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Financial Accounting Case Studies

Amanda Arnold

FINANCIAL ACCOUNTING CASE STUDIES

by

Amanda Arnold

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

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ABSTRACT

AMANDA ARNOLD: Financial Accounting Case Studies

Accountancy 420 provided many opportunities to gain knowledge involving the application of financial accounting in real-world practice. The class involved a series of case studies, an opportunity to participate in a case study competition, as well as the opportunity to hear from various professionals throughout the realm of public accounting.

The case studies covered many areas involving the preparation of entering the field of accounting. Many case studies were geared towards career preparation such as determining location preferences, such as the Tale of Two Cities case study, and also gaining knowledge through first-hand accounts of an accountant in the Interview case study. In addition, other case studies provided the opportunity to use prior knowledge of specific accounting concepts and apply them by making predictions and suggestions through cases such as Asset Valuation, Taxodus, and the Financial Crisis of 2008.

The case study competition allowed the class to research and determine suggestions and ideas involving a specific company's areas of audit, tax, and advisory. Although the class had largely not completed specific education in these areas, this case study was extremely valuable in gaining knowledge of those accounting areas and its specific application to the current financial state of a real-world company.

In addition to these areas of study, Accountancy 420 involved many speakers, specifically in the public accounting field. Recruiters and other professionals spoke to the class and provided information regarding entering the recruiting process and preparing for a career in public accounting.

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CASE STUDY

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Honors Accounting 420

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Introduction

The Tale of Two Cities case study poses the idea that coming to a realization of choosing where to live has many factors. The case study proposes that in order to fully capture a city and justify a decision between two cities, one must take into account the comfortability, affordability, and opportunities available for one starting a career. In addition to recreation and lifestyle, there are several financial factors that take precedence in making a decision. It is also important that one finds a city that aligns with the functional goals one has for their career; including industry and specialties one may see for their future. Although choosing a city is a major life decision, carefully looking at these details and factors can provide confidence in one's choice. In this case study, research was conducted in order to find various resources that provide information and data regarding each city being investigated.

The cities I chose to research were Houston and Dallas. Prior to this case study, I decided that I am most interested in Texas cities for my accounting internship. As I have lived there previously and have family in the state, it provides a sense of comfortability that I could potentially lack in other areas of the country. The Texas economy poses endless opportunities, as well as a variability in industry that I see beneficial to my accounting career. Houston and Dallas are both growing cities that I see myself enjoying in the long term. Before this research, I largely saw Houston and Dallas in a relatively similar perspective. However, my research into both of these cities has proven differences that have allowed me to more narrowly focus on a decision between the two.

Houston

I. Population

Houston, Texas is the largest city in Texas with a population of 2.326 million residents. Houston is also ranked as the fourth most populous city in the United States. However, the city is often characterized by the Greater Houston area, which totals nearly seven million people. While this is a prominent data measurement, Houston is also one of the largest cities by area totaling nearly 600 square miles.

II. Climate and Geography

The city of Houston has a temperate climate that largely promotes an outdoor lifestyle. Houston averages only 18 days with temperatures of 32°F or less per year, and sees approximately 99.6 days per year over 90°F. It also has only had 14 measurable snowfalls since 1939. The city of Houston is widely known for its humidity, showing an average annual humidity of 75 percent. While Houston is relatively safe from most natural disasters, hurricanes and tropical storms have had a large impact on the city. Texas has had a total of 81 tropical or subtropical storms affect the state, with a large amount of them greatly affecting the Southeastern portion of the state and the city of Houston. Recently in 2017, Hurricane Harvey was the most destructive of these storms, causing the casualties of 68 people as well as the coining of one of the “costliest storms of U.S. history”. While I am comfortable with the average weather in Houston in terms of temperature, I am not used to the threat of hurricanes and tropical storms. However, I trust that living in Houston I would adapt to this and find comfort through learning various safety measures to take in these situations.

While Houston is densely populated in the city, the surrounding areas can be characterized by marshes, swamps, or other forested land. Houston is a largely developed city, however the city has made efforts to add back a natural essence with parks and other sanctuaries. For example, the Houston Arboretum is a 155-acre nature sanctuary that features a beautiful landscape with trails throughout. In addition, Houston is only approximately a one-hour drive from Galveston, Texas, where many residents enjoy beach activities.

III. Tax Rates

One of the most defining features of the Texas economy is related to its tax structure. Texas does not have a state income tax, and in addition there is no local tax in the city of Houston. The applicable income tax expense is directly affected by the federal income tax, which quantifies to $7,890 given the measurements of a salary of $55,000 within the 2020 federal tax bracket. The average property tax rate in Houston is 1.89 percent. This relates to a median property tax expense of $2,816 on the median home value of $149,000. In addition, the minimum combined 2020 sales tax rate is 8.25 percent, including the amounts for state, county, and city sales tax rates.

IV. Transportation

Houston contains many options for transportation within the city. METRORail and METRO bus systems provide many opportunities for travel within the various districts of Houston. In addition, the bus system provides park-and-ride options for commuters outside of the city. As a result of advancing businesses, ride sharing services such as Uber and Lyft have simplified transportation around the city. In addition, there is parking at various locations as well as taxis and bike rentals. Houston also contains George Bush Intercontinental Airport and the William P. Hobby airport for larger scale travel.

V. Industry

While Houston is home to a diverse population of industries, there are several defining types of businesses that are prominent in the Houston market. The most prevalent industries in the Houston area include advanced manufacturing, aerospace and aviation, energy, life sciences and biotechnology, company headquarters, digital technology, and transportation and logistics. Examples of the largest companies in Houston are Schlumberger, Sysco, Baker Hughes, Halliburton, and Waste Management.

VI. Healthcare and Education

Houston is well known nationally for its healthcare facilities. The highest ranked hospital in Texas by U.S. News and World Report is Houston Methodist, and this facility even made the national rankings in the 20th rank. In addition, the largest medical system in the world, Texas Medical Center, is located 10 minutes from Downtown Houston. There are 85 hospitals in the Houston area, which make it possible to ensure quality care and quality medical personnel.

Houston is also known for its quality public education. Houston Independent School District (HISD) is the seventh largest district in the nation with 288 schools. In addition to this, there are many other school districts in the Houston area that are comparably large to HISD. If I were to live in Houston in the future and build a family there, I believe I would eventually move to a suburb of Houston. Considering this, I would want my children to attend Katy ISD in West Houston. This school district is defined by its quality educational programs, and even contains a high school within the top 500 high schools in the nation ranked by U.S. News and World Report.

VII. Crime

Houston is considered the most dangerous city in Texas in terms of crime. It has a considerably high violent crime rate at 1,095 incidents per 100,000 residents. Other notable crime in Houston also includes property crime. According to CBS news, these factors place Houston as the 21st most dangerous city in America. The most dangerous areas of Houston include Third Ward and Sunnyside, which have been designated some of most dangerous cities in America. The high crime rate of Houston concerns me, however I believe prioritizing personal safety and avoiding areas that are known for crime would be a major factor in living in the city.

VIII. Housing

Through research, it has proven that the best places for young professionals in Houston to live are Fourth Ward, Montrose, Midtown, and Museum Park. These locations are close to Downtown Houston and provide a fun, youthful atmosphere.

For a sample selection, I chose an apartment in the 2900 West Dallas apartment complex. This one-bedroom, one-bathroom apartment totals 755 square feet and ranges from $1,520 to $1,875 per month. This apartment complex was recently built in 2014 and includes internet, a washer and dryer, hardwood floors, granite countertops, as well as included kitchen appliances. The property also has an outdoor entertainment space with a pool and is within walking distance of many stores and restaurants. While this property has a relatively high rent expense, it is evident that many apartments in this area are of similar financial nature. I believe that if I were to live in this area, I would choose to have a roommate in a two-bedroom option, therefore decreasing the average rent of this property to $1,192.

Figure 1: Houston Apartment

IX. Commuting

According to a study conducted, Houston falls as the second most expensive commute. Houston residents are expected to spend around $174,314 in total commuting costs. As a result, the importance of living close to work has been emphasized, as well as using public transportations to decrease costs. Due to the proximity of Midtown to Downtown Houston, I would most likely drive to work. The average drive between Midtown and Downtown is seven minutes, however I would likely see delays due to traffic.

X. Lifestyle

Lifestyle options such as grocery shopping and laundry services are dependent on the choice of residency. Many newer apartments in the Houston area have in-unit laundry facilities, however there are many laundromats throughout the city. The sample property selected has washers and dryers, therefore the additional need for laundry would be eliminated. There are many grocery stores throughout the city that are accessible by car or by public transportation. I would most likely do my grocery shopping at the local Kroger, which is only a five-minute drive from the sample property I selected.

XI. Community Involvement

Houston has a vast number of opportunities for community involvement, whether it be recreational, civic, or religious. Through research, I determined that I would potentially be involved with organizations such as the Houston Food Bank and the Galveston Bay Foundation. The Houston Food Bank provides meals to 800,000 people each year. I personally find it valuable to give back to your community, and that is especially beneficial in a large city. The Galveston Bay Foundation aims to preserve the water quality of Galveston Bay. The Galveston Bay is vital to all Houstonians, so I see it in my best interest to take action and be a part of such an important organization. More personally, I would like to be involved in a religious community such as City Life Church, which seems to be a community with many young adults. This church is only a 13-minute drive from Midtown Houston.

XII. Entertainment

Living in large city such as Houston, there are vast amounts of options available for entertainment and recreation. If I were to choose to live in Houston, I would enjoy spending some time at sporting events such as the Houston Texans games or Houston Astros games. I would also like to spend time at the beaches in Galveston during the warmer months of the year. In addition, Houston has many shopping and dining districts such as the Houston Galleria that I could spend time at on the weekends. More generally, there are many parks and scenic areas of Houston where I would be able to spend time outside with friends.

XIII. Traveling Home

Houston is approximately a nine-hour drive to my hometown in Northwest Arkansas. Although this is a long trip, I would choose to travel back home via car. I have made this trip many times to see family, therefore I am comfortable with this trip. Based on a trip calculator, I have determined the average cost to travel home would be approximately $40 one way (travelmath.com). However, deviations would likely occur due to varying gas prices throughout the trip.

XIV. Monthly Budget

Figure 2: Houston Budget

Monthly Income	**$5,000**
Less Income Taxes[a]	($749.17)
Less Rent Expense[b]	($1,192.00)
Less Utilities Expense[c]	($133.47)
Less Percentage to Savings (25%)	($1,250)
Usable Income	**$1,675.36**
Less Grocery Expense	($250.00)
Less Misc. Living Expenses (including household items and supplies)	($250.00)
Less Transportation Expenses[d]	($200.00)
Income for Lifestyle/Activities	**$975.36**
Less Personal Care	($150.00)
Less Restaurants/Dining	($150.00)
Less Entertainment	($100.00)
Less Personal Shopping Expenses	($175.00)
Finances for Variation/Add to Savings	**~$400.36**

a. Income taxes are calculated with relation to the 2020 Income Tax bracket considering an annual salary of $60,000.

b. Rent expense is calculated by taking the average within the range of expense for the two-bedroom option of the sample property listed.

c. The utilities expense was determined by using an estimated average utility bill for an apartment in Houston (smartasset.com).

d. Transportation expenses contain costs associated with gas, maintenance, and potential public transportation fees.

Dallas

I. Population

The population of Dallas, Texas is 1.345 million people and spans 383.4 miles. It is the third largest city in Texas relative to population, falling behind Houston and San Antonio. Dallas is also experiencing a period of growth. It is ranked as one of the fastest growing cities in America in terms of population.

II. Climate and Geography

Dallas was founded along the Trinity River, and is made up of primarily flat land, with lakes in the surrounding areas in the city. The climate of Dallas is characterized as humid subtropical with hot summers with a wide annual temperature range. Winters are mild; however, Dallas can experience winter storms that cause drops in temperature. Summers are hot, but hot spells divide periods with thunderstorms. Thunderstorms are also seen in Dallas, primarily in the summer. The main threat in Dallas climate is related to these storms that produce tornadoes. Dallas is on the lower end of "Tornado Alley", and tornado producing storms often occur in April and May. While this can be a dangerous climate, I am accustomed to this type of weather as it is similar to that of my hometown.

III. Tax Rates

Similar to Houston, Dallas is not impacted by a state or local income tax. The only applicable income tax is the federal income tax. Based on the assumption of a salary of $55,000, the income tax applicable to Dallas residents is 22 percent. This relates to an annual income tax expense of $7,890. The average property tax rate in Dallas County is 1.992 percent. The combined sales tax rate, including state, county, and city rates, is 8.25 percent.

IV. Transportation

Dallas has various transportation options that make it convenient for travelling both within and outside of the city. While residents are able to travel by car throughout the city, there are public transportation options available. The DART bus and trolley service provide options for residents to travel around the city. In addition, there are rail services that span longer distances that allow for travel to locations such as the Fort Worth area. Dallas also has various air travel hubs, from private airports to larger airports such as Love Field Regional Airport and DFW International. This allows for convenient travel to national and international destinations.

V. Industry

The Dallas area is primarily characterized by an economy with a heavy influence from technology, financial services, and defense. Fort Worth is also close in location and provides additional impacts in industry with its focus on oil and gas, manufacturing, and aviation and aerospace. Some of the largest companies in Dallas include Exxon Mobil, AT&T, Energy Transfer Equity, Southwest Airlines, and Texas Instruments. These companies provide many opportunities for employment and stimulate a large amount of the economy both in Dallas as well as Texas as a whole.

VI. Healthcare and Education

Dallas is nationally known for its quality healthcare resources and facilities. A large amount of this influence stems from Texas healthcare education, such as the University of Texas and Baylor. Several Dallas healthcare facilities such as Parkland Memorial Hospital and Baylor University Medical Center have been ranked among the best by U.S. News and World Report.

The healthcare system of Dallas is constantly improving and creating more jobs and opportunities for residents.

Comparable to Dallas healthcare, the Dallas education system is highly regarded. Dallas ISD is made up of two schools ranked within the top ten nationally by U.S. News and World Report. Additionally, surrounding school districts in suburbs of the city of Dallas also have renowned educational programs. If I were to begin a future in Dallas, I would like my children to attend Highland Park ISD in Dallas. It is continually seen to be ranked as one of the best school districts in the state of Texas.

VII. Crime

While Dallas-Fort Worth is typically thought of as one of the safer big cities in America, it surprisingly has a relatively high violent crime rate at 7.6 (per 1,000 residents). The crime rate in Dallas is higher than that of 90 percent of U.S. cities. In addition, the city of Dallas is seeing an increase in homicides. Some of the most dangerous areas of Dallas include South Dallas and West Dallas.

VIII. Housing

The median monthly rent in Dallas is $937. According to rent.com, some of the best and most popular places for young adults to live in Dallas are Uptown, Las Colinas, M Streets, and Knox-Henderson. These neighborhoods are often described as places with great entertainment, energy, and a short commute to many places of work. For a sample property, I have looked into a property at Ivy Urban Living Apartments in Uptown Dallas. At this property, a one-bedroom apartment totals approximately $856 to $1,326 per month depending on the specific unit. This complex is in close proximity to the North Central Expressway/US 75 which makes it a prime location for commuting. It is also surrounded by many eateries, shopping centers, and entertainment venues. The complex also contains two pools, covered parking, a fitness center, and is gated. I think this would be a great place to live given its location and surrounding venues. Being a gated community, it would also provide a sense of security and safety.

Figure 3: Dallas Apartment

IX. Commuting

Given the proximity of many popular Dallas neighborhoods including the sample property above, it would be possible to commute to work by car. However, due to traffic and gas consumption, I feel it would be beneficial to use public transportation. DART bus centers are located throughout all areas of the city, and monthly local passes are only $96. While I could drive to work daily, I believe it would be more convenient and cost efficient to use public transportation. Given that I choose to commute via bus, I can expect my daily commute to be approximately 24 minutes from Uptown to the city center.

X. Lifestyle

Uptown Dallas has vast amounts of grocery store options, including more specialized chains such as Whole Foods. However, I would most likely shop at the local Kroger or Walmart, which is only a three-to-four-minute drive from my sample property at Ivy Urban Living. The units at this apartment complex also include washers and dryers, therefore my additional need to find a laundry service would be eliminated.

XI. Community Involvement

Dallas is home to many civic, religious, and charitable organizations in the greater Dallas community. Personally, I would love to be a part of Fellowship Church in Uptown Dallas. It is in close proximity to the area of my sample property and is a prominent church in the community. In addition, I see myself being involved with the North Texas Food Bank located in the outskirts of Dallas at Plano. This organization provided 96.9 million meals to residents in the past year. I see this to be a strong organization that creates a large amount of impact in such a large community, and I would love the opportunity to do my part to support it. Due to the large number of medical facilities, the Ronald McDonald House charities are also very important in Dallas. I can see myself being involved in this organization as well, as it supports families of those receiving medical help.

XII. Entertainment

Dallas provides endless opportunities for entertainment and recreational activities. Personally, I would love the opportunity to potentially see a Dallas Cowboys football game with new friends and coworkers, as well as attend a Dallas Mavericks basketball game. In addition, the American Airlines center holds many concerts. With so many famous artists coming to Dallas, I would love to potentially attend concerts at this venue with friends. On the less expensive side of entertainment, Dallas has attractions such as botanical gardens, parks, movie theaters, and dining options that I could see myself attending in my free time.

XIII. Traveling Home

The commute from Dallas to my hometown is only a five hour and 42-minute drive, so I see car as the priority mode of transportation back home. Considering my car and gas mileage, as well an estimated price of gas, I can expect my trip home to cost $23.11 one way.

XIV. Monthly Budget

Figure 4: Dallas Budget

Monthly Income	**$5,000**
Less Income Taxes[e]	($749.17)
Less Rent Expense[f]	($1091.00)
Less Utilities Expense[g]	($139.55)
Less Percentage to Savings (25%)	($1,250)
Usable Income	**$1,770.28**
Less Grocery Expense	($250.00)
Less Misc. Living Expenses (including household items and supplies)	($250.00)
Less Transportation Expenses[h]	($200.00)
Income for Lifestyle/Activities	**$1,070.28**
Less Personal Care	($150.00)
Less Restaurants/Dining	($150.00)
Less Entertainment	($100.00)
Less Personal Shopping Expenses	($175.00)
Finances for Variation/Add to Savings	**~$495**

e. Income taxes are calculated with relation to the 2020 Income Tax bracket considering an annual salary of $60,000.

f. Rent expense is calculated by taking the average within the range of expense for the sample property defined.

g. The utilities expense was determined by using an estimated average utility bill for a one-bedroom apartment in Dallas (smartasset.com).

h. Transportation expenses contain costs associated with gas, maintenance, and public transportation fees.

Conclusion

After conducting research and analyzing the specific attributes of both Houston and Dallas, I have determined that Dallas is my preferred city choice. Throughout this research, I aimed to zone in on the differences between the two cities, as they are often seen in similar perceptions. Although both cities have comparable costs of living and similar ambiances, I believe the defining factors that I found in Dallas were city size and safety. I believe that I would be more comfortable with living in a smaller city with a smaller crime rate. I also enjoyed the types of industry in Dallas as well as the fact that it is home to so many large companies. Overall, throughout this case study I learned the importance in looking into all types of characteristics of a city. This case study allowed me to narrow in on a decision, and I look forward to opportunities to learn even more about my preferred city choice.

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

Signed __________Amanda A__________________

ASSET CONCEPTS CASE STUDY

by

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Honors Accounting 420

September 2020

Introduction

In the Asset Concepts case, we were split into breakout rooms by Dr. Dickinson and given the task of assuming that we are members of the FASB task force charged with reimagining GAAP on different dimensions of assets. The worksheet gave us vague information regarding the asset dimensions that we would be discussing in our consideration of them. As a group, we talked in depth about each option, taking detailed notes as we discussed, and then framed our opinions below. This process repeated three different times as we juggled the questions involving the focus of financial reports for a company, the method in which an asset should be measured, and the implications of such measurement. After taking our detailed notes, we came to a consensus on our opinions and were able to put them into concise thoughts in the following case study.

Throughout the completion of this case, we were given the unique opportunity to put ourselves in the place of an FASB task force. This opportunity is one that we would not likely have been able to put ourselves in, which allowed for the enrichment of knowledge and placing us outside of our comfort zone. We were able to not only learn just how an FASB task force might look, but we were also able to consider the questions that were posed to us. By looking at these questions, we were able to apply our knowledge of accounting and expand it further when deciding how different decisions may ultimately affect financial statements, a company, asset valuation, and journal entries. As we were not allowed any additional resources to aid in discussing these questions, we had to rely on our group's knowledge, which also allowed us to practice our independent thought and judgement when coming to these conclusions. With this experience under our belts, we were able to have a better understanding of the processes the FASB considers, as well as a gaining of knowledge that many of our peers have not had the chance to participate in. Through completing this case, we were ultimately able to learn about more accounting processes by applying our knowledge of accounting to the hypothetical situation of being on an FASB task force.

Question I

The first question posed two viewpoints that differ on their focus of financial reports for a company. The first viewpoint, referred to as “asset greenhouses,” describes that the proper valuation of assets and liabilities as the primary goal of financial reporting. Under this viewpoint, the primary objective of the firm is to earn money by acquiring assets, storing and growing them, and earnings represent the realized or unrealized growth in these assets. The second viewpoint is referred to as “asset furnaces” and focuses on 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. In this viewpoint, created assets are sacrificed or transformed for the larger goal of producing revenue and earnings.

The benefits of an organization being an “asset greenhouse” are that the assets and liabilities shown on the balance sheet directly show the point in time financial standing of the company that is necessary for investors, lenders, and stakeholders to make financial decisions. Knowing this information helps internal and external users to be aware of what the company owns, owes, and the net worth of the company. Current and long-term assets show the ability for the organization to generate cash and sustain operations, while current and long-term liabilities reflect the organization's obligations. Comparing current assets and current liabilities determines whether the company can meet its short-term obligations. This information is used to internally guide management decisions. By keeping track of these finances, the company can be aware of potential problems that could turn into larger problems. Ultimately, this information is necessary to sustain and grow a business over a long period of time.

However, the “asset greenhouse” approach does not accurately reflect the financial performance of the company. For example, manufacturing companies might have bigger assets and seem like they are performing well, and a number of service companies could have smaller assets and falsely portray that the company is not doing well, financially. This viewpoint also does not focus on the source of revenues and expenses, which is a major component in determining how a company manages its earnings. Without focusing on expenses, the organization does not know how their money is being spent and how they can eliminate those expenses in order to make a higher profit. The balance sheet does not show the operating and non-operating income, which helps companies to know how much money is being spent in operations. The “asset greenhouse” idea would not show an organization's financial performance.

Overall, the firms that are “asset greenhouses” show the bigger picture of the organization’s finances that are critical to internal and external users. The information that is presented on the balance sheet is imperative when determining the net worth of the company and determining if it can meet the short-term financial obligations.

A primary benefit of firms being “asset furnaces” is that it reports business profitability and performance in the income statement over a period of time. This statement shows the revenues, expenses, product cost, and taxes. The overall purpose of the income statement is to show the company’s profitability. A benefit of this viewpoint is that information provided is directly related to revenues and expenses of the organization. This helps internal and external users to understand where the company is earning money and where it is spending money. This financial statement is vital for investors looking to buy stock because the net income and earnings per share should be documented on the statement.

Even though the “asset furnace” viewpoint is vital to the organization and investors to know the profitability of the company, this approach is reported at the end of the period. Therefore, internal and external users do not know the financial standing of the organization at times. Overall, this viewpoint does not tell us much about the financial standing of a company.

The “asset greenhouse” should be FASB’s focus because assets and liabilities are the purpose of financial reporting. The overall goal of an organization is not to generate revenues and expenses, but it is to know the financial position of the organization in order to evaluate the company’s performance and be able to make informed decisions. By focusing on Viewpoint 1, the FASB will be able to gather more relevant information about an organization using the balance sheet. For example, external users will be able to evaluate the net worth of the company and how quickly it can pay off its short-term obligations. Viewpoint 1 recognizes the importance of earning money through acquiring assets and growing them in order to understand the financial position of an organization.

Question II

The second question posed two viewpoints that differed on the method in which assets should be valued by a company. The first viewpoint claims that assets should be measured as “values-in-exchange”. Under this valuation method, assets realize their contribution to firm value on a standalone basis in exchange for cash or other economically valuable assets, which is expected to generate little to no incremental firm-specific value. In contrast, the second viewpoint refers to the fact that assets should be measured as “value-in-use” as assets realize their contribution to firm value by being consumed or used in combination with other assets. This use is expected to generate firm-specific value incrementally based on the sum of the assets' individual values-in-exchange.

Viewpoint 1's emphasis on "value-in-exchange" puts an emphasis on assets being recognized at fair value. Given that the company assets are exchanged at market value, this allows more comparability between businesses and the valuation of their assets. This is important to investors, as it allows for a clearer determination of the differences among companies. In addition, after the exchange of an asset, the asset will be easily distinguished at fair value. Viewpoint 1 also emphasizes that assets should be valued on a standalone basis. In viewing assets this way, the overall value is based on the exchange of single assets, so there is more clarity in the true value. The amount that an asset sells or exchanges for is the amount of its value to a company.

On the other hand, there are some issues that arise in the valuation of assets shown in Viewpoint 1. The companies will have to update their assets every year according to the "value-in-exchange" of those assets and this method might not be practical for the company. This includes actively updating records to show the valuation of assets at market value. In addition, for companies with a large amount of fixed assets, these assets are not constantly sold and do not generate more assets. This also affects the method of depreciation for these types of assets, so it may not be beneficial in the valuation of property, plant, and equipment. Therefore, this valuation technique might not be reasonable depending on the type of company.

In Viewpoint 2, there are specific ideas that allow for the valuation of an asset to be specific to a company. Given that the "value-in-use" provides value in the consumption of these assets, the methods of historical cost and present value are used. The basis of historical cost and measuring related to “value-in-use” allows for a more stable measurement. This valuation method is not affected by fluctuations in the market; therefore, it is not prone to various updates. The “value-in-use” method using historical cost also makes it easier to understand an asset’s contribution to earnings of a firm as the depreciation amounts can be calculated accurately every year based on an asset’s cost. Another factor of this viewpoint is related to the idea that the valuation of assets is influenced by the combination of assets and production of more value when these assets are “working” together. This allows for the valuation to be more specific in determining earnings, as the value is increased when assets are used in combination in terms of productivity and efficiency. For example, a company making a product, the true value of the end product is worth more than each of the parts, tools, and supplies used to make the product.

The major issues that could arise in viewing assets this way relate to the potential of bias and inability for this to be accurately seen by investors as it is not comparable in the market. In terms of adding incremental and firm-specific value, this could result in falsehood of the valuation. This could allow for companies to have more of an incentive for increasing the value of an asset if it could potentially add firm-specific value. This technique also makes it difficult for investors to make decisions as it could be inaccurately measured on a market scale, as it lacks comparability to other companies.

Our group decided that we believe Viewpoint 1 is the best valuation method. Viewing assets at their fair and market value allows for more comparability in financial statements. We determined that with investors and creditors in mind, it is more beneficial for them to see assets in a way that is more understandable. Viewpoint 1 was clearer and left less room for bias and faulty valuation in financial statements. Overall, the “value-in-exchange” method allows for a more standardized process that involves clarity and understandability.

Question III

Based on our choice in the second question, current accounting will have to change by requiring assets to be recorded at fair market value. This is shown throughout the example and new journal entries below:

Scenario 1: Company A acquired equipment in Year 1 for $12,000. In Year 2, Company A found that their equipment was valued at $10,000. To express the value change, the following entry was made:

Unrealized Loss on Equipment	$2,000	
Equipment		$2,000

At the end of Year 2, Company A sells the equipment for $10,000. To record this, the following entry was made:

The reversing entry is as follows:

Equipment	$2,000	
Unrealized Loss on Equipment		$2,000

The journal entry for actual sale is as follows: (Assuming the depreciation expense has already been accounted for in the cost of Equipment)

Accounts Receivable	$10,000	
Loss on Sale of Equipment	$2,000	
Equipment		$12,000

When considering depreciation expense through this viewpoint, companies would have a different basis every year as depreciation expense will be different, assuming that straight-line depreciation is used.

Journal Entry for Depreciation Expense: Let us assume that Company A uses straight line depreciation and the useful life in Year 1 is supposed to be 10 years with no residual value.

Year 1:

Depreciation expense	$1,200	
Accumulated Depreciation		$1,200

Year 2:

Depreciation expense	$1,000	
Accumulated depreciation		$1,000

Scenario 2: Company A has recorded its Prepaid Insurance Premium for employees at $100,000 in Year 1. At the end of Year 1, Company A realizes that the exchange value of the insurance premium is $120,000. The company records the following entry:

Premium for Employee Insurance	$20,000	
Gain on Premium for Employee Insurance		$20,000

Scenario 3: Company A buys material costing $10,000 in Year 1. During the year, company A sells half material ($5,000) for $7,000 after spending 10 labor hours on it for further development of the product. The journal is as follows:

Sales	$7,000	
Costs of Goods Sold		$5,000
Labor Costs		$1,000
Gain on Sale		$1,000

At the end of Year 1, the value of exchange of the remaining material becomes $6,000. The entry to record the increase in value is given below:

Materials	$1,000	
Unrealized gain on materials		$1000

Similarly, at the beginning of Year 2, Company A sells the remaining material to the same customer for the same price. The following entries will take place at Year 2:

Unrealized Gain on Materials	$1,000	
Material		$1,000
Sales	$7,000	
Costs of Goods Sold		$5,000
Labor Costs		$1,000
Gain on Sale		$1,000

Scenario 4: Company A had bought a piece of land for the price of $500,000. It is a common knowledge that land does not depreciate and nor is its market value adjusted every year. However, under this approach that we have deemed appropriate, an adjustment will take place at the end of Year 1 when the value in exchange of the land increases to $700,000.

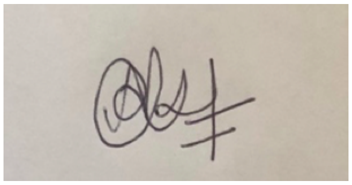
When buying the land:

Land	$500,000	
Cash		$500,000

At the year end of Year 1,

Land	$200,000	
Unrealized Gain on Land		$200,000

On our honor, we pledge that we have neither given, received, nor witnessed any unauthorized help on this case study.



Shelby D'Amico Yary Williams

Amandaa

EXCEL CERTIFICATION

by

Amanda Arnold

Dr. Dickinson

Honors Accounting 420

October 2020

Figure 5: Excel Certification


Corporate Finance Institute®

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

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

Amanda Arnold

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.

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

VERIFIED CFI™ CERTIFICATE

Certificate number
95927573

Chair of the Board

Director

Director

Oct 15, 2020

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

Signed Amanda A

TAXODUS

CASE STUDY

by

Amanda Arnold

Dr. Dickinson

Honors Accounting 420

October 2020

Introduction

The Taxodus case study posed the challenge of researching and developing thoughts regarding the current income tax rate and policies governing tax regulation. Throughout reading articles describing the decrease in corporate income tax by President Trump and watching the Taxodus documentary, I was provided with ample amounts of information that showed me the loopholes and complexity of the tax system in America. While tax seems like a simple idea of a tax rate for all corporations and the payment of that rate, the loopholes in the tax world make tax payment much more complicated.

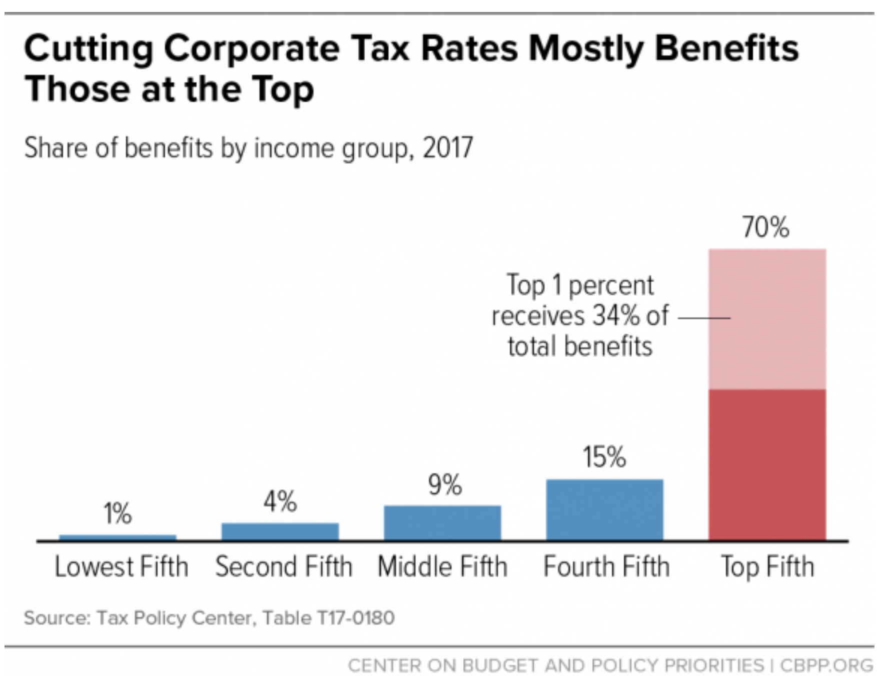
The Taxodus documentary explained how money constantly flows in and out of countries all over the world in order to achieve their lesser tax rates and how this greatly affects the countries in which they conduct this practice. While the Trump administration lowered the corporate income tax rate from 35 to 21 percent, the documentary continued to emphasize that it is hard to compete with a zero or one percent tax rate somewhere else in the world. This information along with other pieces of information provided in the documentary allowed me to ponder the current state of our tax system and predict what I believe to be the "optimal" tax rate and regulations. However, as pointed out in the supplementary work in this case study, the determination of a right way to conduct business practices when it comes to taxes is somewhat arbitrary. The complexity instated in this system is so far advanced that it will be difficult to backtrack, change, or implement new policies and regulations as it is dependent on the political climate of our nation. In addition, this case study provided me with a greater interest in the tax side of accounting. While accountants hold the burden of loopholes and confidentiality regarding business practices, this case study portrayed tax accounting as a puzzle-like practice that is constantly changing and developing.

Requirement I

The supporting documents of this case study provide information regarding the advantages to the Tax Cuts and Jobs Act as it provided tax cuts for a large number of individuals and corporations. As a result of this act in 2018, unemployment reached the lowest amount in 50 years of 3.7 percent as well as the creation of 7.3 million jobs. In addition, it created a positive outlook for the economic future as well as a boom in blue collar work with more than 500,000 manufacturing jobs created. The short-term effect of lower income tax for individuals provided a benefit to the economy through increased cash flows and more confidence in the future due to the creation of jobs. While the long-term impacts of these changes take several years to clearly realize, it is important to note the advantages in the stimulation of the economy as there is an "incentive to work and invest" (Tax Foundation, Paragraph 34).

In addition to the individual benefits, the Tax Cuts and Job Act instituted by President Trump decreased the corporate income tax rate from 35 percent to 21 percent. With this in mind, the hope was to alleviate the pressure to avoid a high tax burden by turning to offshore profits where tax rates are much lower. In lowering the corporate income tax to 21 percent, there was hope reinstated that American companies would stay in America and benefit the government tax fund by paying what is rightfully owed to the American government. Taxes are used for the betterment of the lives of the American people, including investments in education, healthcare, infrastructure, and much more. On the other hand, the increased corporate cash flow as a result of decreased taxes can also provide benefit to the American economy. Increased cash flow can better the well-being of workers through pay benefits as described by U.S. Department of Treasury, as well as investments by companies that increase their financial standing and result in stimulation of the economy. For example, the Tax Foundation Taxes and Growth model provided by the Tax Foundation website estimates that the, "total effect of the new tax law will be a 1.7 percent larger economy, leading to 1.5 percent higher wages, a 4.8 percent larger capital stock, and 339,000 additional full-time equivalent jobs in the long run" (Tax Foundation, Paragraph 53). As shown by this model, decreased income tax on corporations can provide many forms of benefits to the American economy in the long run. While there is the issue of fairness and a worry that corporations do not see the burden of taxation of the average American, there are proven to be some forms of benefits, especially when coupled with the decreased taxation of individuals. On the flip side, according to the Center on Budget Policy and Procedures, the benefit of a decrease of corporate income tax is mainly beneficial to upper-level members and not workers. The distribution of benefits is largely skewed and can be visually represented in the following image:

Figure 6: Tax Benefit Distribution



Through this supporting evidence, there often is counteraction to the benefits received by lower corporate income tax rates. While there remain benefits to the economy as a whole, there is often discrepancy between the sharing of benefits, and therefore lower-level workers do not see the same benefits as all members of the organization. In addition, this article highlights that if, “corporate tax cuts aren’t offset by tax increases or spending cuts, the resulting increased deficits would reduce national saving” (Center on Budget and Policy Priorities, Paragraph 8). Therefore, only a decrease in corporate tax cuts would not only fail to affect lower income individuals but would also reduce national saving that could potentially benefit these individuals through government programs and spending. There must be a balance between the changes of tax rates and who is affected by those changes.

Posed with the task to determine a personal idea of the optimal corporate tax rate, I discovered that with regard to the reasoning behind the documentary and the success of lowered corporate tax rates, the optimal corporate tax rate in terms of decreasing the number of American companies choosing to offshore profits would have to be zero percent. Unfortunately, this would cause a rise in taxes elsewhere to counter the reduced government tax income. The documentary highlights that it is hard to compete with zero percent, therefore no matter how much the corporate income tax decreases in the United States, companies will choose to move their companies internationally to lower taxed countries unless the tax rate is zero. This would cause a huge shift in the American economy and tax regulation and is likely not plausible in America’s case.

America has long held the idea of taxation with representation, but that likely would be difficult to transform into absolutely no taxation. Without any form of corporate income tax, burdens would largely be placed on ordinary Americans seeing a large increase in everyday taxes such as sales and property taxes. For example, the documentary highlights Tia Juarez, a professor at the University of Nairobi, as she explains how the minimal corporate income tax in Kenya has placed a burden on lower income individuals and made it difficult for them to even purchase small everyday items due to the increased taxes on those items. Essentially this causes the poor to become even poorer as their country is exploited by large corporations who come and leave. A large increase in other taxes could potentially be detrimental to American society and cause the wealth gap to be even wider with only two parties: corporations and citizens. There is a trade-off, and it may be more destructive to value having governmental income from taxed corporations as it may instead hurt a majority of the average American citizens.

As stated in the supporting documents, the American economy saw benefit from the decrease in income taxes on both the individual and corporate level. With the upcoming election, Americans could see a change in the tax rate with Biden aiming to raise the corporate income tax rate from the current 21 percent to 28 percent. While this provides a fairness for corporations to share their weight of tax, the evidence provided in the documentary shows that this could potentially lead to more and more corporations choosing to move their business internationally. As a result, this could cause even less tax income generation as more companies would not be paying their weighted share of American taxes. While it is necessary for the government to gain income from these taxes, the economic effects of raising taxes could cause long-term effects that would be relatively unknown. However, the income generated from the increased corporate taxes for corporations still largely in the United States would likely result in governmental spending that could create more jobs and benefits elsewhere.

Requirement 2

Upon completion of the case study materials, I realized that I had found an increased interest in the tax service line of public accounting. Under the stereotype of tax, it can often be seen as monotonous and specific work, with less interaction and collaboration with people. However, the Taxodus documentary showed an interesting side of tax that I hadn't seen before, and that was the complexity of the offshore business practices and the loopholes in the American tax system. The accountant in the documentary, Richard Murphy, explained his interest in this type of work and how accountants were affected by this heavily used business practice.

In essence, I discovered that there are large amounts of pressure on tax accountants to constantly search to make sure tax code and regulations are not being violated, yet there are so many loopholes that this tends to become a puzzle. I really enjoy critical thinking and problem solving, so while it tends to be very controversial, the tracking of offshore business practices for tax alleviation would be very interesting for me. However, I do find unfairness in this type of practice, so I do see myself having the feeling of walking on eggshells even with my daily work. Offshoring business entities naturally seems "wrong" to many people, but as mentioned in the documentary, it is the accountants that are responsible for keeping the confidentiality of this act and ensuring it is done legally.

I found the most interesting part of the documentary to be the accountant showing how he was able to track a company and their assets in various countries. He then showed how he was able to see the paths and the times that money is in each country. This is very intriguing, as one is able to follow paths and research in order to attempt to discover a company's reasoning for conducting its business practice in such a way and find out where they are benefiting from potentially even being in a country where their company does not operate.

Overall, this case study allowed for some more personal interest in the tax service line. While I still am interested in completing an audit internship, I would love more opportunities to learn of such things going on in the world of tax. As shown in the Taxodus documentary and supporting documents, tax has a large effect on the American economy and nature of business practice. This in turn will largely have an effect on my career, regardless of being in the tax or audit service line of public accounting.

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

Signed AmandaA

INTERVIEW

CASE STUDY

by

Amanda Arnold

Dr. Dickinson

Honors Accounting 420

January 2021

Introduction

I chose to interview my mother, Ellen Arnold, for the Interview Case Study. While I previously had an understanding of my mother's life and career, I was hopeful to gain new insights throughout this interview. My mother had similar career interests as I when she was my age, so I believed it would be interesting to learn more about the steps made in order to achieve the life and career she has today. My mother and I have very similar personalities, and we tend to approach education and work in the same way. My mother is dedicated to everything she does, and she held this dedication to a high standard when she approached her career.

Throughout this interview, it was made clear more than ever that I hope to mimic my mother's approach to her life and career. While the obstacles of her family's finances and the social norm of females in the workforce stood against her, my mother proved through her hard work that one can continue to achieve despite troubling circumstances. To her superiors and colleagues, my mother was seen as someone who was responsible, reliable, and would always put in the most amount of effort into anything she was tasked with. One of the most important things I learned throughout interviewing my mother was the importance of application of knowledge. Throughout her career, she moved from industry to industry within the accounting profession. She recognized the importance of applying previous knowledge to each and every job she had in order to spark developments in different positions. She explained the importance of this and the impact it can have in your success, so I hope to someday be able to approach my work in this same way. In addition, my mother stressed the importance of holding your own in the working world and not being afraid to challenge yourself and others. It was this attitude that made my mother stand out among her colleagues, and she emphasized that one must be confident in their abilities in order to succeed. This case study gave me the opportunity to truly understand my mother's career path and the steps along the way, and overall gave me direction in approaching my upcoming career.

Early Life and Education

Ellen Arnold was raised in the small town of Natchitoches, Louisiana. She is the daughter of Sylvan and Martha Sibley, and has one older brother, Mike Sibley. She grew up in Natchitoches, and much of her family lived in the area. She attended public school in Natchitoches and graduated from Natchitoches High School in 1980. My mother spent much of her childhood and adolescence enjoying the outdoors and engaging in various sports, including the dance team in high school. While she grew up in a small town, she explained that she always desired to do big things in her life. She implemented this desire in her academics, where she excelled in her studies. She took a particular interest in mathematics.

When determining what her future would look like, she dreamed of being a mathematician. Despite this dream, her father had different desires for his daughter's career. My mother didn't come from much money, and her father pressured her to take a different path - a path that could potentially make more money and create more opportunities in the future. He saw great amounts of potential in my mother, and while being a mathematician was what she truly wanted at the time, she explained that she is grateful that he pushed her in another direction. Due to her love for math and logical reasoning, she decided on the career of accounting. My mother claims she chose accounting blindly, without much knowledge of the career at the time other than knowing it included math. Although her career path was different from what she wanted as a child, my mother ended up very happy with accounting and believes it reflects her academic skills.

My mother attended her freshman year of college at Northwestern State University in Natchitoches, where she could stay close to home. Her father also worked for the university, so she had personal ties to the school that influenced her decision to attend there. She then transferred to Louisiana State University for her sophomore year. While she enjoyed her time at Northwestern State, she explained that it was her cousin, who was on track to become a doctor, that pushed her to attend a larger school and reach outside of her comfort zone. My mother knew that paying for college was difficult for her family, so she insisted on dedicating her college years to her studies for financial aid. Neither of her parents went to college, so she felt it was her and her older brother's turn to create different paths for their lives.

While my mother was extremely dedicated to her studies, she explained that she made sure to enjoy her college years at Louisiana State. During college, she spent lots of time creating memories and travelling with her friends. This was her first experience away from life in Natchitoches, and she was able to make many friends from all over. She explained that her greatest interest in college was LSU football. She claims she attended "every home game and stayed the entire game", something she believes that all students should experience going to an SEC school.

Career Development

My mother earned her CPA license in 1984 following graduation and then started her first job as a staff auditor at Arthur Anderson in New Orleans. She explained that there she studied COBOL Programming. Her stay at Arthur Anderson was only a mere six months until she transferred to KPMG in New Orleans. My mother explained that it was very difficult starting out there due to the economy being down and she described the job as lots of "clean-up work". It was in these first two jobs that she truly discovered what accounting was all about, and she learned the importance of working hard and long hours in order to make one's name known in the industry.

After my father made the decision to attend Harvard University for his MBA in 1989, my mother moved to Shawmut Bank in Boston as an internal auditor. This was different work than she started out with, as she learned lots about the financial world. She explained the work to be more detailed, as well as a heightened feeling of "making a difference" in the company. In this internal audit position, she was tasked with contributing to decision making to improve operations within the bank. Following this position, she moved to Liberty Mutual in 1994 as an audit manager and eventually became Assistant Vice President of International Audit. My mother is a true believer of "climbing your way up the ladder" in one's career, and this position at Liberty Mutual was evident of this belief. While this position demanded long hours and lots of hard work, she was able to see other sides of the world with many trips to London, Ireland, and Venezuela. She travelled about five times per year, with job assignments lasting weeks at a time. She loved getting the opportunity to travel under this position, however later switched to Assistant Vice President of Commercial Property and Casualty after having children. This job title allowed for a more structured schedule and more time at home with her young children. As my mother moved her way up in her career following the move to Boston, she truly understood the value of hard work. She explained that during this time period, accounting was very much male dominated, so she ensured the opportunity to express her value in her position and the quality of work she required of herself and others.

During this interview, my mother expressed that her greatest accomplishment in her career was transferring a risk-based auditing methodology in the banking industry to the insurance industry during her time at Liberty Mutual. Training programs were put in place for others to learn this methodology at Liberty Mutual, and she says this methodology was used at the company for the decades following. This was very interesting to me, as it made me proud to learn this for the first time and see how my mother's ability to transfer and develop skills has made such a lasting impact.

After our family's move to Bentonville, Arkansas in 2003, my mother took a break from the working world as my brother and I grew up. Over the course of the years, she spent many hours volunteering with our schools and extracurricular activities. Once we reached an age of increased independence, she decided to once again return to the work she loved. She took a short-term position as a consultant for Walmart, until finally landing her current position as an internal audit manager with J.B. Hunt Transportation. In this position, she does Sarbanes-Oxley work and special projects for new system development. Relative to her return to work, she discussed the difficulty in returning to work at an older age. While accounting has stayed relatively the same over the years, she explained that it takes hard work to "prove yourself" and adapt to more current situations and technology.

Lifestyle

After moving to Boston and following my father's graduation from Harvard, my parent's first had my brother, Brian, and then had me in 1999. Outside of work, much of my mother's time was spent making memories with us on the weekends. She ensured we had great experiences starting from an early age, and Boston was full of those experiences. As we grew up, my mother made sure to support us with our extracurricular activities such as band and soccer. She never missed a game or a performance and made sure to volunteer in any way possible.

My mother explained that her favorite vacation she's ever taken was her first trip to Hawaii in 1991 with my father after they got married. They spent much of their time on Maui, and she loved the opportunity to experience everything the island had to offer. My mother has always loved the beach; however, this was her first big trip. Growing up, her family couldn't always afford to make those grand vacations, so she was very grateful to experience something so different from anything she had ever experienced before. It was then that she realized her love for travel and wanted to ensure that my brother and I would be able to have those travel experiences in the future.

Reflection

When asking my mother if there were things she would change about her life, she had to pause and think about the question for a while. She is very grateful for everything in her life that has made her who she is until this point and is proud of everything that she has accomplished and made possible in her life. However, she ultimately decided that if she would change one thing about her life, that it would have been working harder to maintain contact with people throughout her career as well as friends she met along the way. She explained that it was often difficult to do this because she didn't have the technology we have today. She emphasized that I should never take this for granted and use all resources available to maintain communication with the people in my life. My mother also revealed another thing she would have changed about her life was not eating out as much in her early career due to her busy work life. She believes that this would have saved her lots of money in the long run.

My mother explained that if she could share one piece of advice with myself and others my age, that it would be to choose what you truly love and to take it and "run with it". She believes that once someone does this, that things will begin to fall into place after, and it will be much easier to succeed doing something you love. While her career wasn't in fact being a mathematician, she soon realized that she had a passion for accounting and therefore it was much easier to wake up every morning and succeed in her career. Her career decisions were always influenced by where she wanted to be as her future self, and so she took every opportunity to improve her skills and business savvy to get to the point where she is today.

My mother believes that the biggest challenge for her generation in the world today is adapting to new ways of life, whether it be personal or professional. In a professional sense, she sees technology as the biggest obstacle, and this was evident when she resumed her career after taking almost a ten-year break from work. She explained that the rapid development of technology is harder to adapt to for her generation, unlike my generation where we grew up with things constantly changing. On the other hand, she believes the biggest challenge for my generation is the quickness of information. She believes that while it is a benefit to have information at our fingertips, that our generation tends to rely on those quick snippets of information without fully researching and developing our beliefs and ideas. We rely on what is put out by the media; however, she claims that sometimes the information presented may not be the entire picture, yet my generation tends to take it and run with it, without the patience to fully dive deeper and develop our opinions.

My mother is most proud of herself for experiencing her career and making strides during a time when the accounting profession was dominated by males. She is proud of herself for proving herself and succeeding in a time where women were often seen socially as less instrumental for big roles in the business world. She realized that while it was difficult, she is proud of herself for challenging those obstacles and seeing the accounting profession develop the increased equality it has in the world today.

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

Amanda A

FINANCIAL CRISIS OF 2008

CASE STUDY

by

Amanda Arnold

Dr. Dickinson

Honors Accounting 420

April 2021

Introduction

The Financial Crisis of 2008 Case Study involved gaining knowledge of the event through various sources of informational material. Within the case, I was able to evaluate the causes and effects of the 2008 financial crisis and relate this to my future as both a citizen involved with the financial industry and a future professional within the accounting industry. The first two sources of material involved videos titled *What is Crony Capitalism?* And *Cause of the 2008 Financial Crisis*. The video involving crony capitalism emphasized the relationship between business and politics, as the government is largely controlling of the capital market and develops certain relationships with certain companies and industries. This allowed me to reflect on the government as it is sometimes supportive of its own political goals, rather than the economics involved in the life of the average American citizen. The *Cause of the 2008 Financial Crisis* video relayed the ideas of economist Dr. Thomas Sowell and the ideas of the financial crisis being predictable and preventable. Similarly, the supportive articles provided allowed for additional information regarding the issues of Wall Street and the market manipulation involved in causing the financial crisis.

A large portion of the information provided on the financial crisis came from the documentary *Inside Job.* This documentary provided information regarding the years leading up to the financial crisis. This included fraudulent behaviors of financial institutions and their executives, as well as the lack of government intervention in the prevention of this crisis. In a time period of big business involvement in government and deregulation, certain steps taken were evident of causing the financial crisis. Additionally, the documentary allowed viewers to see the effects of financial institutions acting on personal interests.

Part 1

The materials presented in this case study provided a view that greatly affected my trust in institutions and the government. The first video provided emphasized the drastic effects of crony capitalism, and how the government makes decisions to support certain institutions based on factors regarding lobbying, donations, and the extent to which an institution supports the government (PragerU). While I previously knew that business and politics were essentially merged together, this video further emphasized how crony capitalism sometimes allows the government to not act in the best interest of the people, and instead to focusing on its own interests.

The bulk of influence regarding my feeling of trust in institutions and the government came from the *Inside Job* documentary provided. This documentary emphasized that financial institutions such as JPMorgan, Goldman Sachs, and other top financial firms committed acts that were against the best interests of their customers. For example, these financial institutions would support mortgages and loans that were bad deals yet influenced their customers to engage with these in order to support their own pocketbooks (Ferguson). Furthermore, I was surprised at the fact that the government did not intervene, and even hired some of these executives to serve in the Treasury and other governmental positions. While it would seem apparent that financial institutions act in the interest of customers and the government supports institutions that do so, this was not the case in the financial crisis. These acts in turn contributed to the recession of 2008 and caused detriment to large portions of the global economy, yet the top management of these banks and financial institutions seemed to navigate around these effects and even benefit from large bonuses and salaries.

Part 2

In addition to an increased sense of mistrust in financial institutions and the government, these materials also caused me to question my future role in society. On a personal level, the materials presented regarding the financial crisis caused me to determine the importance of my own research and finding my own truth when it comes to investments and transactions in the future. While much of the market is controlled and influenced by certain people, it is up to me to ultimately research and better understand my financial presence in the system. Though it may seem that financial advisors from the world's largest institutions would be deemed trustworthy and their advice should be taken seriously, the events of the early century proved otherwise. People will often act in their own self-interest, so it is important to depend on yourself and become active in making your own decisions. Overall, on a personal level I aim to research and be actively involved in my future financial decisions regarding the investments and transactions presented through the various informational materials, such as mortgages and investments. As many of the transactions involved with the major financial institutions were deemed as bad deals by employees, I hope to gain knowledge and find my own truth regarding my financials despite the influence of banks and other financial institutions.

In a professional sense, I found the materials to be shocking in relaying the ideas that accounting firms were unsuccessful in stopping the activities that took place which caused the financial crisis. For example, the documentary reported that many of the large financial institutions and their employees were involved in after-hours activities well beyond those which are normal and customary, some of which were also arguably illicit. In addition, these activities were expensed to various accounts rather than being paid for individually by the employees. As I look forward to my future career in audit, I hope that these types of things will be discovered in the audit. On a larger scale, I was surprised to see the hiding of facts within these institutions that certainly would have affected the opinions of investors and stakeholders. In an accounting sense, the financials of these companies may have not been misstated, however the facts and deals involved within these companies were not presenting a clear picture to customers, investors, and stakeholders.

In addition to the professional aspect regarding my future in accounting, this additionally influences the personal aspect regarding my future career. While public accounting is aimed to present truth in financials and the state of a company, the materials presented proved otherwise. The materials further explained that business has become political and aims to create value from many different angles. In response to mistakes made regarding the financial crisis of 2008 and others, such as the Enron scandal, I hope that public accounting has realized the importance of remaining transparent and aims in the future to act towards its purpose at all times.

Part 3

The global pandemic caused large amounts of change in the U.S. economy, as its growth was interrupted by COVID-19 and the economy fell. While the global economy is seen to be currently recovering as the world makes strides against the pandemic, there is still uncertainty in the current economic climate with the recent change in administration. The political landscape that brought on the 2008 financial crisis was characterized by big business and deregulation. While deregulation began around the 1980's, it was seen to grow leading into the 2000's under Clinton and Bush administrations. Similarly, the Trump administration made efforts in deregulation as well (GOBanking Rates, Paragraph 1).

Leading up to the financial crisis of 2008, the government aimed to cover up the seriousness of the situation and lessen its severity in order to maintain certain views from the citizens. The Bush administration aimed to maintain the support of citizens in hopes of maintaining party presence. Similarly, Trump acted in a similar manner as a result of the COVID-19 pandemic. As Trump's platform was targeted toward the growth and stability of the U.S. economy, the Trump administration limited the demonstration of severity of the pandemic in relation to the detrimental effects of the economy. With the presidential election occurring in 2020, the Trump administration acted similar to the Bush administration in order to maintain political party presence for potential reelection.

In terms of the parallels following the economic crisis, the current state of the economy today shares similarities with the economic crisis of 2008. Similar to the government bailing out many of the largest banks, the government has provided additional bailouts and loans to companies across the country due to the negative financial effects of the COVID-19 pandemic. Many forms of legislation have been passed to cushion the fall of industries and individuals, and the effects of this on the economy are expected to be seen in the years to come. With a change in presidency, there is expected to be even more changes involving the economy, loans, and other financial aspects as a result of the pandemic.

As a result of the pandemic and the crisis of 2008, there has been knowledge to be gained on a global scale. While the financial crisis could have been predicted and stopped, there are little ways for people to take measures against a future pandemic from occurring and its economic implications. To further prevent the future possibility of a crisis similar to that of 2008, it is important that there is transparency. With the new age of media and telecommunications, information about financial institutions and the government is more attainable. Furthermore, the developments in the accounting and regulatory industries will potentially alleviate the possibility of another crisis occurring again. On an individual level, as there is a large population that has lived through a pandemic and a financial crisis, it is important for individuals to be aware of the current events of the world. With vast amounts of information at our fingertips, it is one's individual duty to rely on truth in order to make the right financial decisions for themselves.

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

Signed Amanda A

CASE COMPETITION: WEEK ONE WRITE UP

GAP, INC.

by

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Dr. Dickinson

Honors Accounting 420

27 January 2021

This was the first week of our case competition, and we were tasked with deciding upon which company to study for the case. Our group decided upon Gap, Inc. We decided Gap would be a particularly interesting choice due to the COVID-19 pandemic and its hapless effect on the retail industry. Gap owns several specific other brands, such as Old Navy, Athleta, Banana Republic, and Janie and Jack. Gap, Inc. serves a wide variety of retail needs, including casual men and women's apparel, children's apparel, as well as more upscale professional apparel within the Banana Republic brand. We were then tasked with researching Gap's annual reports, per the Securities and Exchange Commission, as well as various news articles from the Business Press and IBIS, to summarize the state of the business itself.

During our research, we discovered many of the challenges facing Gap and their subsidiaries. These challenges are not only present as a result of the impact of COVID-19, but also because of challenges facing brands such as Banana Republic and Gap. Their most successful subsidiary is currently Old Navy, which is the most affordable retailer and has accounted for 56 percent of Gap's sales in the last quarter, while only accounting for 36.5 percent of their company-owned stores worldwide. The only brands under the Gap umbrella that have had positive net store growth of the past year were Old Navy and Athleta, adding 46 and 13 new stores respectively. However, as a whole, they saw -3.9 percent net store growth and closed 153 stores out of 3,938. Over the last year, they have sought rent abatement and renegotiation with landlords. They were forced to draw down their entire $500 million revolving line of credit in order to make payments in early 2020. In May of 2020, they were then forced to issue $2.25 billion in new notes after having their credit ratings reduced from all major ratings agencies, including S&P's reduction from BB to BB- one month prior. This resulted in abnormally high interest rates of up to 8.9 percent on their debt but provided them with enough liquidity to maintain operations throughout the pandemic. For shareholders, the company also suspended their dividend payments until at least April 28, 2021 and suspended share repurchases throughout at least 2020. After their share price plummeted from $17.45 at the end of February to $5.65 on March 30, 2020, it has slowly risen, and now sits at $19.54, a 346 percent increase from its previous low.

The Gap flagship brand hit its peak in 2001 with over 1,800 stores; however, this can be contrasted with the 1,170 open after the initial COVID-19 lockdowns in March of 2020. Despite their closing of stores, they continue to open more franchise stores, including Banana Republic, Athleta, Old Navy, and others. With this wide variety of stores, it has been difficult for the brand to focus on a singular target audience. Gap itself sways from year to year; one year they are focused on young budget-minded professionals and the next they are selling $600 leather jackets to high-income shoppers. The brand executives have said that they are going to cut back on items that they sell by a fifth and be more intentional about curating trending items for their customer base.

During June of 2020 Gap closed their brand, Hill City. Hill City launched in the fall of 2018 and added premium male athleticwear to Gap's offerings. Gap formed Hill City in order to narrow the focus of Athleta as a brand that holds females as its specific consumer demographic. After the pandemic hit, Gap, like the majority of retails, was forced to shut down storefronts. With the added risk of the pandemic, the company had to prioritize its spending and could not justify keeping Hill City open. The closure of the Hill City brand shows how the COVID-19 pandemic can affect businesses who weren't particularly struggling before.

At the end of its third fiscal quarter in 2020, Gap had only earned about 25 cents per share, or $95 million, compared to their 37 cents per share, or nearly $140 million, only one year back. This was down from their projections for the third quarter of 32 cents per share. In contrast, revenue hit $3.99 billion, which is comparable to the $3.82 billion projected for the third fiscal quarter. This unexpectedly high revenue could be attributed to two potential sources: one being Gap's brand for women's athletic wear, Athleta, seeing an increase in net sales of 35 percent, and the other being an increase in online sales due to the COVID-19 pandemic. The increase in net sales at Athleta is the highest surge recorded in its history, which is most likely attributable to Athleta's mask line launch to cater to the needs of its customer base during the pandemic. The increase in the e-commerce business allowed for the attraction of new customers to Gap, in turn sparking the unexpected increase in the revenue for the third fiscal quarter.

The Gap Inc. is classified under the Family Clothing Stores industry. While it is the parent company of Banana Republic, Old Navy, and Athleta, the brand itself is classified as family inclusive under IBIS World. IBIS World expects that industry revenue will "grow at an annualized rate of 1.6% to $99.4 billion over the five years to 2026" (Daly Paragraph 1). This is primarily due to the expected steady growth in the amount of American disposable income over the next five-year period. Due to the decrease in consumer spending over the period of the pandemic, it is expected that the customers of this industry will make less "price-sensitive spending" (Daly Paragraph 2) decisions following the return to normalcy in the world. The problems facing the family clothing industry as described by IBIS World include expected increased costs. The price of cotton is expected to increase by over the next five years, which will ultimately cause an increase in prices. In addition, the wages expense is expected to increase as a large amount of company employees are based on minimum wage, which will see an increase in the coming years. While the family clothing industry experienced a widespread decline due to the pandemic, it is expected to experience some changes that could have great effects on the future of the industry.

Our research showed us that while Gap has struggled throughout 2020, there are opportunities for future growth. While Gap closed stores this year, they have continued to open new franchises. This year Gap expanded its e-commerce business as well. Gap's industry is projected to grow over the next five years, and Gap has seen growth this past year in its own brand, Athleta. Although the pandemic has hurt Gap, these effects do not seem permanent. Our research on Gap has indicated that Gap will be able to come back from their losses in 2020 and grow as the economy recovers.

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

CASE COMPETITION: WEEK TWO WRITE UP

GAP, INC.

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Honors Accounting 420

10 February 2021

Introduction

This was the second week of the case competition, and we were tasked with analyzing the most recent 10-K and the individual accounts of our company, GAP Inc., in order to develop a strategy to properly audit the accounts. Going through the individual accounts and identifying the relevant audit risks to that particular account allowed our group to value the intricacies of the 10-K as well as develop a plan to best engage with and improve upon our company. After evaluating both Balance Sheet and Income Statement accounts, we narrowed down six accounts that we deemed riskiest: Cash and Cash Equivalents, Merchandise Inventory, Other Current Assets, Accounts Payable, Operating Expenses, and Sales Revenue. For each of these accounts, we developed possible internal controls, tests, and data analytics that could be implemented or improved upon to enhance the value of GAP Inc. We worked to detail the contents of each account chosen in order to strategize the best course of action for Gap Inc.

Cash and Cash Equivalents

The cash and cash equivalents account had risk in the valuation category. We found risk in the valuation category because cash is easy for employees to manipulate and can be overstated. The following internal controls will help Gap Inc. mitigate risks in the cash and cash equivalents account. Gap Inc. should have multiple positions assigned to verify deposits and require multiple signatures in store when checking balances. These controls will help ensure that no one person can control and sign off on cash balances. Another internal control to help decrease risks is to ensure timely and standard deposits across brands. This will lower chances that cash, and cash equivalents, will be exposed to theft or loss. To test the cash and cash equivalents account we recommend using bank reconciliations and proof of cash reports. Data analytics would improve the treatment of this account by testing and analyzing trends across Gap Inc.'s brands. It is important to analyze how each individual brand is performing to have a full understanding of Gap Inc. as a whole.

Merchandise Inventory

In the merchandise inventory account, our group found risk in the completeness, valuation, and presentation categories. Any material misstatement of inventory would be detrimental to investors and creditors. Including a breakdown of how old inventory is could help to ensure net realizable value is correct. The internal controls that should be used for the merchandise inventory account are cycle counts and standardized inventory tracking. Periodic cycle counts will help to validate inventory levels. Standardized inventory tracking across Gap Inc.'s brands will ensure that inventory is being treated the same by each brand. This is important because Gap Inc. does not include inventory breakdowns by brand in their 10-K. To test the merchandise inventory account, we recommend physical counts and valuation verifications. Physical counts would confirm the reported inventory amounts, and valuation verifications would confirm that inventory is being recorded at the proper amount. Data analytics could be used to have more accurate inventory aging reports. We also recommend using data analytics with RFID to help track inventory location and trends.

Other Current Assets

Our group found risk in the other current assets account under the categories of existence, valuation, and presentation. Particular to this account, the accounts receivable was not posted on the face of the balance sheet, and rather disclosed in the notes. Considering this is a large retail brand, our group found it interesting that the accounts receivable wasn't presented granted the amount of credit purchases the company receives. The internal controls of the accounts receivable account involve reviewing large receivable amounts and developing an aged receivable report. The tests related to this include reviewing collectability and adequacy of the allowance for doubtful accounts, as well as verifying the disclosure of restrictions involved with the accounts receivable balance. There was no disclosure of the allowance for doubtful accounts, which is critical to the valuation of the accounts receivable and other current assets account as a whole. When determining the impact data analytics could have on this process, we found data analytics related to aging of accounts and three-way matching to be important to extract from big data.

Accounts Payable

When examining the accounts payable account on the 10-K, we found that there appeared to be risk to this account in regard to completeness and presentation. There was no breakdown of the accounts payable, which raised some concern in our group. We initially expected there to be detail under this account, especially regarding wages as this is a large retail company with many employees. The internal controls that we found to be important in this account related to the invoice/purchase approval process and the record matching between Gap, Inc. and the payable party. As far as substantive tests in the audit, it seemed that the most likely tests would involve three-way matching of payables and the tracking of trends. In a merchandising company for apparel such as Gap, Inc, it is likely that there will be trends revolving around the influx of demand for certain seasons. Matching these trends through data analytics would allow for clarity in the details of accounts payable across brands and regions. This would provide a focus on brand and verify that each sector is accurate and uniform in process. With uniformity in payments through a system, it provides an accurate representation of the company as a whole at the given point of time.

Operating Expenses

As we focused on the operating expenses on the income statement, we determined that there was some risk of misstatement involved with the account as well as some presentation issues that could help users of the financial statements. The first risk for this account is completeness. It would be beneficial for the company to lower the amount of operating expenses in order to inflate earnings. They could also use this account to smooth earnings in different periods in order to reflect a better outcome. This also leads into our feeling that the expenses need to be broken down either on the face or in the notes to the financial statements. The users of financial statements have the right to understand what the company is spending this money on, particularly because it makes up about a third of sales. We feel like this would better equip the users to compare the company with others in the industry. The critical internal controls for this account include matching expenses to the items received and separating the duties of people purchasing, receiving, and recording these expenses. Without these controls in place, it would be easy for a single person to falsify a transaction and misrepresent the expenses incurred in the period. The tests that we can have in the audit is the verification of invoice receipts and using numbering of transactions in order to match the invoices to the expenses paid. The data analytics that we could use to help the process is analyzing a supplier and company interaction database to see all of the transactions between the two parties. Also, we could use data to analyze the trends over time and with each of the individual brands to make the recommendation on whether or not the expenses are accurately represented.

Sales Revenue

One of the accounts that we also found to be risky due to the obvious benefits of misstatement was sales revenue. We also felt like the company should present the sales figures for each of the major brands on the face of their financial statements or at least the outlet by which consumers purchased the items (physical stores, e-commerce, etc.) to help users determine the medium of purchases. It would be in the interest of the company to overstate the sales for the company, particularly for the brands that do not have as positive of an outlook. The internal controls that need to be in place to ensure the proper management of sales include numbered transactions to be able to better match when and where the product was sold, separation of duties between those who input sales and handle cash and having RFID on clothing that records when inventory has been purchased. The tests associated with sales revenue include analyzing the sales and returns transactions in the general ledger. Data analytics will allow us to take a much deeper look into this than before, as we can handle much more data than merely a sample like we could before. The other thing that we can do is analyze the historical returns probabilities of specific items from the different brands. From there, we can try to estimate what the allowance for sales returns and allowances should be. This process can be aided by data analytics and should be critical in determining if the sales figures are accurate for the period.

Conclusion

Our research showed us the value of investigating a company's 10-K in order to highlight places for growth and overall improvement. Cash and Cash Equivalents, Merchandise Inventory, Other Current Assets, Accounts Payable, Operating Expenses, and Sales Revenue are the accounts that we used to develop possible internal controls, tests, and data analytics that could be implemented or improved upon to enhance the value of GAP Inc. Each account requires a unique approach to strategizing improvements that will benefit the company as a whole. While this audit required much research and further investigation into each account, it has proven to enhance our understanding of GAP, Inc. and we believe will provide growth for the company in the future.

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

CASE COMPETITION: WEEK THREE WRITE UP

GAP, INC.

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Honors Accounting 420

18 February 2021

Introduction

In the third week of preparing for the case competition, we were tasked with advising GAP, Inc. on ways to minimize its legal cash tax payments. With the recent change of presidency, as well as a global pandemic, there are several new tax credits companies may take advantage of to lower tax payments. The recent additions of the GILTI tax, CARES Act, and inauguration of President Biden are just a few of the credits, acts, and events that have changed taxes for businesses in the United States. The tax credits we recommend GAP, Inc. adopt include moving manufacturing to the United States to take advantage of a new tax credit enacted by President Biden, carrying back net operating losses through a provision in the CARES Act, and commencing research activities to take advantage of the R&D Tax credit available for all businesses in the United States.

Made in America Policy

With a new administration in the White House, tax laws are expected to change. The Biden Administration has proposed a 10 percent tax penalty to businesses who use labor overseas when jobs could be supplied in the United States. The Biden Administration is also offering a 10 percent tax credit to businesses who create jobs in America. Companies can go about creating these jobs in a number of ways and doing so will cause significant savings on taxes (Amadeo, 2021, Paragraph 20). Currently, GAP, Inc. is outsourcing all its manufacturing to companies overseas ("Supplier Partnerships", 2021, Paragraph 3). If GAP, Inc. shifts some of its manufacturing to the United States, they will be able to avoid the 10 percent tax penalty while receiving the new 10 percent tax credit. One way that GAP, Inc. could do this is by opening a manufacturing plant of their own in America. Another way would be to use a supplier who is based in the United States. This manufacturing shift would not only give GAP Inc. a tax credit but would also give Gap Inc. a competitive advantage. GAP, Inc. could manufacture a special line of clothes for their flagship brand, GAP. This brand has always had a classic, American style. Adding a line of clothes manufactured in America would build on this facet of their brand. Products from GAP's classic Logo Shop or their jeans would both be good product lines for this marketing strategy. Both product lines are well known within the brand and manufacturing them in America could make them more attractive to customers. Adding a "made in America" product line to GAP would also help to add a distinction in quality between GAP and Old Navy.

Work Opportunity Plan

In potentially transferring the manufacturing of a GAP, Inc. brand to the United States, GAP could take advantage of the creation of American jobs. With jobs in the U.S., the company could create jobs and benefit from the Work Opportunity Tax Credits. In addition to the effects under the Biden plan, the creation of more manufacturing jobs could create more positions to qualify for the Work Opportunity plan outside of retail and distribution locations. GAP, Inc. currently runs a program called "This Way Onward", which hires youth aged 16 to 24. This program could be merged with the Work Opportunity Tax credit program under the youth summer program detail (IRS, Section 2). This provides a tax benefit for a youth summer employee/intern. Under this, when a worker qualifies for the Work Opportunity program, the company can receive a tax credit equal to 25 percent of the employee's wages if the employee works at least 120 hours (Murray, 2020, Paragraph 9). Based on the current minimum wage in the U.S., this could provide for a credit of at least $870 per worker. This could allow for substantial savings given the likely rise in minimum wage, as well as the number of workers that could potentially be hired under this program.

CARES Act

The CARES Act created a substantial economic benefit for businesses with the allowance of the carryback of net operating losses and the allowance of 100 percent deductibility of those losses (Arnold & Porter, 2020, Paragraph 2). In the case of GAP, Inc., this benefit will allow the company to be eligible for approximately a $94 million tax refund using their 2019 taxable income, their net operating loss of $288 million from the 39 weeks ended October 31, 2020, and their effective tax rate from 2019. We would only be able to use the 2019 tax rate instead of the pre-TJCA years because carrybacks are typically only allowed to offset income from the earliest taxable year to which the loss may be offset (BDO, 2020, Paragraph 12). In this case, GAP, Inc. could fully offset its losses in 2019. The calculations can be found below:

Figure 7: Refund Calculation

Income before Income Taxes (2019)	$528,000,000
NOL Carryback	($280,000,000)
Net Income before Income Taxes	$248,000,000
2019 Effective Tax Rate	33.52%
Total Tax Liability	$83,136,364
Taxes Paid in 2019	$177,000,000
Calculated Tax Liability	$83,136,364
Total Tax Refund	$93,863,636

Another major impact of the CARES Act for GAP, Inc. is that it cleared up what is commonly referred to as the "retail glitch", which did not allow for qualified improvement property to be eligible for bonus depreciation (Brown, Smith, and Wallace, 2020, Paragraph 1). Now, retailers' qualified improvement property will be eligible for that bonus depreciation. On top of that, the amount of allowable bonus depreciation has been increased from 50 percent to 100 percent of the property's value in the year in which it was acquired if it was acquired and placed into service after September 27, 2017 and before January 1, 2023. These improvements to the property include anything done to the inside of the store, except for expansion, internal structural framework, or adding elevators or escalators. This new provision in the CARES act should have a significant impact on GAP, Inc. as they have exclusively company-owned stores and have significant leasehold improvements. This number is very difficult to estimate using only the information available in the financial statements and notes because one must assume what portion of the expense can be attributed to interior improvements. However, if we conservatively assume that only furniture and equipment were eligible for this bonus depreciation, and GAP, Inc. used the MACRS depreciation method for a 10-year period. The calculations for the tax benefit and the refund available because of this bonus depreciation can be found below:

Figure 8: Tax Benefit and Refund Calculation

(All Numbers in Millions $)	**2020**	**2019**	**2018**
Furniture and Equipment	2,802	2,732	2,623
Change in Furniture and Equipment	70	109	115
Eligible Bonus Depreciation (100%)	70	109	115
MACRS YR 1 Depreciation (10%)	7	11	12
MACRS YR 2 Depreciation (18%)	20	21	0
MACRS YR 3 Depreciation (14.4%)	17	0	0
Increased amount of allowable depreciation	**27**	**77**	**104**
Actual Income before Income Taxes	(1,179)	528	1,332
New Income Before Income Taxes	(1,206)	501	1,255
Effective Tax Rate	23.75%	33.52%	24.13%
Old Tax Liability	($280.01)	$177.00	$321.41
New Tax Liability	($286.38)	$168.01	$302.74
Tax Refund	**$6.37**	**$8.99**	**$18.68**

Research and Development

Another tax credit that GAP, Inc can take advantage of is the Research and Development (R&D) tax credit. This tax credit is for companies that are increasing their research activities to improve product development or quality, enhance business operations, or perform scientific research. This research must be for developing a new or improved aspect of the business. To qualify for this tax credit, companies must be able to show a connection between the research activity and the expenses claimed. The R&D tax credit is for up to 20 percent of the expenses, or $250,000 annually, and a company can apply for the tax credit by simply spending money on qualifying research and development activities and filing the corresponding tax form (Murray, 2020, Paragraph 4). With GAP being such a large firm, their operating expenses alone totaled $5,559 million for the year 2019. Thus, 20 percent of operating expenses is much larger than the maximum Research and Development tax credit of $250,000.

To be considered for the Research and Development credit, a company does not have to be performing traditional scientific research. Research and Development can be many different activities: product development, surveys, studies, improving product quality, increasing reliability or products, or even increasing business performance. One of the research and development activities we recommend GAP, Inc. perform to receive the R&D tax credit concerns production of its retail products; this includes doing product research on up-and-coming trends across all of their brands. More specifically, research into sustainability for their athleisure brand Athleta would create an increase in consumer-relations as well as qualify for the R&D tax credit. On a larger scale, engineering products and new types of fabric would benefit the overall GAP brand and increase the quality of their products. Thus, we recommend GAP investigate

Research and Development ventures, especially in product development and improvement, for the use of a Research and Development tax credit.

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

CASE COMPETITION: WEEK FOUR WRITE UP

GAP, INC.

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Introduction

This week we were tasked with going through our company's core business operations to create a plan to combat the company's weaknesses. Through researching GAP Inc.'s financial statements and business plans, we were able to identify two factors that could harm the company if left unchecked. These factors are the decline in the Gap and Banana Republic brands along with the shift from shopping in physical stores to shopping online and the Biden administration's proposed tax penalties. We believe that both of these areas could cause GAP Inc. to struggle, and in this paper, we will outline strategies that we believe will help GAP Inc. to improve in these areas and adapt to the changes in their market.

Part 1

GAP, Inc. is a leading global apparel retail company headquartered in San Francisco, California. They have four core businesses: GAP, Old Navy, Athleta, and Banana Republic. While these core businesses generate the majority of GAP, Inc.'s revenue, they also have smaller brands, such as Janie and Jack and Intermix. Most of their storefronts are located in the United States; however, they do have a few additional stores in 42 other countries. Although much of their sales and revenues are generated in the United States, their suppliers and manufacturers are all located in foreign countries.

As such a large competitor in the retail industry, GAP, Inc. is challenged to continue to adapt and grow with this ever-changing world. Their goals of working to adapt to this increasingly online and sustainable market while still staying true to their original mission statement, "to create emotional connections with customers around the world through inspiring product design, unique store experiences, and competitive marketing", are contained in their power plan (Farfan). Some of their biggest plans involve growing Athleta, their athletic apparel brand, and Old Navy, their more affordable brand, as they have seen demands in the retail market for athleisure and affordable options. In addition, they plan to move out of indoor shopping malls to adapt to the movement of online shopping as well as franchise many of their European storefront locations. This will generate a large amount of initial revenue to help to minimize the current debt load that they are bearing. Overall, these current plans and strategies will work in the best interest of GAP, Inc. as a whole to stabilize the company and provide room for growth.

GAP, Inc. has a large group of suppliers to provide for their vast customer base. The demand for the company's products is large-scale and worldwide; however, some of their brands have been more successful than others. Old Navy and Athleta are definitely the most successful of GAP, Inc. brands as they have proven to be able to sustain their demand even through periods of decreased disposable income. With the vast majority of their stores being located in the United States, that is also where there is the largest demand for their products. In order to provide for these demands, GAP, Inc. has over 800 merchandise vendors in 30 countries. Their top two vendors account for seven and six percent of purchases, respectively. In addition, 16 percent of purchases are made from China. Being such a large retail company with such a large demand market requires GAP, Inc. to maintain a large group of suppliers.

GAP, Inc. is a very large company with many diversified brands; thus, their competitors include almost all middle market retailers in the United States. Banana Republic's competitors include the business wear brands such as Ann Taylor and Loft. GAP and Old Navy compete with more everyday brands such as H&M, Abercrombie, and TJMaxx. Athleta's biggest competitor is

Lululemon with their high-end activewear. Janie and Jack's biggest competitor is Gymboree. With such a large range of brands, GAP, Inc. ends up competing with most major retailers.

Part 2

Upon reviewing GAP, Inc.'s financial statements from the previous five fiscal years, we learned some surprising things from the company's operations. As evidenced by the graphs below, GAP, Inc. has experienced several increases or decreases in numerous components of their financial statements due to both the COVID-19 pandemic and the acquisition of select assets from Janie and Jack, a Gymboree Group, Inc. premium children's clothing brand (Gap, Inc. Filing Data). The slight decrease in revenues for the year ending 2020, is due to the COVID-19 pandemic and the unexpected temporary and permanent closures of storefront locations. The slight increase in cost of goods sold, increase in SG&A expenses, and decrease in operating income are all due to the related tax effects of these store closures, with a little over 60 percent allocated to SG&A expenses and the rest allocated to cost of goods sold. An increase in assets and liabilities for the year ended February 2020 was caused by the acquisition of select assets and liabilities from Janie and Jack, which also explains the lower levels of return on assets, profit margin, and asset turnover. Because of this, GAP, Inc. has failed in their mission to provide top-tier returns to their shareholders, a goal they strived for since 2019 (Gap, Inc. Investor Meeting).

Figure 9: Comparison of GAP, Inc. Financial Statement Components

Part 3

One of the biggest threats to GAP, Inc's success is the declining performance of GAP and Banana Republic. Over the last few years, GAP, Inc. has had significant net negative unit growth for the GAP and Banana Republic brands. Our group decided to develop a plan to allow GAP, Inc. to refranchise some of these units to fight off total store closures and still generate recurring revenue for the firm. The plan also creates significant cash flows from the franchising of GAP and Banana Republic stores that can be used to pay down long-term debt or pay for capital expenditures. While franchising in retail is not very prevalent in the United States, we believe that refranchising to larger multi-unit operators on a location-by-location basis could help boost sales in those regions and help the image of the company. The input from franchisees about what consumers desire can provide critical feedback to help the brands succeed in the future. While this shift to a partially franchised structure may cause revenues to drop, operating income should actually be higher for most years. COGS and occupancy expenses will decline as the corporate level will not have to buy the inventory or pay for the rent of the stores they are obtaining royalties from. Assets will decrease after the refranchising revenue is obtained as the company would carry less inventory and operating lease assets on the balance sheet. However, their assets will be far more liquid, and they should receive an influx of cash. Their quick ratio should improve to be above one after the refranchising effort as well, helping their liquidity position. The increases in cash should allow the company to pay down their debt obligations, reducing their liabilities. The majority of the new assets should come from increases in retained earnings. We think this strategy is also congruent with the company's current mission as they are able to make the transition to a more ecommerce-centric platform, while still maintaining a similar store base to what they are known for. They may actually be able to expand the store base in future years as the concept is so asset-light and only requires franchisees to be willing to pay the fees and costs associated with opening a new unit.

With the diminishing success of GAP and Banana Republic, it is important for the company to turn its focus on its more successful brands, especially the niche brand Athleta. We felt like the second threat facing GAP, Inc. was not modernizing their brands to be more in line with consumers demands. Therefore, our group decided that it would be in the company's best interest to expand the Athleta brand as both an American made and sustainable brand. While GAP, Inc. currently has a goal of building the Athleta brand and improving its sustainability, we see it to be very beneficial for the company to move an amount of Athleta manufacturing operations to the U.S. This would involve the creation of an inventory collection from U.S. suppliers. Furthermore, the improvement of the Athleta brand would correspond with the current events of the global marketplace. As the COVID-19 pandemic continues and the idea of working from home may become a more common activity, our group saw the growth of an athleisure company to be beneficial, as compared to the Banana Republic brand, which includes work attire as its main staple product. While the COVID-19 pandemic caused negative effects in the retail marketplace, Athleta saw sales increase by 35 percent in the third quarter of 2020, as well as a large success on the e-commerce front (Garcia, Paragraph 4). Sustainable athleisure is a growing concept during the current times, and we see advantages in the GAP, Inc. company over competitors such as Lululemon. While transferring manufacturing of Athleta to the U.S. would affect costs and change the supply chain, we believe the company will benefit from the ambition of consumers to support the American supply chain as a result of the pandemic (Ayers, Paragraph 7).

In addition, this transformation would potentially create tax benefits with the creation of American jobs and the avoidance of the effects penalties that could potentially arise with the new presidency. The new Biden administration is expected to create a push in their "Made in America" tax policy, which would result in an offshoring tax policy, as well as related tax credits. Under the offshoring tax penalty, the opportunity for penalty is described as, "profits of any production by a United States company overseas for sales back to the United States" (Buy America, Paragraph 7). This penalty would raise GAP, Inc.'s tax rate from Biden's proposed rate of 28 percent to 30.8 percent. While our group recommendation is to change operations involving suppliers and bring a collection of American-made goods to Athleta stores, this does not involve GAP, Inc. developing manufacturing. However, the offshoring tax penalty specifies that the criteria for this penalty is based on sales brought back to the United States. Therefore, we see this to be a proper step for GAP, Inc. to take given the likely changes and implementation of this penalty. Along with this tax penalty, the Biden administration has put forward the ideas of a 10 percent tax credit revolving around the "Made in America" policy (Buy America, Paragraph 10). This would specifically affect GAP, Inc. and its relocation of suppliers as the details of this credit involve reshoring job-creating production and expanding U.S. facilities to grow employment. The new Athleta strategy would potentially avoid a tax penalty and also further the chance of a tax credit.

Part 4

The implementation of our action plans involving the franchising of the GAP and Banana Republic brands are expected to provide beneficial impacts to GAP, Inc. in the future. As a result of these action plans, the company's ROA (Return on Assets) is expected to jump to 9.26 percent in 2022 as a result of the refranchising revenue in that year. In the following years, it is expected to be 7.11 percent in 2023, 7.29 in 2024, and 7.94 percent in 2025. This is a drastic improvement from the 2020 ROA of -5.99 percent. It's also similar to non-COVID impacted years such as 2018 and 2019 when the ROA was 8.32 percent (adjusted for the change in accounting for operating lease assets) and 2.57 percent (roughly 6.07 percent without impairment charges) respectively. In a period of time when retail sales are decreasing, the mixture of the higher conversion of royalty revenues into operating income and the decrease in interest expense associated with paying down debt obligations results in good returns on assets. In addition, the profit margin is expected to increase from 2.21 percent in 2021 to 5.89 percent in 2025, with an expected jump to seven percent in 2022 as a result of refranchising in that year. The consistent increase in profit margins demonstrates the slow recovery from COVID-19, increased efficiency of ecommerce sales, and the higher conversion rate of royalty revenue to net income. The asset turnover is expected to stay in the same relative range of 1.28-1.35x from 2021 to 2025. This is an increase from the 1.2-1.25x levels seen in 2018 and 2019. This can primarily be associated with reduced asset levels as the company carries lower inventory and operating lease assets on the balance sheet. Overall, the refranchising of GAP and Banana Republic is expected to generate cash flows that positively impact these ratios. The liquidity and solvency of the company should be much improved, and that should result in lower systematic risk for the firm. Our group expects the rebranding of Athleta and the implementation of an American made collection would further contribute to the current growths seen in the Athleta brand. For this reason, we believe that the brand will prove to be one of the key drivers of growth for GAP, Inc. over the next five years. Utilizing the concepts we listed above, we believe that the Athleta brand could achieve their goal of $2 billion in annual sales by 2023 and continue to exceed that number in the following years. It would also prevent the possibility of negative tax effects that could hinder the stability in the building of the brand. Overall, we see these action plans to be impactful to the future of the GAP, Inc. brand.

Conclusion

The research our group did this week showed us that GAP Inc. should start franchising stores within the Gap and Banana Republic brands. We also concluded that GAP Inc. should focus efforts on Athleta to help grow the brand and reshore manufacturing for Athleta to help avoid tax penalties and receive tax credits proposed by the Biden administration. We think that these action plans would help GAP Inc. to stabilize the decline in Gap and Banana Republic and set GAP Inc. up to be successful in growing Athleta.

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

CASE COMPETITION: WEEK FIVE WRITE UP

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Introduction

This week we were tasked with calculating and evaluating key financial indicators for our company, GAP Inc., such as the price-to-earnings ratio, earnings per share, and return on assets. Given these ratios, we are able to get a better understanding of the overall financial health of the company as well as learn more from the insights of the many analysts who follow GAP, Inc. Using these current ratios and our tax and audit research along with advisory recommendations, we are able to create predictive values of these same ratios. These new predictions work to defend our advisory recommendations as being beneficial to the growth and profitability of GAP, Inc.

Part 1

The fiscal year for GAP, Inc. ends on January 31st. At this point, GAP, Inc. has not released their financial statements for the 2020 fiscal year. We will be using numbers from 2019 because of this. On the last day of the 2019 fiscal year, January 31, 2020; GAP Inc.'s closing stock price was $17.41. At that time their price-to-earnings ratio (P/E ratio) was 18.72. We calculated this ratio by using the above stock price and the earnings per share of $0.93 (*GAP, Inc. 10-K*, Page 18) listed on GAP, Inc.'s 10-K. We researched this week's case on February 24, 2021. The closing stock price for GAP, Inc. was $25.95 on this date, which shows the stock price has increased by over $8 since the end of the 2019 fiscal year.

Part 2

Upon review of GAP, Inc.'s stock financial information, we discovered that the beta for GAP, Inc. is 1.59. A beta determines the risk and volatility of a company's stock, and any number over one shows that a stock's price has greater systematic risk than the market. Therefore, GAP, Inc.'s stock price is highly volatile and will fluctuate throughout the year, making it a riskier stock to invest in compared to other stocks in the market. GAP, Inc. has 25 analysts that provide estimates or forecasts of stock investment data for the company. The forecasted growth rate for GAP, Inc. is close to a 7.51 percent decrease from the previous stock price of $25.95, as estimated by the 25 analysts aforementioned. GAP, Inc.'s stock was also deemed a cautious hold by the 25 analysts, who recommended stockholders neither sell nor buy the company's stock, but rather patiently observe the stock as the year progresses.

Part 3

Given the effects of our changes, our group expects the net income to steadily increase over the course of the next five years. Under the assumptions in our model, we expect the net income to increase from $358,683,521 in 2021 to $1,059,588,432 in 2025. In this model, we assume the growth of the Athleta and Old Navy brands, a reduction of Banana Republic and GAP stores, the benefits of refranchising, as well as a tax effect in 2023 that allows for a 3 percent credit. This credit shows a baseline potential effect of our tax strategies, specifically the potential credit as a result of the remodeling of manufacturing. As GAP, Inc. has shown a steady trend in the re-acquisition of shares, our model assumes that the common shares outstanding will continually decrease by 2 million each year. Using our model and earnings multiplier valuation, our group expects a change in the expected stock price from year to year. The expected stock price is $14.46, $46.17, $38.53, $40.02, and $43.66 in 2021 through 2025, respectively. The decrease from years 2022 and 2023 is expected as a result of the refranchising and its effects on operating expenses. According to our model and predictions of the future of the GAP, Inc. brand, our strategies forecast positive impacts to the net income and stock price of the company.

Part 4

Using the Return on Assets (ROA) analysis, we can conclude that we will see positive trends as a result of our strategies. With the impact of COVID-19, GAP, Inc. is projected to have an ROA of -5.99 percent for fiscal year 2020. This is coming off of a down year in 2019, culminated by several expenses related to their spin-off of Old Navy that they stopped pursuing. GAP, Inc. posted an ROA of 2.57 percent in 2019. With the most recent closures of stores and increased debt loads to survive the COVID pandemic, it will be difficult for them to return to an ROA close to the 8.32 percent (adjusted for operating lease adjustments) that they posted in 2018. However, with our strategy, they can eliminate some of their excess debt and liabilities on the balance sheet and reduce their assets. Therefore, their ROA is projected to rise during the next five years, including peaking at 9.26 percent and settling in at 7.92 percent in 2025, a level that should continue to rise. As their franchising begins to take off, they should have an extremely steady stream of cash flows arising from that area of their business. Currently, we have a conservative royalty of 6.5 percent in our model in order to set a scenario that would be advantageous for potential franchisees when evaluating the cash flows of the business. We also recommend that GAP, Inc. structure their agreement so that franchisees purchase inventory through the corporate entity at a 5 percent up-charge. At that level, we are projecting operating income from just their franchisees' royalties and inventory up-charges to be approximately $42 million for 2025. That number could very easily be increased to closer to $50 million, particularly if sales jump as a result of local operators taking over the stores. In past years, GAP, Inc. has had interest expenses in the mid $70 million dollar range. As a result of their most recent bond issuances to get through COVID, they will see interest expenses between $170 million and $200 million until they pay down their debt. With about $500 million of refranchising revenue in 2022, our suggestion to franchise existing units allows them an opportunity to repay their newest debt issuances and have a recurring cash flow to pay interest expenses in future years. We believe that this should help de-risk the firm and reduce both their beta and cost of capital. The reduction in cost of capital is particularly relevant given that their debt rating was just downgraded to Ba1 from Baa2 with a negative outlook in March 2020. As a result, their interest rate increased from 5.95 percent on their last bonds to a weighted-average of 8.68 percent on those most recently issued. The most recent bonds are collateralized and face significant debt covenants, including not being able to issue any more debt. This is a major issue for a company that is going to need capital to invest in new capital expenditures, such as distribution centers, as the shift to ecommerce becomes more prevalent. Our solution provides them with an obvious path out of indebtedness, and should allow them flexibility to pay off debt, invest in new projects, or repurchase shares.

Conclusion

This week, we learned the value and importance of the price-to-earnings, earnings per share, and return on assets ratios in evaluating the current financial position as well as predicting growth and financial health in future years and quarters. These ratios especially work as indicators of a company's overall performance in a given year. After using current ratios and our tax and audit research along with advisory recommendations to create predictive values of these same ratios, we found that our advisory stances prove to be beneficial to GAP, Inc. both in the near future and in the long-run.

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

BDO SPEAKER SUMMARY

On October 7th, our class had the opportunity to virtually meet Michael Berg and Derek VanDunse of BDO Nashville. Throughout their presentation, I was able to learn more about the culture of BDO Nashville and BDO generally and how it differed from other firms as it was smaller in size than the Big Four. In addition to learning more about BDO, their presentation focused on time management and how critical it is in this day and age.

In their discussion of time management, one of my key takeaways was the idea of turning "have to" into "get to". The idea behind this is that if one were to change their focus from the dreadfulness of having to do something and changing its perspective, it becomes more manageable and the willingness to complete the task increases. For example, Michael and Derek asked the class to individually choose one "have to" statement and change it into a "get to" statement and discuss the impact of getting to complete that task. Personally, mine was "I have to study and get ahead in my classes so that I am able to finish this semester strong". I found this activity to be very interesting and unique, as something so simple as to changing your perspective can provide motivation in completing a task. In addition, Michael and Derek presented a TedTalk by Laura Vanderkam in which she discusses managing free time. During this video, she explains the ample amount of free time that is actually in each week and how one must prioritize certain activities. She explains that one may always say they don't have time for something, when it comes down to it, one can always carve out time for their biggest priorities. Following up with this, Michael and Derek explained many methods for prioritizing tasks such as the ABC method. I had never heard of this method before, so this was very helpful for me in prioritizing each daily task based on importance, whether it be A, B, or C. In addition, they discussed how individual people's definition of an A, B, or C may be different. Overall, throughout this discussion with Michael and Derek, I was able to learn important information about time management and more about the culture and climate of BDO.

BKD SPEAKER SUMMARY

This week, our class had the opportunity to listen to a presentation by Kimberly McKay, a regional managing partner with BKD. As the regional partner out of the Houston office, Kimberly oversees various offices in the southern region. Kimberly began her career with BKD in the Springfield office, then moved to the Colorado Springs office. After becoming partner, Kimberly was elected on the AICPA healthcare panel. I found it extremely interesting to hear about Kimberly's experience within the healthcare industry. She explained her passion for working with healthcare and seeing her development within that industry to ultimately work with the AICPA was very inspiring. Throughout the recruiting process, I have heard lots about the importance of finding industries you enjoy, so seeing Kimberly's experience with a certain industry was very interesting to me.

In addition to Kimberly giving a timeline of her career, she also explained the timeline she envisions auditing to be in the future. A major part of this future will be data analytics and technology. As firms must adjust and evolve to client needs, technology is at the forefront. Audits are becoming more efficient through these processes, so there will continue to be development along this front in the future. Kimberly's advice for our class was to become familiar with technology tools and techniques. Although a majority of access to these technologies will be available as we begin our career, there are still opportunities to become familiar with technology throughout our college education.

Kimberly's presentation provided valuable information in learning more about industries, as well as the importance of technology in our future career. As I continue to achieve my minor in Management Information Systems and my future graduate program involving analytics, I am eager to learn more about technology and its application to the accounting profession.

CROWE SPEAKER SUMMARY

This week, our class heard from Michael Giammalvo, a Crowe tax partner in the Nashville office. Michael's presentation provided an overview of Crowe, specifically in his experience of the tax profession. In addition to the busy season at the beginning of the year along with audit, tax has a second busy throughout the end of the summer.

Michael's presentation overall heavily emphasized the importance of data analytics in public accounting. Michael began by explaining the basics of data, including the characteristics of structured and unstructured data. Structured data is easy to find and organized, while unstructured data is more available and flexible. Data allows accounting professionals to create interactive data and automate tasks. This also includes machine learning and robotic process automation. These are made possible by the large amounts of data that is used today. Data analytics is a newer addition to the business world; however, the growth and possibilities are endless and have become necessary in the work done today.

In addition to the explanation of data, Michael emphasized the importance of completing a Master of Accounting with data analytics. By achieving this degree, we are at a great advantage as we begin our careers. Not many universities offer this option, so Michael emphasized the importance of taking advantage of this opportunity. As data analytics is the future of accounting, this degree will allow us to stand out and become more adaptable to our future careers where data analytics will be of the utmost importance.

This presentation was very beneficial, as Michael spoke about data, a topic students have always heard about throughout our education, however we have rarely learned many specifics or the importance of data analytics and its application to our future careers. This presentation made me look forward greatly to my experience with data analytics in the master's program.

EY SPEAKER SUMMARY

On Wednesday, November 4th, our class had the opportunity to hear from EY professionals. Overall, the presentation included general information regarding EY as a whole, as well insight and advice from each professional. The professionals provided ample information and stories of success with EY. In addition to the general conversation, recruiters Kelsey Rock and Alhya Branch put together an amazing activity that was sure to provide opportunities for teamwork, which mimicked the people atmosphere that EY portrays.

The general discussion was led by Justin T. Gentry, an audit partner in the Memphis office. Justin discussed the general facts about EY as well as the specific service lines EY has to offer. Additionally, Justin provided information regarding the benefits EY has and how the company cares for its employees, as well as a new and upcoming continuing educational program where EY employees can work toward their MBA. Justin also discussed his personal history with EY, including the various offices he has worked with as well as the large amounts of travel EY has provided for him. In discussion with the other EY professionals, they answered questions such as why audit or tax, as well as how the Ole Miss graduate program set them up for success within their career with EY. All of the professionals also discussed their personal advice for the recruiting process. For me, the biggest takeaway from this advice was that one must research what is going on in the real world and show interest towards various subjects in accounting in order to truly stand out in the recruiting process.

The night ended with an activity involving a virtual escape room. While I had never taken part in a virtual escape room, it was an extremely engaging and enjoyable experience. In conclusion with the other professionals, the aim was to display teamwork and building off of each other which is an everyday occurrence in a career with EY. Overall, I greatly enjoyed the evening with EY and received large amounts of information about EY and advice for going forward in the recruitment process.

KPMG SPEAKER SUMMARY

On October 28th, our class was given the opportunity to speak to various KPMG professionals. These professionals were specifically located in the New York City office, but also provided information on KPMG as a whole. This presentation sparked my interest in New York, as I had previously only believed I was interested in other markets. I thoroughly enjoyed this presentation and all of the insight the professionals had to offer.

At the beginning of this presentation by KPMG, our class was able to hear from Brian Roberson and his story of KPMG. While currently a partner in Cincinnati, much of his career has been spent as a partner in the New York City office. Brian explained some details about New York City generally, as well as some information more specifically about KPMG New York. The most important information I personally gained from this presentation was the ample number of opportunities that New York has to offer. Each professional was Ole Miss alumni, and they each stressed how New York has benefited their career by the opportunities provided. Whether it be the opportunity to travel, see famous people walking around the city, or specializing in a certain industry category, each professional had amazing positive experiences with New York. One thing that sparked my interest in New York after this presentation was its comparison to other cities. No other city markets truly compare with New York as far as the amount of career opportunities and specialization opportunities. Brian and the other professionals explained the distinction between the financial and nonfinancial services, as financial services play a huge role in the New York market. They then explained all of the different subcategories that fall under each category. Hearing all of this information caused me to be really excited and interested in New York as it exemplified the uniqueness and ample opportunities that the city can provide.

While I am also interested in other cities, I really enjoyed this KPMG presentation as it provided me with lots of information specific to New York that I hadn't been exposed to before.

PWC SPEAKER SUMMARY

The first speaker in our class was PWC on September 9th, 2020. Our class was able to hear from various PWC staff, ranging from associates to partners in both the audit and tax profession. In addition to the variety of work of the professionals, it was intriguing to hear from people across the country in various locations. As we are only starting our recruiting journey, I found it very valuable to hear from these individuals and listen to them share experiences and advice, as well as create a networking opportunity.

Our class had the opportunity to speak with eight PWC professionals, all of which were alumni of the University of Mississippi. Seeing and speaking with alumni from all over the country was an amazing experience and emphasized the importance of making connections not only with alumni, but also the people I share class with every week as these could be potential connections that I value in the future. Much of the conversations in the break-out rooms were generally focused on hearing about each PWC professional, as well as answering our own questions.

In the break-out room with Ken Verheeck and Wesley Knott, I asked a question regarding making the decision of location and if they had any advice for someone with little preference at this point in time. They emphasized that location is the first step to this process, and after that decision is made the toughest decision of which firm is made. However, they pointed out that it comes down to interest and opportunity within each city, as well as where one feels most comfortable. They brought up that while it is a major decision, one is not always locked in on location and there will be many times one moves throughout their career, even within a firm.

In the break-out room with Rich Call, an audit partner from Houston, the conversation of specialization was brought up. He has an energy focus in Houston, which I found very interesting. I've always been fascinated by the energy industry and was not aware of the amount of specialization that can be achieved in one's accounting career. Hearing about the energy focus in that city, Houston has continued to come up on my radar of city preference.

Overall, I found the session with PWC to be extremely valuable in hearing experiences on all scales of the accounting profession. It largely impacted my interest in cities, as well as provided the idea of large amounts of opportunities within the accounting field. As I am just beginning the recruiting process, I found this to be a great opportunity to network and learn more about PWC and the individual experiences of the professionals that make up the company.

WHITLEY PENN SPEAKER SUMMARY

This week, our class had the opportunity to hear from Danielle Reynolds and Nathen McEown from Whitley Penn. Danielle Reynolds is the Whitley Penn campus recruiter, and Nathen McEown is an audit partner in the Houston office. Throughout this presentation, I was able to learn more about Whitley Penn and the importance of building a personal brand in preparation of entering the accounting field.

The presentation emphasized the importance of realizing the wide variety of firms available to us as we continue throughout the recruiting process. Accounting firms have vastly different sizes and cultures available to us. While public accounting can appear to be widely similar as you learn more about each firm, there are certain characteristics that make each firm unique. In the interview process, it is important to research each firm, and make as many contacts as possible within a firm. It is also important to build soft skills and realize the importance of those skills as we begin our careers.

In the next phase, the offer phase, it is important to narrow down the decision by finding out which firm culture is the best fit. Each firm has a unique culture, and each office has an even more unique culture. There may be different opportunities at firms, however it is important to take the time to consider which of those opportunities is the best for you in beginning your career.

In the internship phase, it is important to continue to develop the soft skills that make you a valuable asset to the team. When beginning in public accounting, the professionals emphasized the importance of communicating and gaining feedback from the team. Whether that be writing down suggestions or meeting with professionals above us, it is important to be a sponge to all information and feedback given throughout an internship. This is the best way to continue learning and becoming more comfortable in a professional setting. In addition, the Whitley Penn professionals emphasized the importance of building as many relationships as possible and attending as many events as possible. They emphasized that there will be many opportunities for lunches and firm social events, so it is important to take advantage of those.

This presentation from Whitley Penn was very interesting as it emphasized the actions we can take personally to succeed throughout the interview process as well as things we can do to succeed throughout our internships and our entire professional career. A personal brand is something that will continue to develop throughout our career, however it is important to begin now. Making connections and creating great first impressions is an important factor to consider as we continue our education and professional career.