, half of the country will have to accept that the candidate they supported lost the election. That is a normal outcome of an election in a democracy and it is also a normal part of a democracy to work together with people you may disagree with politically. Despite the differences between the candidates, both President Trump and Vice President Biden believe they have the country's best interests at heart. The candidates and their supporters will have to see that they can work with supporters of the other candidate to come to compromises that are agreeable for everyone. This way the country can move forward and work together rather than argue with itself.

I intend to accept whatever the result of the election is when it is revealed. Americans should respect each-other's goals and beliefs and I will be respectful of supporters of the other candidate. However, I will still advocate for my views and come to compromises with others that are helpful for myself and others. This way myself and my colleagues will be united while pursuing our own goals of life, liberty, and the pursuit of happiness.

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 on a piece of lined paper. The signature is written in black ink and appears to be "Leah Evans". The paper has horizontal blue lines.

Case 4: Microsoft Excel Certification

Seth Gerus

University of Mississippi

ACCY 420

Dr. Dickinson

14 October 2020



801-750 West Pender Street, Vancouver BC V6C 2T8

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

Seth Gerus

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

Excel Crash Course - Spreadsheet Formulas for Finance

National Registry of CPE Sponsors Number: 139079

Instructional Delivery Method: QAS Self Study

Finance: 3.0 credits.



Certificate number
95927500

In accordance with the standards of the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

Chair of the Board

Director

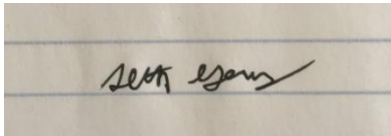
Director

Oct 15, 2020

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 on a piece of lined paper. The signature is written in black ink and appears to be "Scott Evans". The paper has horizontal blue lines.

Case 5: Taxodus

Seth Gerus

University of Mississippi

ACCY 420

Dr. Dickinson

28 October 2020

Introduction

The Taxodus Case 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. The upcoming presidential election presents the United States with two candidates that have proposed two distinct plans for corporate taxation. Corporate taxation is a major source of tax revenue for the United States and corporate tax rates often depend on the political ideology of the leader of the United States. The corporate tax rate is a major concern for businesses operating in the United States and they will keep a close eye on the presidential election in order to plan their taxation strategies for the foreseeable future.

President Donald Trump proposes to keep the current 21 percent corporate tax rate with the goal of encouraging growth outlined in the 2017 Tax Cuts and Jobs Act that was passed under the Trump Administration. The current corporate tax rate is lower than the previous corporate tax rate of 35 percent with the goal of incentivizing corporations to invest their money in the United States rather than in other countries with lower tax rates. On the other hand, Vice President Joe Biden has proposed a higher 28 percent tax rate. This higher rate is designed to bring in more revenue for the United States government to fund government spending initiatives. While not as high as the prior 35 percent tax rate seen under the Obama Administration, this marked increase could drive businesses operating in the United States to explore opportunities elsewhere and keep their money in low-tax jurisdictions.

The importance of current events in relation to corporate taxation demonstrated to me that the tax service line of public accounting is very strategy focused and must adapt to different taxation policies as they emerge. Accounting firms offer a variety of tax services that relate to corporations and how they plan to adapt to corporate taxation rates, and I am interested in learning more about the different fields I can explore before choosing where I would like to work in the future.

What should the corporate tax rate be?

I think that the corporate tax rate should be low enough to incentivize corporations to keep their money in the United States but high enough that the United States government can bring in a reasonable amount of tax revenue. A rate at this level would allow for a compromise between corporations seeking to invest in developed countries with a low corporate tax rate and the United States government, which needs corporate tax revenue to fund various government expenditures. This compromise would benefit all parties involved as American citizens would gain from corporate investment in the country, corporations would have access to a highly educated workforce in a very developed country, and the United States government would receive a reasonable amount of tax revenue from corporations operating here.

After comparing the policies of both presidential candidates, I believe that President Trump's corporate tax rate of 21 percent comes the closest to replicating the standards I have proposed for an ideal rate. The corporate tax rate under the Tax Cuts and Jobs Act has allowed

for Americans, corporations in the United States, and the United States government to benefit in their own ways and improve the economic standing of the America.

Benefits for Corporations

In times of high tax rates, American corporations are keen to take advantage of legal loopholes in United States tax law that only tax the foreign profits of such corporations when they return to the United States. Through the practice of offshoring, American corporations keep their foreign profits in foreign countries with lower tax rates than those of the United States in order to keep more of their money. The Trump Administration lowered the corporate tax rate to 21 percent in order to incentivize American corporations to bring their money back to the United States and prevent offshoring.

Corporations are incentivized to return their money to the United States because the cost of capital is decreased with a lower tax rate. The Tax Foundation observes that projects that were previously considered unfeasible can now be undertaken as the capital required for such projects is less expensive with lower taxes (Hodge). These projects will in turn grow capital stock, which boosts worker productivity and output (Hodge). A lower corporate tax rate in the United States will allow for American corporations to invest in the United States and undertake projects here rather than in low-tax jurisdictions. Investment in the United States will in turn benefit the American citizens that American corporations hire and the United States government, which will receive corporate tax revenue that would be otherwise kept abroad.

Benefits for Citizens

As mentioned previously, investment by American corporations in the United States rather than abroad will result in benefits for American citizens employed by these corporations. Such benefits have already been seen in the years since the implementation of the Tax Cuts and Jobs Act in 2017. The United States Department of the Treasury noted that shortly after the Tax Cuts and Jobs Act came into being, “there has been a job opening for every unemployed person”, highlighting the massive economic growth that resulted from investment at home by American corporations thanks to the money they saved due to the 21 percent corporate tax rate. This growth would not be possible without the incentive of paying lower corporate taxes in the United States, as American corporations would have chosen to keep their earnings in low-tax jurisdictions rather than invest it in America if they did not expect the investment to be economically feasible.

In addition to creating more jobs for Americans, a 21 percent corporate tax rate will also result in higher wages for American workers. When the Tax Cuts and Jobs Act was first implemented, it was estimated that it would lead to a 1.5 percent increase in the wage rate and a 1.7 percent increase in the GDP of the United States (Hodge). These seemingly small figures represent trillions of dollars in growth and more money for the American worker that has been seen in the economic growth allowed by the 21 percent corporate tax rate and other measures entailed in the Tax Cuts and Jobs Act. The many benefits American citizens have received from

the Tax Cuts and Jobs Act demonstrate that lower corporate taxes improve the economic wellbeing of all Americans, not just those at the top.

Benefits for the U.S. government

The United States government is another beneficiary of the lower corporate tax rate implemented by the Tax Cuts and Jobs Act. Even though the United States government takes in a lower percentage overall than the previous corporate tax rate of 35 percent, it can tax a much higher amount of corporate money being repatriated. The United States Federal Reserve noted that American corporations repatriated \$777 billion in 2018, approximately 78 percent of the total money being held offshore by American firms. The United States government is able to tax a much higher amount of money being invested back into the country than it was before the Tax Cuts and Jobs Act due to the preference of American corporations to save their money and invest in other countries under the prior 35 percent corporate tax rate.

Another way the United States government can benefit through low corporate taxes is by having fewer Americans relying on unemployment benefits. The United States Department of the Treasury found that corporate investment due to Tax Cuts and Jobs Act resulted in a 50-year unemployment low of 3.7 percent, meaning that fewer people relied on financial assistance from the government while they looked for work. This is yet another example of the growth brought by the 21 percent corporate tax rate and demonstrates that lower corporate taxes are optimal for the American people, American corporations, and the United States government.

Disadvantages of a high corporate tax rate

While there is abundant evidence for the benefits of a low corporate tax rate, some proponents of massive increases in government spending wish to undo the progress that the Tax Cuts and Jobs Act has made and return the United States to high corporate tax rates. One such proponent of high corporate taxes is Vice President Joe Biden, the candidate opposing President Trump in the 2020 presidential election. Vice President Biden has proposed the increase of the corporate tax rate to 28 percent in an effort to draw more tax revenue from American corporations. While this decision to raise corporate taxes may yield short term benefits by generating tax revenue, raising corporate taxes will make the United States a much less desirable place to invest for American and foreign corporations (Bunn). The lack of tax incentive to invest in the United States could cause corporations to leave the United States and stop the economic growth that has resulted from the low corporate tax rate of the Tax Cuts and Jobs Act, raising unemployment and lowering the wages of Americans. This would harm long term economic growth and force more Americans to rely on unemployment aid.

In addition to slowing economic growth, an increase in corporate tax rates could see taxes on American citizens increase. Governments that cannot tax corporations keeping their money abroad will instead raise taxes on their own citizens in an effort to bring in any kind of tax revenue that they can. The documentary *Taxodus* provides an example of this taxation in the form of Value Added Tax, an extra tax on all consumer products in an effort to recoup tax

money lost due to the practice of offshoring by corporations. Value Added Tax and other tax increases are feasible results of the United States government demanding more tax revenue and will result in lower savings for Americans. A high corporate tax rate will push American corporations to keep their money offshore to avoid American corporate taxes, meaning that the United States government will earn less money from corporate taxes and increase taxes on the American people instead. Because of this, I believe that a low corporate tax rate such as the current 21 percent corporate tax rate is the most rational option for the United States.

Interest in Tax Services

This case increased my interest in the tax service line of public accounting. I was already interested in the tax side of public accounting due to its emphasis on strategy and adapting to current events, and seeing the importance of the tax service line to multinational corporations solidified my choice.

I have always been interested in international affairs and current events, and the tax service line seems like the perfect way to combine my interests with the accountancy field. As recruiting for the Big Four accounting firms approaches, I will be sure to explore the tax service line and specific branches such as mergers and acquisitions and global employment tax. There are a variety of opportunities that a career in the tax service line can lead to, and I am excited to explore the options I have in the field.

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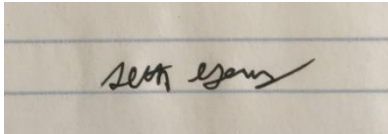
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Honor Code

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

Signed,

A rectangular photograph of a handwritten signature on lined paper. The signature is written in black ink and appears to be "Leah Evans".

Case 6: Interview

Seth Gerus

University of Mississippi

ACCY 420

Dr. Dickinson

27 January 2021

Introduction

The Interview Case 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. Life after graduating from the University of Mississippi will be markedly different from anything I have experienced up to that point. The challenges of moving to a new city, adapting to the work environment of my employer, and laying the foundations for a career in the corporate world will be difficult to face without the assistance of others. It is important that I seek guidance from those with experience in the working world, such as my parents, mentors within my place of employment, and personal connections in order to successfully navigate life after graduation.

I chose to interview Milan Slapak, a colleague of my father at General Electric, because of his wealth of experience within the corporate world and in his personal life. Milan is the President and CEO of GE in the Czech Republic and Slovakia and his time with the company has given him valuable insights that would be helpful to a student such as myself. In addition to this he has worked as a lecturer in the MBA program of the University of New York in Prague and is the Vice President of the American Chamber of Commerce in the Czech Republic. The variety of roles Milan has held means that he can speak from a number of different perspectives, making him a great source of advice and an even better subject for an interview.

My interview with Milan showed me that a balanced dedication to both personal and professional life is crucial to achieving my goals. Milan stressed to me the importance of putting

in the effort and going the extra mile as well as taking time to do spontaneous things and enjoy life as a student while I still had the opportunity. The thoughts and stories that he shared during our interview demonstrated that I can learn invaluable information from those with experience in the world of business, no matter where they are in the world.

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

Milan Slapak was born in 1976 in a village of roughly 800 people in the now-defunct Czechoslovak Socialist Republic. The country was allied to the Soviet Union and ruled by the Communist Party, which severely limited the freedoms of Czechoslovak citizens. Travel to non-Communist countries was forbidden and even travel between countries allied to the Soviet Union required explicit permission from the government. Milan explained that as a child he was unaware of the large cultural differences between Communist and free market societies, although he did notice that under Communism there was not a large emphasis placed on education. He believed that the Communist government did not desire for the population to receive an education that would put them on a path of free thinking and individual rights, but rather wished for a population of workers who did not ponder such things.

Having university educated parents himself, Milan learned the importance of receiving an education early and at 15 he moved to Prague, the capital of Czechoslovakia, to attend high school and later college. Around this time Communist rule over Czechoslovakia ended and the country became open to Western businesses and cultural influence, and eventually split into the

separate countries of the Czech Republic and Slovakia in 1993. In the midst of all this change Milan prepared to enter university at Czech Technical University in Prague.

What were your college years (if applicable) like?

At Czech Technical University, Milan chose to study Business and Management in a system different from how universities function in America. His first two years consisted of general education classes, while the final three years of the degree consisted of coursework focusing on his field of study. The university later changed to a system more familiar to Americans, a sign of the increasing influence of the West on the newly formed Czech Republic.

Western businesses began hiring Czech students and Milan soon started working part-time for GE Capital after learning about the company at a career fair. Milan traveled around Europe evaluating GE suppliers and was handed a number of responsibilities including a company car and phone, all while still a student. This was a doubly rare opportunity for Milan as Czechs had only recently been allowed to travel abroad, and most Czech students did not hold jobs until after they graduated. The opportunity that GE provided him at such a young age convinced Milan to stay with the company after graduation and begin his career there.

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

Business and Management appealed to Milan because the field of study provided a path to a career full of opportunity. Milan had grown up in a small village in the Czech countryside

where his family was considered fortunate because they owned a television and a single car, and he was eager to gain greater responsibility for himself. This field of study provided the perfect opportunity for him to forge a career in Prague and elsewhere.

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

Milan's first job was working part-time with GE while he was still a student. This was rare for a Czech student as they typically do not start working until after they graduate. The part-time work Milan did for GE was for their finance branch, but the work he did soon drew the attention of operations branches of GE due to the quality and effort with which he worked. From this he learned that it is crucial to go the extra mile in your career as it will be noticed and appreciated.

Following this, Milan was selected for a rotational GE leadership program that saw him visit America for the first time. This program demonstrated to him the opportunities that were possible with GE and the people there, and he still keeps in contact with the recruiter that brought him to the program. The program led Milan to directorial and managerial roles for GE aviation in Prague, Cincinnati, and Torino. These various postings showed him the importance of technical knowledge and Milan soon made sure to always "know enough to be dangerous" in his own words.

What has your life been like outside of your work?

Milan's current position keeps him busy most of the week, but he still enjoys weekends and tries to spend quality time with his two sons and his daughter when he has the chance. Due to the COVID-19 pandemic, many in-person meetings and networking events have been moved online or canceled, allowing him more family time than he would otherwise have.

Outside of family life, Milan holds a Ph.D. in E-Business in Strategic Management and lectures in Operations Management at the University of New York in Prague. He is also the Vice President of the American Chamber of Commerce in the Czech Republic, and reviews regulations and legislation that could impact the economic relationship between America and the Czech Republic.

What has been the best vacation you've ever taken?

The best vacations Milan has taken were earlier in his life, and he listens off some of the most memorable ones for me. From backpacking through India and Vietnam to climbing Mount Kilimanjaro in Tanzania and hiking the foothills of Mount Everest, Milan is very well traveled and has no shortage of vacation stories to tell.

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

Milan gave two small but very meaningful examples of what he would change about his life. The first was that he would control his procrastination, as time management is a key skill to have in the world of business. The second is that he would spend more time with his children.

This point was especially meaningful to him, since he faces a very busy work schedule that he must balance with important family time.

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

Milan wished that his younger self would have taken more time to enjoy life as a student and be spontaneous, and he advised me to do the same. This is not what I would expect to hear from a business professional such as himself, but he explained his reasoning. Myself and my classmates will only be students for a limited time, so we should take advantage of the time we have in school and have fun.

What are you most proud of?

The professional moment that Milan was most proud of was the establishment of GE Turboprop Headquarters in the Czech Republic. This investment by GE included close research collaboration with Czech Technical University, Milan's alma mater. The \$100 million-plus investment in a country of 10.5 million people by GE was described by Milan as a "game changer" and he was proud to have played a part in the move.

What do you think will be the biggest challenge for your generation?

Milan considered rapid digitalization to be the biggest challenge to his generation because of the speed at which the world has digitalized. Developments such as the Internet of Things are bound to have a massive impact on the global economy in the near future, and

the ability to adapt to new technology will be crucial for his generation. Workers need to be able to pursue new opportunities if other opportunities are made obsolete by technology, and the ability to do this is the best way to keep up with advancing technology.

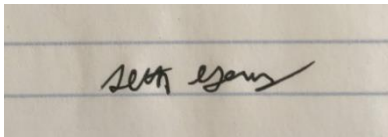
What will be the biggest challenge for my generation?

Milan considered there to be two challenges for my generation, one external and one internal. Externally, states such as Russia and China present the world with the threats of cyber warfare, theft of intellectual property, and the looming possibility of armed conflict. Internally, my generation must learn patience and not expect instant gratification in the working world. Problem solving and communication have become increasingly rare skills for my generation, and those that have these skills will have a major advantage over those who do not in the near future. Milan believed that my generation has an advantage in growing up with the advance of technology and sees it as a tool that can be used to counter challenges we may face in time.

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, "Seth Evans", written in black ink on a piece of lined paper. The signature is written in a cursive style and is positioned between two horizontal lines of the paper.

Tesla, Inc.

Week 1

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What was our task for the week?

After being split into groups, we had to decide on a company to study for the case. The company had to be domiciled in the United States, listed on a major stock exchange, and have been publicly traded on that exchange for at least five years. Our group chose to research and study Tesla, an electric vehicle and clean energy company based in Palo Alto, California. We chose Tesla due to the broad media coverage regarding technology and environmental regulations, Chief Executive Officer Elon Musk's extreme financial success, and the general hype surrounding Musk, especially in relation to the technology and automotive manufacturing industry.

What did we discover?

We discovered that Tesla has had an outstanding year in terms of financials, stock performance, revenue, and profits. Tesla has been able to turn a profit for all four quarters of 2020. In addition, 2020 was Tesla's most revenue in a year and also was its first full-year profit. An important turning point for the company has been its shift toward profitability, and their success has been made possible largely due to rising sales in China and Europe as well as the addition of the Model Y sports utility vehicle, which has become the top seller in the United States.

Tesla is poised to continue its profitability into 2021 and increase its revenues due to the current climate of the auto manufacturing industry. As consumers become more

environmentally conscious, they are expected to prefer electric and hybrid cars, and Tesla is a leading brand in this category. The company will also benefit from massive subsidies and favorable regulation from the United States and European governments that are eager to increase in-country production of new generation batteries. President Biden's Green New Deal proposal stands to benefit Tesla by offering governmental support for the company's renewable energy products. Additionally, Tesla subsidiary SolarCity produces and sells solar panels, and the company is expected to see growth in that sector as the US government prioritizes green energy in an effort to minimize the country's carbon emissions in the years to come.

With the rapid increase of production and the development of the new Tesla Gigafactory outside of Austin, Texas, Tesla is expecting to continue to increase its revenues in the future. In fact, Tesla managed to significantly increase annual production from 2018 to 2020 by 68 percent, mainly because of the automation of manufacturing processes, which establishes greater efficiency, but also because of the company's continued expansion. Following this trend and Tesla's objective of selling affordable vehicles while growing its amount of vehicle deliveries, we expect to continue to see Tesla dominate the automation market. There is plenty of opportunity for Tesla as electric cars look to take a greater revenue share in the future in response to growing environmental concerns.

What did we learn from doing this case?

While working on this assignment, we learned about the importance of financial analysis and how essential it is for investors to analyze 10-Q filings before investing in a stock. The documents available to us helped us to successfully determine that a company like Tesla is in a healthy financial state. We did this by simply analyzing the financial statements that are legally required to be provided to the public by the SEC and Tesla. We were really amazed at how much information we were able to gather based off of just the company's filings. In addition, we believe that the sudden rise in Tesla's stock price is justified based on our findings. Many critics of Tesla state its shares are far too overpriced because Tesla currently holds a market share of less than two percent. With that being said, Tesla investors believe in Tesla's future as a renewable energy company and a lifestyle company rather than just as an automobile manufacturer. We now feel like we have a better understanding of what investors are looking for in a company like Tesla.

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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 assignment.”

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Tesla, Inc.

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What was our task for the week?

Our task was to audit Tesla's financial statements. Our group was responsible for analyzing Tesla's most recent 10-k filing and investigating it for possible risk. We used a chart that allowed us to organize the accounts that listed possible assertions that Tesla's financial statements could be missing. It was important that our group examined the footnotes of the 10-k filing in order to guarantee that Tesla was reporting accurate and reliable information to their shareholders and the public.

If we came across an account that showed large growth or shrinkage compared to the prior years, we considered that a possible risk and suggested an internal control or test that helped to verify those numbers more appropriately. We paired these internal controls with tests that would reveal data from the account and give us a better understanding of the account's activity. After these tests, we used data analytics in the form of visualization, data filtering, and automated processes to sift through the data and find trends that would point out anomalous activity and show exactly what was happening with the account.

This process was repeated for six of Tesla's seemingly risky accounts and if implemented, would allow for a visualization of data trends that would point out any anomalous activity. These data comparisons would point to trends within Tesla such as rises in debt coinciding with the construction of new Tesla plants and would probe for any possible risks. By

using this audit method, our group hopes to gain insights into Tesla's account activity that we would not have otherwise.

What did we discover?

Through analyzing the financial statements in Tesla's 10-k, we were exposed to the numerous different accounts of Tesla. While many think of Tesla as solely an automotive brand, we were able to see that Tesla has other sources of revenue as well. By looking at their income statement, we discovered that Tesla has three main sources of revenue: automotive sales, automotive leasing, and energy generation and storage revenues. Additionally, Tesla has some services and other revenue. With Tesla's advanced, cutting-edge technology, we assumed research and development would be the largest operating expense for the company; however, we were surprised to find that selling, general, and administrative expenses surpassed Tesla's expenses for research and development.

We also discovered that Tesla bases much of its valuation on estimates or subjective valuations of their assets. Tesla saw a large amount of growth in the Intangible Assets account in 2019, but this amount would be difficult to verify due to the subjective nature of the valuation of intangibles such as brand recognition. The valuation of Tesla's assets has a major impact on its balance sheet, and by reading the footnotes of the 10-k, we were able to discover the accounting methods employed by the company.

What did we learn from doing this case?

This audit activity showed us that auditing is a time-consuming process and requires a deep understanding of accounts on the balance sheet and income statement. Throughout the process, we paused our activity to recall the normal balances of certain accounts and how activity in an account would affect other accounts and the overall financial statements. Auditors must be keen on the intricacies of accounts in the balance sheet and other financial statements if they are to be successful in their careers.

We also learned that data analytics plays a major role in the audit process. Rather than sifting through thousands or millions of transactions and entries, auditors can use data visualization tools to quickly parse through data and discover trends and anomalous activity. Data tools are increasingly important instruments that auditors can use to quickly and efficiently analyze large amounts of data and perform more precise, streamlined audits.

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Tesla, Inc.

Week 3

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What did we do?

This week we were asked to review prevalent tax laws, including the BEAT, GILTI, and CARES Act provisions, and formulate tax strategies that would legally minimize Tesla's overall tax burden. We analyzed different articles from websites such as the irs.gov and searched for ways in which Tesla could adjust its long-term strategy in order to maximize its strengths and decrease its tax burden. Our group weighed the benefits of moving Tesla's operations to low-tax states such as Texas and Florida to minimize its tax burden and compared this possibility to that of staying in California long term.

To conclude, we discussed various ways in which Tesla could decrease its tax expenses, chiefly through moving headquarters out of California and utilizing President Biden's support of electric vehicle industry manufacturing in the United States. Both of these choices by Tesla would reduce the company's tax burden in the long term, and our group believes that they are sound choices to ensure Tesla's profitability into the future.

What did we discover?

We discovered that Tesla currently benefits from a number of tax incentives on a federal and local level. Tesla's 2020 10-K showed that the company was able to carry forward roughly \$16 billion in operating losses to offset its tax expenses. These taxes were also offset by tax credits of roughly \$1 billion on the state and local level. The action by Tesla to reduce its

income tax demonstrates that the company has a number of strategies available to reduce its tax expenses.

Through researching the Biden administration's tax policies, we discovered that the administration wants to boost job growth efforts by creating a 10 percent tax credit for companies that are willing to invest in American workers. According to the Bureau of Labor Statistics, Tesla is below average in annual wages for workers in the refuse and recyclable material collection. Raising the annual salaries of Tesla's employees would not only attract more skilled employees but also give the corporation a 10 percent tax credit.

We discovered that Tesla could save billions of dollars in future profits by moving to a state with little or no corporate taxes. While Tesla is still headquartered in California, Elon Musk has announced his desire to transition his company and headquarters to Texas, where there is no state income tax. This is attractive to companies like Tesla who are stuck paying high taxes that come from living in the state of California, especially because the corporate tax rate would decrease tremendously upon the move. Tesla would likely be able to generate a higher net income at a lower tax rate due to the fact that Texas omits many California-applicable taxes.

In addition, Tesla would be able to lower its overall wage expense because the cost of living in Texas is dramatically lower than the cost of living near their current corporate headquarters. An increase in the salary of an employee in Texas would still cost less than the current salary of an employee in California when adjusted for differences in cost of living.

Overall, a move to a state with a lower corporate tax rate would save any corporation headquartered in California billions over the course of just a few years.

What did we learn?

We learned how intricate and nuanced tax truly is. While it may seem like tax expense should be a simple calculation, there actually are a lot of different factors and details that go into determining how much a corporation is liable to pay in taxes. Additionally, the tax law is constantly changing, which adds to the complex nature of taxes. To pursue a career in tax accounting, one must be able to adapt and learn quickly to adjust to the ever-changing tax law. A great attention to detail also must be utilized when researching and working with tax law.

We also learned more about how tax rates may differ depending on the location of the headquarters of the company. While some taxes are incurred federally, others are required depending on the state. This can be beneficial to companies who are looking to strategically decrease taxes without making many changes to income. Tax strategy requires a company and those working with it to assess the frequent changes in the environment in which the company operates, and the company must adapt to those changes in order to maintain or exceed its level of success.

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Tesla, Inc.

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What was our task?

Our task was to provide financial advice regarding Tesla's strategic mission to help improve the ability to reach that goal through advisory practice techniques. We first had to research the company's operations, including the location of its corporate headquarters and manufacturing facilities and the business mission and strategy. In addition to this, we researched the customers, suppliers, and strongest competitors of Tesla and discussed how we interacted with them in our operations.

Next, we were instructed to produce charts displaying values for the past five years of revenue, cost of goods sold, SG&A expense, operating income, assets, liabilities, return on assets, profit margin, and asset turnover. After analyzing trends from the charts, we discussed reasons for such trends. We were also required to analyze the two largest threats to Tesla's success and develop a plan for the company to counter the threats. Finally, we had to recompute the ROA, profit margin, and asset turnover as affected by our plan and determine how these ratios would be affected by our solutions.

What did we discover?

We discovered that Tesla's CEO Elon Musk stated in 2006 that his strategic mission for the company is to make "affordable cars and provide zero emission electric power generation options" (Musk). So far, Tesla has been successful in this mission, and with the increasing

popularity of electric vehicles, the company is well positioned to continue in its pursuit of Musk's goal of proliferating zero emission transportation.

We also discovered that Tesla's profit margin grew consecutively through the years 2016-2020, which was mainly attributed to a parallel increase in revenues. By continuing to increase the profit margin and working capital by increasing assets and revenues, the company will be able to make higher quality vehicles at a more affordable price, which will increase consumer demand.

We learned how to evaluate Tesla's 10-K filing by using various financial ratios we have learned from prior accounting courses. For example, we created an Excel spreadsheet and recorded various temporary and nominal accounts from the years 2016-2020 in order to compare each fiscal year to each other. By analyzing the revenue and assets accounts, we were able to produce the asset turnover ratio for each of the five years. The trend in asset turnover percentages shows that Tesla has been able to increase its assets the first three years, with a decrease in the two most recent years. This decline in the asset turnover rate is due to the fact that Tesla's cash and cash equivalents account increased tremendously from 2019-2020, decreasing the percentage of the ratios even though the revenues increased at a more consistent rate. However, when it comes to return on assets and profit margin ratios, Tesla was not able to produce a positive number on either of these ratios until the year 2020.

What did we learn?

We learned that advisory work involves many different factors that must be considered when planning for the future of a company. Advisory workers must analyze the goals of the clients they work on and align their strategy for the client with the client's stated objective. The strategy that advisory workers propose to the client should take into account the situation that the client is currently in and find opportunities that the client can pursue in order to grow their business and pursue their mission. It is important to understand the client's mission and strategy because the client may not be very receptive to a plan that is not congruent with its strategic mission. In the case of Tesla, our group observed that Tesla was well on its way to achieving the goal of proliferating affordable electric vehicles and power generation, and we advised the company to pursue strategies that would defend against the threats to the company and allow Tesla to follow its mission statement.

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The Honor Code

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Tesla, Inc.

Week 5

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What was our task?

Our task for the week was to research Tesla's financial position and capital. We had to determine Tesla's stock price on the closing day of the previous fiscal year as well as the current stock price. Through obtaining data from Tesla's 10-K, we had to calculate the price-to-earnings (P/E) ratio as of the last day of the fiscal year. Additionally, we had to find Tesla's beta, growth rate, and number of analysts following the company. After completing research on Tesla's stock, we then had to identify how net income and common shares outstanding would change over several years. For each of these years, we had to calculate a projected stock price using the earnings multiplier valuation approach. Our final task was to use our new return on assets (ROA) and projected increase in stock price to demonstrate the validity of our recommended strategies while also determining any potential changes to Tesla's risk profile through implementing our strategies.

What did we discover?

By utilizing ratios such as earnings per share (EPS), ROA, and P/E, we confirmed our hypothesis from last week that Tesla will continue to grow in capital for at least five years into the future. We also realized how much effort goes into performing a financial analysis for a company. For example, after analyzing Tesla's 10-K filing, we used the ratios mentioned above to compute forecasted variances in the company's capital accounts. This was a task that required

a lot of effort because of the amount of work required to find the numbers and accounts on the 10-K and then perform the analysis on them.

We discovered that Tesla's profitability has had a notable effect on its EPS, giving the company its first positive EPS and indicating that Tesla is coming closer to realizing its corporate valuation. This means that Tesla is on a positive financial trajectory and can continue to be profitable if it can follow corporate strategy that allows it to grow in sales of electric vehicles and renewable energy. We also discovered that Tesla is a fairly risky company in the market due to the fact that their beta is 2.09, which means that Tesla will experience more ups and downs in the stock market than the average company.

Through researching the buy or sell recommendation for Tesla's stock, we discovered that most analysts recommend investors to hold or sell due to the fact that most analysts believe Tesla has good long-term prospects but believe the current price is much higher than what the stock is actually worth. Some analysts also believe there is a lot of uncertainty and potential risk in investing in Tesla because the market has high expectations for the stock and any slowdown in growth, execution problems, or lack of capital could possibly lead to a major decrease in Tesla's stock price.

While most analysts believe Tesla is overvalued in its current state, there is a strong case from analysts who are bull on the stock. One such case focuses on the fact that Tesla is not an automotive company but is instead a renewable energy company. When taking this into

consideration, one can begin to see the big picture of Tesla's stock price rising. Renewable energy is certainly one of the best ways to fight climate change, and the industry is bound to see triple digit growth within the next decade. If Tesla is able to capitalize on the emerging market, Tesla's stock could skyrocket in value over the course of just a few years.

What did we learn?

We learned that there is a large amount of research and analysis that goes into predicting the financial performance of a company. Financial analysts must have a good understanding of the environment a company exists in and the strategy for the company in that environment in order to make accurate predictions about the future of the company, and even then, their predictions are often proven wrong. Tesla is a company that has massive growth potential in the near future, and we learned that the company can increase its stock price and EPS with a strategy that fits with the current economic environment.

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Signed *Shae-Anne Jones*
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Case 8: Financial Crisis

Seth Gerus

University of Mississippi

ACCY 420

Dr. Dickinson

21 April 2021

Introduction

The Financial Crisis Case is the eighth case that I will complete for ACCY 420 as a part of the Sally McDonnell Barksdale Honors College Thesis at the University of Mississippi. The Financial Crisis of 2008 was a seminal event in the history of the United States that had major ramifications for the global economy. Financial institutions that had long been respected as the pinnacles of wealth and success were suddenly forced into bankruptcy, and the resulting economic collapse that followed resulted in poverty and unemployment for countless millions of people. The selective bailouts for major financial institutions that followed their collapse demonstrated that these institutions were “too big to fail”, leading many Americans to lose trust in a system that would allow the institutions to be rescued while they suffered.

A number of factors are thought to have caused the financial crisis, including a lack of government oversight, deregulation of financial institutions, and overreliance on flawed financial models. I believe that a convergence of these factors and others lead to the collapse of American and global financial institutions, and that the crisis could be repeated if regulatory authorities are not careful. The bailouts of major financial institutions by the government following their collapse suggest that the government is more concerned with the consequences of the financial crisis than its root causes. The government, financial regulators, and financial institutions themselves must be diligent and work together to prevent another financial collapse

and preserve the financial system that has worked to the benefit of the American people when properly used.

This case demonstrated to me the interdependence of financial institutions and government and the effect this has had on policy that is important to all Americans. The relationship between government and financial institutions is a relatively new development in American history, and it must be closely monitored by the American people and regulatory authorities in order for both systems to properly function. The financial system should prioritize long-term growth over short-term gain, and the financial crisis is an example of what can happen if financial systems lose sight of this objective.

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

The materials provided for this case reduced my trust in government and its ability to regulate financial institutions. Many members of government are heavily influenced by lobbying and close ties to financial institutions, and the crony capitalism that results from this influence often yields negative consequences like wastefulness and corruption (“What is Crony Capitalism?”). If Americans are to trust the American government, they must be assured that the government is acting in their best interest and not in the interests of outside organizations. The financial crisis is an example of what can happen if the government is influenced by crony capitalism. Financial institutions such as Goldman Sachs used close ties to the American government to decide against regulating high-risk financial markets including derivatives and

collateral debt obligations (CDOs). This influence in government meant that financial institutions could engage in nefarious practices, like taking out insurance against their own CDOs that were marketed as safe, that could have been avoided if properly regulated by the government (“Inside Job”). The influence of financial institutions on the American government demonstrates that the government in its current form should not be fully trusted to regulate financial institutions.

This case has also reduced my trust in financial institutions because of the influence they hold over the government. Not long after deregulation in the 1980s, Goldman Sachs was quick to engage in risky speculation in a number of markets including the internet in the 1990s, housing in the 2000s, and commodities in the 2010s, all of which ended in disaster for investors but earned billions of dollars for Goldman Sachs (Taibbi). Several former Goldman Sachs executives found themselves in regulatory positions within the American government during this time period, and often chose to ignore or lightly punish nefarious behavior by their former employer when it was finally uncovered (Taibbi). This behavior from financial institutions like Goldman Sachs shows that financial institutions should not be trusted without proper regulation, and certainly should not be allowed to influence the organizations that are supposed to regulate them. The numerous conflicts of interest between the government and financial institutions demonstrates that there should be provisions in place to prevent crony capitalism and corporate

capture from letting financial institutions operate without any regulation to protect American taxpayers.

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

After reviewing the materials for this case, I believe that my professional role in society as an accountant should be to provide accurate information to both clients and the government. The effect of untruthful communication between the government, financial institutions, and investors in CDOs was one of the main causes of the financial crisis in 2008. I believe that all three groups must be properly informed in order to prevent another similar crisis. Of course, I will face much more severe consequences for providing inaccurate information to the government or a client in my career in public accounting. If I am convicted of lying about an audit or committing tax fraud on behalf of a client, I can expect to be heavily censured and possibly face jail time. In the case of many executives at financial institutions, most that left were allowed to resign and take hefty severance packages that included valuable stock in the institutions they left (“Inside Job”). This disparity in punishment for an accountant versus an executive at a financial institution is a reason that many Americans lost trust in both the government and the financial system following the collapse of financial institutions that lost many Americans their jobs and savings

This represents a change from my prior beliefs about my work as a professional. Before this case, I believed that my role in society as a professional would be to help my clients to work around the government. This case showed me that some institutions will behave nefariously without governmental oversight, working against the best interests of their clients when provided the opportunity to do so. Government may be far from the most efficient tool to regulate institutions, but I now believe that as a professional I should do everything in my power to work in the best interest of the institutions I work with and a government that should act in the best interest of the American people.

On a personal level, I believe that my role in society should be to provide for my family and be aware of the investments I make with my earnings. Recent speculation in bubbles such as short squeezes has proven to be disastrous for hedge funds that decided to make that investment, and I will definitely research my options before I trust my earnings with a particular investor, if I choose to do so at all. Failure to properly research the decisions that investors make could end with me losing my savings. Investors have made numerous mistakes in the past and overreliance on formulas such as the Gaussian copula formula proved to be disastrous for investors who were convinced that the formula proved that CDOs were a good investment that had a small risk of failure (Salmon). When this failure finally happened, investors realized that their overreliance on the formula was a key reason that they had lost so much money. I will need to be careful to

invest in proven investments that are not solely reliant on one formula or trend so that I can provide for my loved ones and grow my savings.

Are there any parallels between the political landscape that brought on the financial crisis and our current political environment?

There are many parallels between the political landscape that brought on the financial crisis and the current political landscape. One in particular that stood out to me was the Biden Administration's focus on making college more accessible to everyday Americans. While this goal is noble in theory, the possible implementation of it is eerily similar to prior goals by the government to increase home ownership among Americans. Dr. Thomas Sowell explained that because of governmental pressure on financial institutions to make mortgages easier to access, mortgages were given to people who were not able to pay them ("Cause of the 2008 Financial Crisis – Dr. Thomas Sowell"). Securities based on the ability of homeowners to pay their mortgages were issued by these same institutions and classified as low risk. When homeowners, who would have been denied a mortgage without governmental interference, defaulted on their mortgages, these securities collapsed and took investors with them. The Biden Administration has prioritized initiatives such as increasing college enrollment among Americans and may pressure financial institutions to assist the government in this goal by giving loans to students who may be characterized as high-risk. Financial institutions may see an opportunity to

capitalize on this by issuing derivatives based on the ability to pay back loans, and investors must be cautious when approaching investments based in high-risk endeavors such as this.

Another parallel that is apparent between the previous political landscape and this one is the set of government officials that are currently in power. As Vice President during the Obama Administration, Joe Biden presided over a bailout of financial institutions that chose to rescue Goldman Sachs but not Lehman Brothers, calling into question the impartiality of that administration (Taibbi). Biden Administration appointee Janet Yellen, Secretary of the Treasury, earned \$7 million in speaking fees from financial institutions including Goldman Sachs, Citigroup, and others (Weissert). The records of current administration officials show that there will not be much, if any, change in the way financial institutions are regulated. This is because they, like many in the American government, are deeply involved with these institutions and do not want to see their relationship with them threatened.

What can be learned from the crisis to help us avert future crises, financial or otherwise?

To avert future crises, the government should enact procedures to ensure that members of government are impartial and unbiased in regard to factors of the crisis. During the financial crisis in 2008, numerous members of the government and governmental regulatory agencies were related in one way or another to financial institutions and often chose to ignore or lightly punish these institutions. In some cases, these institutions were even given government money in order to rescue them from the consequences of their actions. This cannot be allowed to

continue if financial crises are to be avoided. Government must rid itself of any conflicts of interest if it wishes to continue as an effective regulator of the private sector.

Furthermore, financial institutions must realize that they owe it to their clients to act in their best interest as well as in the best interest of the shareholder. This should involve some government regulation if financial institutions are not able to behave properly in the absence of government intervention, as they have previously demonstrated. Financial institutions and government must realize that they both have a responsibility to act in the best interest of those they serve, be it their shareholders and clients or their citizens. If not, then I believe that neither is “too big to fail” and that both should be allowed to face the consequences of their actions.

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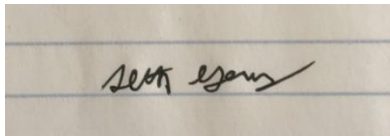
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Honor Code

“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 on lined paper. The signature is written in black ink and appears to be "Seth Evans". The paper has horizontal blue lines.

Speaker Summaries

PwC

The first public accounting firm to present to our class was PwC. The speakers broke up the class into small groups after introducing themselves. In these small groups, groups of two speakers came and talked to us about the service line and city they worked in. I got to ask about the Tax service line and learn about working in several different cities. I am interested in working in Tax in Nashville or Dallas, and I learned some good information about what I can expect from working in the Tax service line. I also gained some valuable contacts within PwC that will be helpful for internship recruiting.

I asked the groups which skills were most helpful in the workplace, and their responses gave me a good idea of what I should improve on for my professional career. On top of technical skills, interpersonal communication is very important in the workplace. Soft skills will allow workers to communicate well with their coworkers and clients, and I can use my communication skills in the workplace. The speakers also mentioned that technology such as Excel, Tableau, and Alteryx was very important in the workplace. The classes that students take at Ole Miss do a great job preparing students to use these technologies. To prepare myself for the working world, I can pay attention in these classes and gain experience using technology that will be used in the workplace.

This presentation by PwC was very informative and allowed me to speak with industry professionals about what I can expect in the working world. I was interested in the working culture that sets PwC apart from other firms, as well as the opportunities at the firm. I am excited to learn more about these opportunities when it comes to internship recruiting in the Spring.

BDO

For this class period two guest speakers from BDO spoke to the class about the importance of time management in a professional setting. To begin, the class watched a TED talk by Laura Vanderkam that talked about harnessing down time in the workplace to work more efficiently. I found myself agreeing with many of the things the TED talk mentioned, and I also agreed that time management is important to not becoming overwhelmed with work.

After this, the two speakers told the class about their backgrounds and what work was like at BDO. Audit Partner Michael Berg and Audit Manager Derek Van Dunse both work in the Nashville office of BDO, and they were able to continue working in their office, whereas some other accountancy firms had closed their offices due to the COVID-19 restrictions. Michael and Derek talked about the importance of time management and pacesetting in order to meet goals and deadlines. Something the speakers mentioned that resonated with me was the prioritization of work. When working with multiple projects and deadlines, knowing which work to do first or last can make a serious difference and allow you to effectively use your time.

Michael and Derek also mentioned the importance of building in time to relax and destress to avoid burnout. Taking breaks to walk around or talk to coworkers are good ways to relax and rest before going back to work.

After this, the speakers answered questions about BDO and Nashville. These questions included the firm culture, time management, and breaks in the workplace. I found this meeting to be very helpful in my search for an accounting internship. By learning about the value of time management in the workplace, I can see that I have a useful skill that will easily transfer into the professional world. This will allow me to effectively manage my workload and prioritize the projects I will work on.

KPMG

During this class period, the class heard a presentation from KPMG. Employees working in the New York City office talked about their career experiences. It was very interesting to hear about New York City. Having visited the city before it was exciting to hear about working in such a busy place. A partner from KPMG who had worked in New York before transferring to Cincinnati talked about how his work had led him to the Cincinnati office. I had met this partner at Meet the Firms in 2019, and at that time I heard that he was planning on moving from New York to Cincinnati. Being from Cincinnati myself, I gave him recommendations on restaurants and places to visit. One year later, it was neat to hear how his move had gone. It was exciting to hear about the variety of opportunities that were available to workers in the New York office.

After hearing the partner and other KPMG professionals speak, the speakers opened the floor to questions. I learned about opportunities in Tax, Audit, and Advisory at KPMG across the country. The professionals talked about the differences between large offices like New York and Dallas and smaller offices like Cincinnati and Nashville. These differences are something to think about when deciding where to work, and the details that the speakers shared with me gave me some guidance as to where I will look to apply when I choose where I want to work. I will definitely look to apply to a smaller office such as Nashville because it is focused on a few key industries such as healthcare and manufacturing. I also want to work in the South in the future, and working in Nashville will allow me to do this.

This presentation from KPMG was very informative and allowed me to meet with several professionals at the firm who were very helpful. I now have a better idea of where I want to work in the future, and I can reach out to professionals at KPMG to learn more about their experiences. I will be sure to apply this knowledge when I apply to internships in the Spring.

EY

For this class period we heard a presentation from several speakers that worked for EY. I had seen several of the speakers during the recruiting process and I was excited to learn more about them and EY. The speakers talked about the different EY offices around the United States and throughout the world, as well as the amount of autonomy each office has in its operations. The speakers also emphasized the opportunities to travel and work abroad, specifically

mentioning a program in which employees could rotate to offices in Australia and New Zealand for several months out of the year. This was very interesting to me because I am interested in traveling. Being able to work in the US and travel to a different office during the year sounds like a great opportunity to travel and avoid burn out. On top of this, the speakers talked about the paid holidays and paid vacation that all employees were guaranteed.

After this, EY had a planned team building exercise in which the class and speakers were split into groups to compete in puzzles and tasks. This exercise was interesting to me because of the team dynamics that quickly formed. My team won the competition and won a prize from EY, and I was excited to win and grow closer with my classmates. Even though this class is online and does not meet in person, this exercise was a great way to meet professionals and connect with my peers. This presentation allowed me to network in a professional manner and compete in a fun team building exercise at the same time. I will definitely consult with EY professionals during the recruiting process to get a better idea of where I would like to work.

Deloitte

Two speakers from Deloitte joined us for this class period. One was the Ole Miss campus recruiter, and the other was an Audit Senior from the Nashville office. The Audit senior attended Ole Miss in the past and was very helpful in explaining the recruiting process to current Ole Miss students. Having former students that are willing to help current students is very useful

for the recruiting process, and having this network has helped me to make connections in the working world.

This presentation was about virtual interviews and the virtual recruiting process. Much of recruiting is now done online due to ongoing COVID-19 restrictions, but it is still very similar to normal in-person interviewing. Virtual interviews allow candidates to see which firms are the best fit for what a candidate wants in a career. Defining your values and comparing those values to a firm's values is a great way to make a choice on where to work. For this presentation, students in the class were given a values organizer by the speakers, and we wrote out what we valued in an employer. We then ranked these values to get a better idea of what we wanted to see in an employer. The speakers also talked about which values were important to them and what they saw at Deloitte. This exercise was very helpful and allowed me to narrow down what I want to see from an employer in the working world.

The speakers also went over tips and advice for virtual interviewing. Having your software ready and pre-tested, finding a quiet area to work in, and speaking slowly and clearly are all great pieces of advice that I will be sure to use during recruiting. This presentation was very helpful and I will be sure to use the knowledge I gained from it in the recruiting process.

BKD

For this presentation, the class heard from a BKD recruiter and the Managing Partner of the BKD South Region. The two described the culture and opportunities available at BKD, as

well as the importance of setting goals in a career. As well as professional development, the speakers emphasized the benefits of a healthy work-life balance. Accounting is an especially time consuming profession, and making time for your personal life is very important for workers in the accounting field. The Managing Partner emphasized the importance of setting goals and boundaries in order to manage a career in accounting successfully. I found myself agreeing with this perspective and I believe that I will be able to successfully set goals and boundaries so I can effectively balance my work and personal life.

After this, the speakers continued by talking about the importance of data analytics to their work. Ole Miss has a Master's of Accountancy and Data Analytics that is very helpful in preparing students to use data analytics in the workplace, and employers see the value of this degree and students who have it. The speakers also touched on the opportunities available at BKD, including offices across the country and the opportunity to work with the FASB board on designing and reviewing accounting rules and regulations. I found the opportunity to work with the FASB board especially interesting.

This presentation reinforced the importance of work-life balances in the professional world for me. When I am in the working world, I will have to use my time and effort both in my personal life and my professional life. The Managing Partner of BKD South gave the class some great advice about this balance and goal setting in order to succeed in the professional world, and both are valuable skills that I will try to hone in the future.

Crowe

For this class period the class heard a presentation from Michael Giammalvo, a Tax Partner at Crowe's Nashville office. Michael's presentation focused primarily on the importance of data analytics in accounting. Data tools such as Alteryx and Tableau are increasingly important to accountants to organize and visualize data. Crowe wants to use these data tools to make filing taxes easier, and one of the company's goals is to use machine learning to create a paperless tax return. This would make tax work much more efficient.

Michael continued by saying that accountants will use data more and more in the future. Being at Ole Miss, accountancy students here are uniquely positioned because we can earn a Master's in Accountancy and Data Analytics that will teach us to use these tools in the workplace. This will give Ole Miss students an advantage and make us more attractive to potential employers.

After talking about data analytics, Michael talked to the class about Crowe and opportunities there. Crowe has offices around the country and throughout the world and works on many different tax projects. In the Nashville office, Federal Tax is a large project that is very busy at the end of each fiscal quarter. This presentation made me consider my options when looking at where I want to intern. I am interested in working in tax, and I will definitely consider firms such as Crowe when weighing my options.

Whitley Penn

For this class period, the class listened to a presentation given by speakers from Whitley Penn. This firm is based in Texas and focuses on the South and West regions but has an international range that allows workers there many opportunities to travel and gain expertise in different regions. The presentation gave an overview of Whitley Penn and detailed the company culture of the firm.

The presentation began with the speakers talking about the importance of the fit of firms. The amount of turnover, team size and makeup, and the age of partners are all important factors that students should take into account when choosing where to work. In addition to this, soft skills are important, even in a world of remote work. Presentation skills, making small talk, and handshakes are all important to communicating with your coworkers.

After this, the presentation turned to the attributes of Whitley Penn. The firm offers Audit, Tax, and Advisory lines in offices across the country. Whitley Penn is focused on growing its revenue and partners, and there is plenty of opportunity to advance within the company. Regional development is a large focus, as well as international work. Many of these opportunities to work abroad are within the Audit service line, but there are opportunities for Tax as well.

The presentation ended with the speakers taking questions about Whitley Penn. I enjoyed this presentation because it allowed me to learn more about a firm that is different that

others that are represented on campus in Oxford. Whitley Penn is a growing firm that has plenty of opportunity for advancement, and I am definitely interested in learning more about it. I will definitely consider Whitley Penn and firms like it when it comes to choosing where I want to intern in Spring or Summer 2022.