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Financial Accounting Case Studies

By

Mark Coleman Miller Jr.

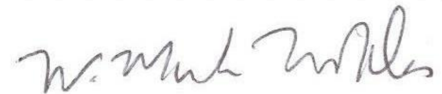
A thesis submitted to the faculty of The University of Mississippi in partial fulfillment of the requirements of the Sally McDonnell Barksdale Honors College.

Oxford

May 2022

Approved by

Advisor: Dr. Victoria Dickinson



Reader: Dean W. Mark Wilder

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Abstract:

The purpose of this thesis is to study and reflect on a variety of different aspects of the accounting profession and the professional world at large. Over the course of two semesters, we engaged independently and collectively with our peers in some of the deepest dives into our future profession of our academic careers. Each of the initial cases broadened my horizons and brought to light much of accounting that I had yet to be exposed to. Ultimately in the second semester we were divided into groups to work on series of cases revolving around one major business entity. In our case, The Walt Disney Company. Over the course of months, we compiled evidence and expanded our knowledge to present to our peers, faculty, and many active professionals our findings and theoretical suggestions for The Walt Disney Company. In each case I focused on a different aspect of the profession and brought my opinions, knowledge, and background to the discussion and response culminating into this thesis.

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Tale of Two Cities Case

Introduction:

In this case I was tasked with choosing the two cities I am the most interested in for starting my career and finding pertinent information to better consider what living there year-round would really be like, (the method for this was a response to 17 questions. You will find my responses for Denver listed 1-16 followed by my responses for New York City 1-16 followed by question 17 for both cities). Some of the information we were to compile was more basic information you will want to know about a city before moving there such as population, what would the weather be like in the new city, and what to expect as far as rent. Other questions we were supposed to answer about the city are things I as a college student would not have initially considered like where I am going to go to get groceries if I am living in a big city without a car, and the quality of the healthcare system and school systems. My favorite and honestly most genuinely moving part of the assignment was considering what activities and organizations I would want to get involved in, in the respective cities.

One of my personal favorite activities to do in my free time is play disc golf and is obviously going to be something I want to stay actively involved in wherever I live after college because it is a great stress relief and mentally rebalancing thing for me. When I came across the question about what recreational activities I will take part in this was my immediate first response. Last evening, I looked up disc golf courses in New York City and in Denver. I found that from downtown New York there nearest disc golf

course is over 10 miles away whereas in Denver there are over a dozen disc golf courses in the first 10 miles from downtown. However, several of the disc golf courses in Denver had very low ratings but there still should be a good couple quality courses to choose from on a daily basis that I can bike to from wherever I live.

The ultimate goal of the assignment as I see it was to help us compare and contrast our top cities and pick a certain favorite but also to open our eyes to how vast the questions about where I want to live and begin my career after college need to be. This assignment did just that, before this assignment I was just kind of picking cities because they sounded fun or was otherwise did not care entirely too much. Upon completion of this assignment I see that there are actually a lot of factors that I had not considered from this list and also many outside things that are different for everyone. The biggest thing I can take away from this is that Denver is my outstandingly first preference city because it really has most everything I am looking for so I am going to be looking into other cities that are similar to Denver because I really do see myself in a city like Denver.

City 1: Denver, Colorado

1. **The population of Denver Colorado is 2,847,000 as of 2020.**
2. Much Like the climate of New York, the climate of Denver is something that I will not be accustomed to going into living there. **In Denver I could expect hot summers and very cold winters. Some of the main challenges I would expect living in a city like Denver would be I've never had to deal with snow and particularly driving in the snow/ navigating through a city in the snow.** This

would not be something too hard to get accustomed to, but it would be the largest problem I could see with the heavy snowfall to be expected in the winters.

3. Denver is a city located in the mountains. The geography is relatively flat as far as the city itself for being in the mountains and there is lots of greenery and foliage in the city that really livens it up and makes it feel more welcoming and inviting.
4. **Tax rates are as follows Income- Federal: 22 percent State: 4.36 percent Social security: 6.2 percent Medicare: 1.45 percent Local: N/A. For a total of $12,029 in taxes.** I would see myself living in Denver much longer than I would live in New York City so I would expect to buy either an apartment or a house albeit that would be several years out. I would expect the current Colorado property tax rate of 0.551 percent. The total annual taxes would depend on the taxable value of the property.

https://neuvoo.com/tax-calculator/Colorado-55000

https://smartasset.com/taxes/colorado-property-tax-calculator

5. There are several offered forms of transportation in the city of Denver. **The top three methods of transportation are 1. Public transportation, 2. Personal driving 3. Biking.** Denver just spent a significant amount of money improving their public transportation transit system making it one of the largest in the United states.

https://www.downtowndenver.com/wp-content/uploads/Downtown-Denver-Mobility-Report.pdf

6. There is no official list of the biggest companies based out of Denver but there are three fortune 500 companies based out of Denver so I will use those and the two largest employers in the city. **The third largest companies in Denver are DaVita, DCP Midstream, and Western Union. The second largest employers are Wells Fargo and Kaiser Permanente.** No major industry stands out as the premier industry in Denver, this is exciting to me because it means I can work with a variety of industries throughout my time as an accountant.

https://patch.com/colorado/denver/here-are-colorados-fortune-500-companies

7. **Overall the state of Colorado has a very successful healthcare system**, ranked seventh in the nation. Being that Denver is one of the largest cities in Colorado their health system is strongly responsible for the rating. There are two major health systems in Denver; both of them are very strongly rated and seem to be very safe. **The public-school system of Denver is overall not bad, but my concern would be how much they focus on academics rather than the other aspects of the school**. My kids would more than likely attend public schools.

https://www.niche.com/k12/d/denver-public-schools-co/

https://www.thecentersquare.com/colorado/report-colorado-is-seventh-best-state-for-health-care/article_d36f6774-9f07-11e8-9033-f3d2ea14fe49.htmlf

8. **The city of Denver is not the safest city in the country it is actually above the national average for both violent and property crimes.** However, this does not worry me too much because any large city is going to be above the national

average for crime, and I only see myself living down in the city for five or so years after college after that I will move out of the city and the crime rate will be lower than the national average.

https://www.bestplaces.net/crime/city/colorado/denver

9. Rent in Denver is higher than I expected if I want to live in a one bedroom or studio apartment, and it would run **between $900-1,400** depending on location and quality of the apartment. However, it would be a significantly larger and better apartment than I would get in New York City it **would come over 500Sqft with most all the amenities a college graduate could hope for in a city including a fridge, dishwasher, fairly well-kept appliances.**

https://www.apartments.com/denver-co/under-1000/

10. Depending on where I end up working and living it will really determine which type of transportation I will use. However, ideally, I would like to bike to most of my destinations throughout the city. The city has some of the highest rated city biking trails in the country. **The commute when I'm living in the city should be minimal, not much more than 20 minutes each way, but when I move out of the city the average commute time is 46.11 minutes.** https://www.bizjournals.com/denver/news/2017/10/25/how-bad-is-denvers-average-commute-it-could-be.html
11. I personally like to go grocery shopping once and buy most of what i need for the next couple of weeks, so I don't have to go to the grocery store too frequently. So

I will likely go out to a **larger grocery store even if I have to drive a little bit out of the city to get the bulk of my groceries and when a smaller one in the city for filler items I need or things I may have forgotten on the main trip**.

12. Laundry in Denver would be easier to handle being that most of the apartments would have a washer and dryer in them. **I would be able to do my laundry in the apartment.**
13. In Denver I would like to be involved in more nature friendly organizations. Such as **potential nature cleanup organizations and organizations to help animals**. I would also like to get involved in **Chi Psi, Ole Miss, and NISL-Y alumni** organizations wherever I end up living.
14. The city of Denver has lots of activities that I am interested in. Being a city in the mountains there are going to be different year-round opportunities to **hike, fish, bike, ski** and so much more. Also, I will find all of the **disc golf courses** in the area and find some other people to play disc golf with. There are also sports teams, malls, and many other forms of entertainment in the city to participate in so I will not have a problem staying busy and entertained.
15. Flying back home would be a significant occasion because it will be **over $300** to fly round trip from Denver to Atlanta based on Kayak.com current rates. Being expensive and the long flight time to fly from Denver to Atlanta it would have to be a more planned out trip. **It would be at least a day for me to get home if not more depending on the availability of flights.**

https://www.kayak.com/flights/DEN-ATL/2020-09-24/2020-10-01?sort=bestflight_a

16. My total take home assuming the previously stated tax rate for the state of Colorado would be $42,971 + $3285.5 (calculated bonus after tax) = **$46,256.5 allowing for $3,854.71 per month.** Est Expenses: Rent: $1,100 + Bills $200 + travel and commute expenses $200 + Food $484.71 + Insurance + $120 + Spending money $675 + Rainy day/emergencies fund $250 + Investments $825 = $3,854.71

https://www.payrollforamerica.com/calculators/New-York-flat-bonus-payroll-calculator.php

City 2: New York City, New York

1. **The population of New York City is 18,804,000 as of 2020.**
2. New York city has a much different weather pattern than I am used to. Having grown up in the Southeast and only ever lived in Mississippi and Georgia the **harsh cold and windy conditions of New York will definitely be something considerably difficult to get used to. Outside of that the rainy conditions and the snowy conditions will be the other challenge I foresee as far as the weather goes.**
3. New York City is a much more massive city compared to Denver, many more larger skyscrapers and infrastructure. The city is a large city mostly located on Manhattan Island surrounded by water on all sides. Not near as much trees and foliage in the city as Denver.

4. Tax rates in the state of New York are going to be significantly higher than that in most cities. The income taxes associated would be Federal: **22 percent State: 4.8 percent Social security: 6.2 percent and Medicare: 1.45 percent** totaling $12,001.26 in income taxes annually.

https://smartasset.com/taxes/new-york-tax-calculator#IXdDTnQE2Q

5. The main form of **transportation that I would be taking would be the subway because it is the most accessible and inexpensive way to travel through the city.** However, there is the opportunity to utilize other methods of transportation such as Taxis, and other public transportation.
6. **New York is a hub for finance, and banking. The five largest companies in New York City are: Deloitte, JP Morgan Chase, PricewaterhouseCoopers (PwC), Citi, and Verizon.** All are massive international companies dealing in a variety of industries however most are related to banking and financial services. https://www.zippia.com/company/best-biggest-companies-in-new-york-ny/
7. New York City has a large number of hospital systems all throughout the city so there are many options to choose from so finding a good doctor will not be an issue. However, based on how the city handled the Covid-19 epidemic initially, it does leave for concern to my safety as a citizen. **If I live in New York I will not have kids while I live in the city.**
8. New York city is one of the largest cities in the world and has been ground 0 to terrorist attacks in the past. It is not realistic to not think a similar event is possible

in any part of the city at any time. **I personally am more concerned about pickpockets on the subway or getting robbed walking in the wrong place late at night because I am not familiar with the streets of New York.**

9. Realistically I would want to find an apartment in a cheaper area where more recent grads would be living**. I wouldn't want to spend much more than 1000-1100 on rent per month especially if I have roommates**. Which should be fairly realistic considering https://www.rentcafe.com/cheap-apartments-for-rent/us/ny/new-york-city/ currently listed prices. **These would be small apartments with less than what I would consider bare bones with a refrigerator, stove, and running water**.
10. Depending on where I end up living and where I end up working the commute will be very different, but the time should be similar. Per the New York Times article, **"the average New Yorker commutes 36 minutes one way" for work so an average commute of 1 hour and 12 minutes round trip a day.** Most New Yorkers use the subway system or walk on the sidewalks to get to work.

https://www.nytimes.com/2018/02/22/realestate/commuting-best-worst-cities.html

11. Based on what Chelsea said getting groceries is a daily activity because you can only get what you can carry. You have to go basically every day to be able to cook and eat at home. **Luckily New York City has a large variety of grocery stores to choose from** so getting a variety of items and finding a favorite grocery store will be a fun thing to do here I can't get as extensively elsewhere.

12. New York City is a large city and I will be on a tight budget so I likely will not have a washer and dryer in my apartment. **Likely I will have to go to a laundromat or to a communal building laundry room and use a washer and dryer there**.
13. I would definitely want to get connected in organizations if I can because I do not know anyone from or who lives in New York City well enough to call a friend. So, getting involved in an **Ole Miss, Chi Psi, or NISL-Y alumni network** in the area would be my first step. Other organizations I would like to find involvement in would be a **local food bank and/or humane society**.
14. Going along with the last answer the first thing I would want to do is find all the **disc golf** courses in the city which would probably be maybe one in central park if not having to go a little out of the city in which case I'll have the opportunity to find more activities I enjoy. Other Activities I would plan to participate in would be, I would **play chess** with the old dudes in central park fairly regularly. But also New York has so many other attractions such as **Broadway, Times Square, Museums, zoos, sports teams** and so much more that I would want to go do/ see if I was going to live there.
15. The only way to get home would be by flight because it is not practical to have a car as a normal New York City resident. I would have to uber or taxi to the airport and fly home which would be an expensive and time-consuming trip. **Currently ticket prices are very low around $50 one way but I do not fly regularly and**

am not sure if that is because of COVID-19 and the lack of travel or if it is to be expected. The flight is relatively short though I could be to A**tlanta from home in NYC in a matter of hours** because of the amount of flights available.

https://www.expedia.com/lp/flights/jfk/atl/new-york-to-atlanta

16. My total take home assuming the previously stated tax rate living in New York city will be $42,998.74+ $3,022.40 (calculated after tax income from $5,000 bonus) = $**46,021.14 annual income after tax allowing for $3,835.1 per month.** EST Expenses: Rent $1,100 + Bills $150 + travel expenses (in city) $150 + Food $685.1 + Insurance $150 + Spending money $600 + Rainy day/emergency fund $250 + investments $750 = $3,835.1

https://www.payrollforamerica.com/calculators/New-York-flat-bonus-payroll-calculator.php

Both cities

17. After completing this through analysis of the two cities I believe there is a clear winner for which city I would rather end up in**. I would much prefer to live in Denver rather than living in New York City for many reasons.** First and foremost, I believe that Denver holds a significantly larger amount of opportunities to engage in activities I enjoy. While living in New York City leaves an open door to do any city activities you want, not having a car where I can go out to the mountains or be freer to visit other cities and areas outside of the immediate city. As I stated I enjoy outdoor activities such as hiking, disc golf, and

hunting all of which would not be very accessible in New York City. **I could honestly see myself living in Denver/ the greater Denver area for a significant period of my career after college.**

CASE TWO: FINANCIAL STATEMENT CONCEPTS

BY:Anna Brock, Lele Goldsmith, Michael Keene, and Coleman Miller

INTRODUCTION:

For this case study, we were given three questions covering various financial statement concepts and asked to consider how the FASB would regulate these concepts for financial reporting. Included in this analysis of the case study is a transcribed dialogue of our discussion on the questions. The dialogue is included to show how we approached the prompts and came to our conclusions. Any ideas not expressed in the dialogue were addressed outside of the class discussion period in a group message environment. In the following paragraphs of the introductions, each group member describes what they have learned from this case. The order of paragraphs is Anna, Lele, Michael, and Coleman.

Because this case study was a group project, I found myself understanding the concepts in more depth. Answering the questions and hearing my group's thoughts helped take the discussion and analysis further than if we were to do this individually. Looking at the concepts that the FASB deals with and questions forced us to look deeper into ideas that we had not before. I learned from this that the focus of a business—either on revenues and expenses or assets and liabilities— greatly affects the operations. Focusing on revenues and expenses was the more positive viewpoint of the two, although both have their pros and cons. Also, how a business values their assets has a large effect on many journal entries. Valuing an asset in exchange was what we found to be most effective and have the least consequences on journal entries.

This case of financial statement concepts was more thought provoking than the last case. Placing myself into the shoes of the FASB was no simple task; deciding the future of financial reporting was not any easier. From this case, I learned to think outside the box. I am accustomed to memorizing accounting definitions and concepts in the classroom, not having to decide the fate of real world accounting scenarios. This case placed me in the shoes of someone who does decide these scenarios, in turn widening my understanding of financial reporting itself. Moving forward, I will consider the purpose of each financial statement item, and the manner in which it is reported, in greater detail than in the past.

This case was very different from the last case, this case being more conceptually challenging. In this case we were tasked to put ourselves in the mindset of a group working for the federal accounting standards board considering potential new changes to GAAP. We were to debate two viewpoints as to how a principle could be changed for federal financial reporting, and how it would affect accounting as a whole. It was a great exercise giving us the chance to look outside of the box of the clear cut already established accounting principles. Also it allowed for us to look conceptually at how we as accounting professionals can contribute to the conversation about accounting regulations.

DIALOGUE:

Lele: From just reading these two, I would agree with Viewpoint One. This is my initial choice

because I read something about it in the accounting textbook today. There was an example of a company that did not have any cash flow, but they had net income. The company still went bankrupt. You can still have an income, but that does not necessarily control how well your business is operating.

Coleman: The way I read this, Viewpoint One involves long term growing of your assets rather

than Viewpoint Two— which is selling assets or trading them in, continuously increasing revenue and earnings. I think I would probably go with Viewpoint Two. It is a faster paced approach.

Anna: I also think I would go with Viewpoint Two. I do not like the description in Viewpoint

One where it is compared to a greenhouse, storing and growing assets. You need to move around your assets. To actually do anything, there has to be some movement. Lele when you were talking about what you read today, were you saying that the company had net income but did not have cash flows?

Lele: Yeah, and they still went bankrupt.

Anna: As I'm interpreting it—I might be a little off, correct me if I am— it says that the assets

are sacrificed or transformed for the larger goal. Viewpoint Two focuses on revenues and expenses, but there are still transformations of their assets.

Lele: That's definitely what they are saying. The determination of the revenues and expenses is

the primary goal, with asset and liability values being updated by changes and other accounts. It is still saying your asset and liability accounts are changing.

Lele: Let's talk about the other parts. I have written down a lot about the pros of Viewpoint Two.

Let's talk about why not Viewpoint One.

Coleman: So, Viewpoint One is more sitting on your assets and waiting for them to grow throughout time. You do not have the inflow of cash or as many transactions.

Anna: I think there is a lot of risk in that—just sitting on them.

Coleman: Your money is not as fluid. It could potentially not be in cash equivalents, and it could

lead to a company going bankrupt because they cannot access the funds when they need them.

Anna: The ability to operate in a way of Viewpoint One depends a lot on whether a company is

holding short-term or long-term assets—what kind of asset it is.

Coleman: Especially where it says a company will store the assets and grow them, I assume it is

for a long period of time. Companies with more short-term assets might have difficulty

with Viewpoint One.

Anna: Also waiting for the assets to grow, the company might miss out on a larger gain or net

income through getting rid of one asset and gaining another.

Coleman: We should probably talk pros on Viewpoint One and cons on Viewpoint Two for a

more holistic approach. Now, we should think of real-world businesses run this way. I think that Viewpoint One is like how Tesla is run. They put a lot of their money into specific business assets that did not have much return on for a long time, and they are just now seeing some significant returns.

Lele: Since we know a few things about companies on our own, I think we should include that,

without researching outside of this paper.

Michael: A trading firm might also be an example of Viewpoint One. If a company invested in

stocks for a long period of time, they do not really acquire revenues or expenses. Really, they just realize gains.

Coleman: What about a company for Viewpoint Two?

Anna: An example might possibly be a service company. A lot of the time they are composed of

a lot of revenues and expenses, and they do not have so many assets or things they hold on to. I cannot think of a specific one. Should we go over the pros of Viewpoint One?

Coleman: A pro of Viewpoint One is that if a company has the initial capital to acquire the

assets and the capital to maintain a period of losses or zero-sum gain, then I guess you could potentially see the benefits long term.

Anna: Some of the assets could potentially be good when considering Viewpoint One. If you

were in the land-owning business, that would most likely increase over time if you were capable of waiting for the increases.

Michael: We should talk about the cons of Viewpoint Two.

Anna: I feel like what Lele said earlier is a con.

Lele: Yes, so with the focus being mainly on revenues and expenses, it could harm a company if

they did not have any cash flows. Also, where it says the assets are continuously acquired and transformed—that could be a con. The assets lose the possibility of gaining more if held longer.

Michael: Let’s move on to Question Two.

Coleman: What is everyone thinking about it? Should assets value be measured based on other companies or by its own individual company? That's how I see the difference in the two options. In Viewpoint One, the value of an asset is based on how it is exchanged or how other firms would value it. For Viewpoint Two, the value used would be how it is valued based on how your individual firm views it. Should value be measured based on an industry standard or should it be based on each individual company's value for each asset?

Lele: I could see Viewpoint Two getting a little messy.

Coleman: Especially in the context of federal standards. In this case because it is based on

federal standards, Viewpoint One would be the right way to go. That way it is uniform throughout an industry and makes the firms much more comparable.

Michael: I agree. It is more material and easier to put a value on assets in Viewpoint One than in

Viewpoint Two. Pros for Viewpoint Two would be that it would be closer to the value your firm puts on it. The cons would be that the valuation gets messy, and it is harder to standardize it. A con for Viewpoint One would be the opposite of the pro for Viewpoint Two in that it would be a less accurate valuation for the individual company.

Anna: Can we think about some examples that would be affected by the viewpoints? I think we

will have to eventually talk about this in Question Three.

Lele: It reminds me a lot of what we talked about in Chapter 2 in Intermediate—in regards to the

topic on faithful representation and comparability. An outside user can compare your financial statements with another company, and they can feel as though the comparison is correct.

Anna: The assets are valued at the same level and degree.

Lele: Yes, one company might have a million dollars in assets and one might have one thousand

dollars. With Viewpoint One, they are valued at the same level. If we were to use Viewpoint Two, one that has one thousand dollars in assets might say, "Oh, well mine is actually valued at one hundred thousand dollars!"

Anna: It would affect a lot of the fundamental concepts of accounting. You could almost say it

would appear to be biased to any outsider looking to analyze the financial statements and use them to make decisions.

Michael: Wouldn't Viewpoint One be the same thing as net present value?

Coleman: Yeah, I think so.

Lele: One pro of Viewpoint Two is that it could show your managers or stockholders that are

already part of the firm how successful the company is. That's one benefit of Viewpoint Two.

QUESTION ONE

Question one had two viewpoints concerning the approach the FASB should take when regulating reporting of financial statements. Both Viewpoint One and Viewpoint Two contain components that enhance and diminish the primary goal of financial reporting for a business. Viewpoint One focused primarily on long-term benefits, with assets and liabilities being the primary goal of financial reporting. If a company has the ability to survive periods of no income and thrive off its assets and liabilities, then this viewpoint would create higher financial success for a company in the long run. Viewpoint One has a limited number of characteristics that would be helpful to a company for financial reporting in the long-term, but Viewpoint Two, however, has characteristics that triumph over Viewpoint One, specifically in terms of short-term benefits. The financial flexibility of a company is higher in the short-term, which allows companies to quickly adapt to any changes or issues. Viewpoint Two also focuses primarily on the components of net income, which is how most businesses operate today. The FASB should follow Viewpoint Two to strengthen and clarify the primary goal of financial reporting for industries and companies throughout the United States.

QUESTION TWO

The two viewpoints discussed in question two refer to how assets are to be measured, value-in-exchange or value-in-use. Viewpoint One refers to looking at assets

as value-in-exchange, this means that the value reported for assets is the value that an entity outside the firm would reasonably value it as. This is very useful for outside sources such as auditors and investors to use to be able to better understand the realistic value of a firm, and its assets. The negative of this would be that individual firms would not be able to use the data that they compile for their official company financial accounting statements as effectively for determining value of specific assets in the context of their firm. Viewpoint Two refers to assets as value-in-use, meaning that firms should report assets as the value that they will expect to get out of the asset from either being used directly or in combination with other assets. This would be a fairly beneficial way of reporting from a firm perspective because it would allow them to report their assets essentially at whatever value they feel is most useful. However, there is the big issue that companies will be able to manipulate their financial statements to present their company in a potentially better situation that is reality in an attempt to increase investor confidence. Also it makes it harder to compare companies in similar industries that could be easily compared in a value-in-exchange to assist business decisions. Under the circumstances of the question, we came to the conclusion that for the purposes of the FASB financial reporting standardization Viewpoint One would be more beneficial. The main reason for our decision was because being that this is in the context of setting federal standards it is important to have comparability between companies in similar industries.

QUESTION THREE

In order to accommodate the measuring of assets as “value-in-exchange”, current accounting will have to change in relation to the recording of land, receivables, depreciable assets, and restricted cash. Under the current accounting standards, land is not depreciated because of its unlimited useful life and therefore, it is stated on the balance sheet at its historical cost. However, under this new value definition land will be recorded at its fair value with the increase or decrease in value being recorded into an unrealized holding gain/loss account. An increase in market value will be recorded as an unrealized holding gain under the other comprehensive income section of the income statement while a decrease will be recorded as an unrealized holding loss for the period. The reason for the change in market value will be disclosed in the notes. Furthermore, companies are currently given the option to value their receivables under the fair value option, but under Viewpoint One they will be forced to in order to ensure comparability. Also, instead of debiting interest receivable and crediting interest revenue, the original receivable account (bonds receivable, notes receivable, securities receivable, etc.) will be debited along with the same credit to interest revenue in order to ensure a more accurate measurement of the asset account. Moreover, depreciation to assets such as supplies, equipment, or buildings will be journalized with a debit to depreciation expense and a credit to the asset account. This will maintain a constant fair value measurement for these assets. Lastly, the restricted cash balance will be put back into the cash account at year

end before replenishing the restricted cash account on January 1st, giving a more accurate representation of our cash account in terms of "value-in-exchange".

Associated Journal Entries:

<u>Decrease in value of land:</u>

	Debit	Credit
Unrealized holding loss	2,000	
Land		2,000

<u>Increase in value of land:</u>

	Debit	Credit
Land	3,500	
Unrealized holding gain		3,500

<u>Accumulated yearly interest on a note:</u>

	Debit	Credit
Notes receivable	1,000	
Interest revenue		1,000

<u>Accumulated yearly interest on a bond:</u>

	Debit	Credit
Bonds receivable	4,250	
Interest revenue		4,250

<u>Accumulated yearly interest on securities:</u>

	Debit	Credit
Securities receivable	800	
Interest revenue		800

<u>Adjusting entry for restricted cash:</u>

	Debit	Credit
Cash	5,000	
Restricted cash		5,000

Reversing entry for restricted cash:

Restricted cash	5,000	
Cash		5,000

Depreciation expense on supplies

Depreciation expense-supplies	2,125	
Supplies		2,125

Depreciation expense on equipment

Depreciation expense-equipment	10,500	
Equipment		10,500

Depreciation expense on buildings

Depreciation expense-building	50,000	
Building		50,000

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Taxodus Case

Introduction:

In this case we were asked to read several articles and watch a movie about corporate tax rates and corporate tax accounting. We were to formulate an opinion on what we believed would be the most optimal corporate tax rate in the United States and present why we chose that position. The biggest problem that the United States was encountering with corporate tax accounting was how many companies were utilizing offshore bank accounts as the recipients of their profits so they could pay little to no taxes on profits made in countries with less favorable tax rates. The United States government passed legislation in 2017, the Tax Cuts and Jobs Act, in an attempt to combat this outsourcing and bring jobs back to America. In the short term the benefits of this were evident until COVID-19 damaged the US, and global economies. The exact most optimal corporate tax rate is still unclear and will be everchanging; however, I think that a rate of 19.5 percent would prove to be the most beneficial to all the actors in the economy.

Additionally, we were asked to consider whether the case effected our interest in pursuing a career in tax accounting. Initially going into this semester and still even into this case I was unsure which line of accounting I was most interested in. We have done several other cases that have put us in the mindset of actual accountants in different lines of accounting, as well as, having talked to several professionals from several fields of accounting. However, none of them have put us in the mindset of a tax accountant quite like this one did, and it allowed me to think about it in several ways I have yet to be able to before. Such as what would I actually be doing as a tax accountant on a daily basis both in the corporate and private sectors. Also, I thought about what I could do in my career to make it more meaningful on a larger scale beyond just me making

a paycheck. I believe that tax accounting could be much more suited to me than I had previously thought; however, I am still not sure whether it is the best field of accounting for me.

I learned a lot from this case about the politics of corporate taxes and the many things that are affected globally by just the United States' tax rate. Prior to this case I did not think about how heavily some companies weigh the national tax rates to determine where they are going to set their distribution or manufacturing centers. I also did not realize how frustrated some governments are with big global businesses like Amazon and Walmart, nor did I realize the extent that some of these companies were exploiting these loopholes to. For some companies lower than 5 percent taxes on billions of dollars in profit. I am excited to see how the economy levels out over the next few years following the COVID-19 pandemic and having the new 21 percent tax rate it will show whether a slightly adjusted rate would be better like I think or if we are already at the optimal rate. Most importantly I asked myself what I want most out of my career in accounting and am now using that as a major basis point for choosing which field of accounting I want to go into.

Analysis Taxodus:

1. What do you think is the optimal corporate tax rate should be and why?

The Tax Cuts and Jobs Act brought about many changes in tax law in the United States the most noticeable of which is the change of the corporate tax rate. The Tax Cuts and Jobs Act (TCJA) changed the corporate tax rate from 35 percent down to 21 percent. This change in tax rate represents an attempt by the United States government to bring more business to the United States and for them to keep their profits in the United States. There have been many problems in the past by companies utilizing the United States for commercial use while pulling their profits

offshore to evade taxes to the greatest extent. The optimal flat corporate tax rate to prevent these problems should be found through the next few years through a period of trial and error but I believe that the optimal rate will be 19.5 percent. Once an optimal corporate tax rate is found than the United States economy will bloom to the best extent where the economy retains the most money through taxes and by companies not pulling money offshore.

Over the past few decades American companies have perfected using offshore accounts to reduce their tax and other expenses. What they do to go about this is they use bank accounts mainly in the Netherlands or Cayman Islands, areas that have little to no tax rate, and have that be the destination of the profits. From there they can pay as little taxes as possible and have more money to retain for dividends or to put back into the business as they desire. Some companies are paying less than five percent taxes on billions in profit by use of this system. This has caused problems for American companies in European countries where government officials are growing increasingly frustrated with them utilizing the infrastructure while not being held to the same standard as their own companies. This is very similar to the problems that are happening in the United States that the Tax Cuts and Jobs Act strives to change.

Since the election of United States president Donald Trump, the government passed legislation called the Tax Cuts and Jobs Act. Out of the many goals of this legislation the change of the flat corporate tax rate is the most overall influential globally as the tax rate in the united states effects the flow of global economics. Even a minor change in the tax rate could have a significant impact on the companies that still want to or begin to want to engage in business within the United States. As the corporate tax rate in the United States had been 35 percent in the past many companies operating within the United States had historically circumvented this high tax rate by the use of offshore bank accounts. To disincentivize this the United States government

had to change something to make them seem more attractive to companies to keep profits in the country and thereby taxes in the country.

A lower tax rate would be one of the most attractive means of keeping corporations in the United States as well as it could also entice other companies to potentially move profits into the United States. The change that Donald Trump signed into law changed the rate from the overly aggressive 35 percent to a much more reasonable flat 21 percent rate. Having just been signed into law in late 2017 there were only a couple years' worth of data to analyze to determine the impact of the change before the COVID-19 global pandemic and ensuing economic crisis. We cannot consider most of the data from the past year because COVID-19 hurt not only the United States economy but the global economy stalling most businesses and industries causing long term damage to global business.

In the first two years following the enactment of the Tax Cuts and Jobs Act legislation the American economy began seeing a significant rise in all aspects of the economy. Within a year the unemployment rate in the United States reached a 50-year low (Department of Treasury). By June of 2019 there was an increase of over 200,000 jobs in the economy (Department of Treasury). The most important result we could see in just two short years after the enactment of this legislation is that there is a certifiable increase in manufacturing by over 500,000 jobs in the United States (Department of Treasury). This is proof that the reduction in taxes has caused corporations to make the decision that moving production to the United States is more beneficial to them for one reason or another.

The exact optimal corporate tax rate is unclear exactly right now because, COVID-19 caused so much disruption in the American economy; however, I believe that a corporate tax rate of 19.5 percent would be the most optimal. But, COVID-19 sending the United States from one

of the greatest economies we have seen in the last century to one of the worst and seemingly is quickly beginning to recover in a matter of months makes it hard to see the extended direct effects of the TCJA and whether extending it to a lower tax rate or increasing the tax rate slightly will lead to the most optimal tax rate; however, I do think that the act will cause for a much quicker rebound to the economy than the prior legislation would have allowed.

At a tax rate of 19.5 percent there are many more opportunities that can be taken advantage of by all members of the United States economy the government, the businesses, and the citizens engaging in commerce as well as working. This will allow a little more tax space for companies to consider as benefit continuing business in the United States. Even though the United States government realistically cannot come close to a zero percent tax rate it would show corporations that they are willing to work more with them to the best of their abilities. For the Government it would ideally draw more companies to bring their business to the United States thereby increasing tax revenue. As for the citizens it will allow for more jobs and more companies to choose from to engage in business with giving them more freedom of market and freedom to work where they desire.

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

Tax accounting is the form of accounting that deals with all forms tax both foreign and domestic. Luckily currently there is no global taxes that everyone must pay, and each country is put in charge of their own tax rates for their citizens. In this case I thought more about what a career of tax accounting would be like and what all that would go along with working in the line of corporate tax accounting. Before this case I had not heavily considered a career in tax accounting I was much more leaning towards audit accounting. This case has pushed me more

towards a career in tax accounting, but I am still not fully sure which field of accounting I want to pursue.

Tax accounting involves much more of the legal aspect of accounting and the taxes that are owed to the government at the end of an accounting period. In the corporate world tax accounting involves the taxes that a company is due to pay the government or governments of different companies if the company is operating in multiple governmental municipalities. Whereas, public tax accountants in the private sector deal more with helping individuals and households with their private tax matters such as income, deductions for various reasons, and many other factors that can affect their taxes due.

Prior to this case I would probably say that I had a very low chance of having a career in tax accounting either in the public or private/corporate sector. However, this case gave me a few things to consider namely, what do I want out of my career as an accountant at large. Long story short after a lot of consideration I decided that I want to help people be more aware of what they can do to reduce their tax obligations. Which I can accomplish in several different ways namely by starting my own practice which is no doubt a long way down the road, but I could use several entry level years garnering the experience I need to start my own practice in an attempt to achieve this goal. That being said I like the idea of tax accounting for the purpose of helping people, but I don't see this being the only way I can end up helping individuals through my accounting career.

There are many other ways that I could help people through my work in the accounting field and this case has pushed me to consider them more so I can make a more informed choice when deciding which field of accounting I want to focus on. This case has really caused me a dilemma as to which focus, I want to have for my accounting career now that I am interested in at least learning more about a career in tax accounting. All fields of accounting leave room for me to help

people either through working for an existing company, starting my own firm or a different way. So, I am now considering which field can I either make the biggest difference or where I can make the biggest difference I want to see.

Interview Case

Introduction:

The interview case was very helpful it showed me how looking at the long term of a career how every job I work will build me to get better ones in the future. It allowed me to look at the entirety of someone's life in the form of important business and personal events to see how they connect. For this case, we were asked to find a business professional that has significantly progressed in their field and interview them with a base of several questions, but also, we were encouraged to ask more as they came up or ones we thought of in advance. I decided that I would interview my dad Mark Coleman Miller Sr. since he is retired and worked for a couple of decades in business management. He has a lot of knowledge and experience that would be suitable for this case.

From this case interview, I learned quite a few things. The most important thing I learned was that decisions that people make in life affect them even to retirement; deciding to take the easy way out now may cost you something much more significant than a little bit of free time later. It is very surprising to me that the events of life are so interconnected that even things you do that, in your early career, could have great consequences for your future. Another thing I learned from the interview case was regardless of how qualified you are for a job or position, the person making the decision always has a bias or relies heavily on recommendations for job placement. I also learned it is more important to have good contacts than a good resume. Some things I learned from this case itself are how to separate business and personal life. For this case, I took the interview as a serious business style interview, so outside of him knowing who I am, when he made some comments and responses specifically geared toward me, we were able to have a very professional correspondence.

Biography:

Mark Coleman Miller Sr. was born in North Carolina on August 15, 1964, to Sarah Miller and Gerald Miller. Growing up in one of the most metamorphic times in the history of society, Mark has seen the United States and the world change so much. He was a professional in the business management world for over a decade as well as leadership in telemarketing and sales positions on his path to upper management. At the peak of his career, Miller was a regional sales director for AT&T enterprise accounts working out of Atlanta, Georgia before falling ill and having to retire early due to late-stage kidney failure caused by Renal Tubular Acidosis.

Early life for Miller was very typical for a suburban boy growing up in the 1960s, 1970s, and 1980s. As a young boy his mother kept him busily enrolled in many different sports and activities; however, he moved around more than most so staying involved and making friends was somewhat more difficult than for other kids. The two activities that helped him stay involved and developed his physical and social skills were Boy Scouts and baseball. He played baseball all through high school and stayed heavily involved in Boy Scouts until achieving the rank of Eagle Scout at the age of 16 when he took a heavy leadership role in the troop. In his young life, he moved three times before middle school from North Carolina, to South Carolina, then to New Jersey, and finally to Saint Louis where he lived from seventh grade until college.

For college, Miller decided that he would attend the University of Tulsa to pursue a career in law. He began his college life in the fall of 1983 by doing all of the standard college life activities such as getting involved in intramural sports and joining a fraternity. After two semesters, Mark decided that the pre-law track that he was pursuing would not end in success because, at the time, one of the heaviest focuses in the field was writing case reports and his writing capabilities prevented him from full success in the field. In the middle of college, and

now knowing that his chances at a great career in law are slim, he decided to take several classes in the field of business to determine if that was something he was interested in. Fortunately, he immediately loved it. After growing up seeing his dad as a manager at different facilities and even owning his own business, he decided that he wanted to focus on management. In his years at Tulsa he made connections that would serve him and nurture his professional and personal life to this day.

After college, Miller had a fresh business administration degree with a focus in management, but the job market at the time did not leave him with any immediate viable options. He decided that he would move back home, save money on rent, and start a job before he found his career. He started off by finding a job through a headhunting firm where he was selling restaurant equipment. This job may have just been his first job out of college, but it taught him vital lessons that would help him as he progressed in his career. The most helpful thing the company taught him was the basics of customer service, and the responsibility that an agent has to balance keeping the customer happy while not having the profits take a substantial hit. Another key thing it taught him as a salesman was to be able to handle rejection and move on to the next potential customer. He worked with that firm from the start of 1988 until the middle of 1989 when one of his fraternity brothers he knew from college called him and told him about this new company called MCI.

At this point Miller decided that he would put in an application to work for MCI as a base level telemarketer. After a couple of interviews, he secured a job in Atlanta, Georgia, where the office his fraternity brother was working in was. This was when Miller learned the benefits of connections and contacts saying, “it’s not what you know; it’s who you know.”

At MCI he started his career in telecommunications the field he would stay in until his early retirement. At MCI he quickly began climbing the ranks, and his business degree focus management became a very important figure on his resume. At MCI, Miller learned one of the most important things a salesman needs to know: how to sell and how to sell well. MCI was a young company, so they invested heavily in their employees through the form of training sessions, classes, and other useful business knowledge. The ability to sell well made him a desirable candidate to other companies, so he was approached by AT&T with an offer for a significant promotion and raise; however, he would have to move to Tulsa.

At that point, he accepted the position despite having to leave behind his wife in Atlanta, Georgia, to run her furniture business. In Tulsa, since he was already familiar with the area and knew many people, he was able to adapt quickly; although, he knew it would only be a short stop before he transferred back to Atlanta, Georgia, about a year and a half later. With his time in Tulsa working for AT&T, he learned vital life skills that transcend the business world such as patience and humility. Having to leave his new wife and move away for work for longer than they had been married was a test of patience since he was waiting for his promotion, the maneuverability it offered, and the security it would provide for starting a family.

When he received a high-level management job in Atlanta, Georgia, he was ready to move back as to get his career and family life together. Through the next twenty years, he progressed through the ranks of AT&T in Atlanta, Georgia, going all the way to regional sales director for AT&T enterprise accounts. Learning many things along the way, the most important lesson he learned practically from his time at AT&T was how to run large teams of many people. He would be capable of managing, coordinating, and running an account or sales team for AT&T

in the southeast. The hardest lesson he learned through this was the difficulties of handling and navigating a corporate system.

Inside that 20 years jockeying through the ranks of AT&T Atlanta, Georgia, was the more important side of Miller's life: his home and family life. Being a high-level manager before having kids, a daughter in 1995 and a son in 1999 caused for some minor difficulties being able to be at everything for his kids; however, he rarely missed an event and was always active in his children's in and out of school activities. Outside of work, he was involved in a church men's social group, had poker nights, and barbecues, but the main focus of his life was his kids. From coaching his son's t-ball team to being the only dad waiting through ballet classes. He always kept his children at the center of his life. He says, "without a doubt that I am most proud of my children." His daughter Lydia is 25 and a graduate of Wofford college with a major in history working at the President Lincoln summer cottage in Washington DC, and his son 'Coleman' an accounting major at the University of Mississippi in the honors college, the Center for Manufacturing Excellence, and working an internship at the BorgWarner manufacturing plant spring semester 2021. With the success that his children have already had, he foresees them making him proud every day.

One of his greatest memories he says is the time he took his family to Disney World in 2006. After over a year of planning and researching and buying a whole book about Disney World, knowing all of the must-see and must-dos of early 2000s Disney, they went in the summer of 2006. For this vacation, they drove from Suwanee, Georgia down to Walt Disney World in Orlando, Florida, he said it was the most exciting and felt like the longest car ride of his life. For this what would turn out to be the only family trip to Disney World he spared no expense in planning it staying at the Polynesian resort one of the nicest hotels Disney has to offer. The meal

plan that they bought was one where they had one really nice meal a day and two ‘regular’ meals per person which allowed for visits to some of the most sought-after attractions at Disney such as dinner with Cinderella, breakfast with Mickey, and lots of others. This was the most fun week of his life getting to spend the whole time with his family seeing his kids at some of the happiest they have ever been.

As his generation is finishing making their mark on the world and mine is just starting, I saw it important to ask Miller a couple questions about the challenges that his generation and mine have had to and/or will have to face. The biggest challenges he believes his generation still faces is not bankrupting the United States and more importantly destroying the Earth. In just the time he has been alive the figures for polar and rainforest depletion has exponentially increased, the buildup of trash and the unsustainable use of natural resources has gotten out of control and if things do not change soon then the Earth will die and it could be his generation to blame. The biggest challenge he believes my generation will face is the mistakes of our ancestors. The problems that his generation caused just scratch the surface of the problems that our ancestors have initiated, society as a whole is fractured, without a significant effort and coming together on the global scale it may be impossible to fix the problems they have caused.

Now that Miller is retired when he looks back on his professional and personal life, he has much experience and knowledge that he can use to evaluate and give advice based on his mistakes and successes. When asked if he could change two things about his life, his first answer was the basic invest more in retirement earlier because compound interest works better the earlier you get involved. But the second thing he said he would change was more unique. He said he would have worked harder and made it to and through law school. He said yes it was easier to switch to business and even though he was very successful in business he would have had a much

better career and been more financially stable now. Sometimes the hard way through is going to be much more worthwhile in the end because you are stronger for it. When asked what he wishes he would have known when he was 21 years old about his life and career, he said he wishes he knew about the connections he would make in his life and would have gone to law school and had an amazing job opportunity. Advice he wanted to give to me, and my classmates, is that school is the easiest job you will ever have, so work hard at it. Specifically, he mentioned that he knew we were all accounting majors and said that the bonus for getting your CPA within the first year of joining a firm is the easiest money you will make so be sure to not waste time and miss out on that.

Case Week 1: Walt Disney Co.

By: Megan Jansen ,Kate Sudduth, Matthew Stersic, Eli Dykes, Mark Coleman Miller

For class this week, we were tasked with picking a publicly traded company to research over the course of the semester. After much debate, our group chose to research The Walt Disney Company. We discussed the recent challenges the company has faced due to the pandemic shutting down many major sources of revenue. However, we also realized how Disney Plus and their other media sources might have actually improved during this time. In addition, Disney seems to have a significant share of the entertainment market, and with the acquisition of 21st Century Fox in 2019, seems to be growing even larger. We thought this would make an interesting case and was something we wanted to research further. After deciding on our company, we were asked to research the financial state of the company and learn about its business. Below are our findings.

The Walt Disney Company's mission is to entertain, inform, and inspire people around the world. To do this, it operates under five segments: media networks, parks and resorts, experiences and products, studio entertainment, and direct to consumer and international. While the company started with a man drawing a mouse in 1923, it has grown into a multibillion-dollar company, bringing in 65.39 billion dollars in 2020 and over 69 billion in 2019. The company operates under an October- September fiscal year, due to peak season being in the summer months.

Since the COVID-19 pandemic Disney overall has taken a significant decrease in revenues, in August of 2020 revenues were down 42% compared to the prior year, beyond that they are seeing deficits and losses across nearly all financial reports and operations. In the past year alone, Disney has announced they will have to lay off over 32,000 people due to financial

difficulties caused by the pandemic mostly Disney theme park and cruise workers. Some of Disney's main five operating segments have seen significant regression in revenue and success. By far the most noticeable being the parks and resorts. These segments took such a large hit because Disney had to close down all parks and resorts for some of the second fiscal quarter and most of the third as well as having to shut down all cruise line charters altogether decreasing revenue by 85%. In 2020, the company took an overall net loss of $2.864 billion.

According to Disney's annual income statements from the last five years, their gross income decreased by 30.44% from 2019. This can be seen in the 6.19% decrease in the company's overall revenue, combined with the raising of the expenses that it had to pay at the same time. Disney experienced growth in every major expense category, and most significant was a category titled "Unusual Expense", the expense increased by $4,808 million. These could be related to the pandemic, such as an increase in the costs of sanitizing workspaces, hotels, and parks; as well as costs of restructuring the workplace to work virtually.

Quarter four 2020 adjusted earnings per share were ($0.20) vs the ($0.70) per share analysts expected. M. Thornton forecasts that the entertainment giant will post Earnings per share (EPS) of $0.06 for Q1, $0.30 EPS for Q2, $0.62 EPS for Q3, followed by $0.78 EPS for Q4. The company has an average rating of "buy" and a consensus target price of $152.80.

In Disney's Letter to the Shareholders, filed on January 25, 2021, many updates regarding the new CEO, company performance, and their commitment to diversity and inclusion were provided. They explained that the company's media and entertainment businesses were restructured to further accelerate direct-to-consumer (DTC) strategies. The new CEO Mr. Chapek was set to have a significantly lower target compensation than the prior CEO. Lastly, the

company shared their ongoing efforts to improve their new six pillar initiative for diversity and inclusion that was put in place in June 2020.

After researching the company, we found that while Walt Disney Company is currently reporting record low numbers, they are projected to bounce back after the pandemic runs its course. Prior to 2020, Disney was consecutively improving its financial performance and was a very stable company. We look forward to continuing to learn about the company and dive deeper into their financial statements over the course of the semester.

Case Week 2: Walt Disney Co.

By: Megan Jansen ,Kate Sudduth, Matthew Stersic, Eli Dykes, Mark Coleman Miller

This week we were working on the audit portion of our case. In order to do this, we analyzed how risky each account on Disney's 2020 balance sheet and income statement was. We used four different criteria in this analysis including existence, presentation, valuation, and completeness. After analyzing each account, we chose six that seemed the riskiest and most intriguing to us, to dive deeper into. We chose the balance sheet accounts of goodwill, projects in progress, investments, and commitments and contingencies, and the income statement accounts of depreciation expense, and general, selling, and administrative expenses. We then came up with two internal controls for each account that could lessen the level of risk. Next, we came up with tests that auditors could perform to double check the authenticity of each of these six accounts. Finally, we formulated potential ways that data analytics could be used in order to audit the accounts we chose more effectively and efficiently. This case will summarize our findings on each of the six risky accounts.

Goodwill is an intangible asset that arises from excess purchase price over the fair value of net assets being purchased during an acquisition. There is a gray area between accounting fraud and earnings management which leaves room for manipulation when dealing with mergers and acquisitions. Acquisitions with an unnecessarily large purchase price can artificially inflate book value and accounting earnings. Overstatement of Goodwill may seem beneficial in the short term, but inevitably the company will have to show losses on the income statement. There are three opportunities for manipulation of Goodwill: when deciding the purchase price, measurement of goodwill, and goodwill impairment. It is essential for Disney to have strong internal controls regarding the impairment of goodwill since it is dependent on management

judgement and fair value measurements. Some internal controls that should be implemented are considering who is preparing and reviewing qualitative data used in determining if impairment is necessary. This kind of data may include losing a key employee or customer, unanticipated competition, negative cash flows, etc. Using a third party or rotating the personnel in charge of this may be necessary. Disney would also have to determine how it would identify events and circumstances that suggest recording an impairment is required. The transactions that need to be audited include the original acquisition, any impairments up until the current date, and potential impairments that should be recorded. Data analytics may help streamline the process of calculating fair market value to compare to the goodwill's carrying value.

Projects in progress are an asset, and as with any asset there is a risk of misrepresenting the company's value if the asset is not properly valued. The problems arise with the inability for many Disney projects to determine at what point the project gains value. Additionally, the amount of work that has been completed on a project or is still to be done may not be easy to know for Disney. This could lead to them valuing assets higher than they should be valued which would misrepresent their worth. One critical internal control that needs to be in place is strict monitoring of all capitalized expenses. It is important that no small operating expenses are improperly capitalized and thus mistakenly represented on the balance sheet as an asset. Data analytics could be useful on this account by creating a spreadsheet that tracks the completeness of all projects in progress. It would compare the projects to previous endeavors that were similar in nature and use the timelines that those projects had to get an accurate estimate of how much of the project should be to complete and look into areas where there have been roadblocks in the past. It would then be easy to see the completed total cost of each project and transfer it to a new account when complete.

It is important to implement strong internal controls especially when considering the investment account otherwise there is a high-risk scenario for the company. Some internal controls we found critical to successful accounting were to ensure the use of appropriate methods for recording investments and calculating value such as testing for significant influence. Another key internal control to pay close attention to is ensuring that the interest is accrued or expensed in the proper periods which could be done by managerial review and approval on interest accounts changes. Another thing that can be done to reduce the risk associated with the investment account is to run periodic tests to ensure all value adjustments, etc. are properly stated. There are many risks associated with improper statement of investments primarily that the vastness of simply and investments account makes it hard to determine what kinds of investments that this particular company may be associated with. Potentially causing investors and employees to be misinformed about the status of the company. Data analytics tools can be used to help reduce the risk associated with this account. A recommendation we had was to use a tool that could help keep track of the long-term investments and ensure that the value is adjusted properly over extended periods of time.

Misstatement of commitments and contingencies can misrepresent the amount of liabilities a company has to pay, and misstatement of significant amounts may lead companies to pursue unwise investments, higher dividends, and put them in a position of being unable to pay if the commitments and contingencies are understated. Overstatement may lead management to be unwilling to take on new investments, to make sure they are able to cover contingent liabilities. The internal controls that are necessary to make sure that these are properly monitored are for commitments to make sure all contracts with payments due are put on a schedule. Also, to make sure at all points that the company is aware of the amount that is likely to be due. Another internal

control would be to make sure that multiple people from the legal team are looking at any cases that have created contingencies and use previous cases to determine the likelihood and amount that would be owed to make sure that the estimate is appropriate. The legal team could read over outstanding cases and contracts and determine what the essential facts are. They could then use data analytics to pull amounts and create probability assessments from rulings to create a fair assessment.

One account that our group quickly identified as being risky was the depreciation expense account. This expense helps allocate the cost of the company's assets over their service period. The greatest risk associated with the depreciation expense account is that the depreciation expense itself is understated. There are many ways to account for depreciation, so it can be manipulated easily. In order to make sure the depreciation accounts are correctly stated, there are a few rules we can follow. These rules would consist of making sure that whoever is entering in depreciation expense does not understate it in the financial statements. If the depreciation expense is understated, then the gross profit of the company would be overstated. This would display that there is a higher profit than the company actually has causing a chain reaction to occur. Retained earnings, inventory, and stockholder's equity as a whole would also be incorrect. In order to resolve these issues, internal controls would need to set a policy in place to determine the set depreciation expense amount of each asset and frequently record the entries needed. It is important that both the method of depreciation used is consistent and the period of time over which the asset is depreciated is correct. Another internal control for depreciation expense would be to use data analytics to develop what the depreciation schedule and expenses should be, and make sure the numbers match. If done correctly, depreciation expense should be recorded at its accurate price and will hopefully match the company's figures.

Another income statement account that we considered to be risky is the general, selling, and administrative expenses account. This account is risky because so many people and things fall under and have access to this category. In order to better control this account internally, companies could operate under a defined system of segregation of powers when it comes to writing, issuing, and cashing checks. Companies could also have a designated person match receipts and invoices with the bank statements each month. From the perspective of an auditor, there are many ways to test this. One way would be to make sure the financial department is following their internal controls set in place. Auditors could also perform a test that involved pulling a few random receipts/invoices and matching them with the bank statements. An even better way to do this would involve the use of data analytics and computer software. One could easily make an excel spreadsheet that tracked and reconciled all check numbers to their expenses and the bank statements.

In conclusion, while all accounts have some risks associated with them, we found that these six proved to be the most risky and vulnerable to both manipulation and human error. After evaluating how to improve the accounting and auditing of these accounts using audit tests and data analysis, we found several possible ways that management could take control to ensure that each account is complete, valued correctly, and presented thoroughly.

Case Week 3: Walt Disney Co.

By: Megan Jansen ,Kate Sudduth, Matthew Stersic, Eli Dykes, Mark Coleman Miller

INTRODUCTION

This week we were tasked with finding strategic tax strategies that the Disney Company could potentially utilize to reduce its tax burden. After researching the latest changes in tax laws, including the Tax Cuts and Jobs Act and the CARES act, as well as also considering possible tax legislation changes in future years, we came up with a few strategies that Disney may be able to take advantage of. These strategies would decrease taxes by using tax credits and by lowering their taxable income. This case highlighted the importance of tax accountants being educated and up-to-date on both current tax policies and potential changes in tax policies. It was eye-opening to see the impact that simple research can have on the amount of taxes a company pays. In just a few days of researching, our team was able to come up with potential ways to save Disney millions of dollars per year in taxes.

SUGGESTIONS

Our first suggestion is for Disney to move their animation and film production from California to Georgia. The California state corporate tax rate is 8.84 percent, while the Georgia state corporate tax rate is 5.75 percent. Also, Georgia has a 20 percent to 30 percent tax credit for film projects that spend over $500,000 in production and editing expenses in Georgia depending on the budget (“Film Tax Incentives Map”). The State of

Georgia also offers another 10 percent credit from the Georgia Entertainment Promotion Tax Credit for embedding the Georgia logo in the credits of the feature film or episodic film ("Film Tax Incentives Map"). California also offers tax credits for films produced there. The credit is 10 percent less than Georgia's. Additionally, the tax credits they offer are much more complex and have very specific criteria ruling out several of Disney's productions that would be available to Disney in Georgia ("Film Tax Incentives Map"). In 2019, Disney reported $2,686 million in pretax net income from their animation studios (Dybek). With this number, they would pay $237,442,400 in California state corporate taxes. However, in Georgia, they would only pay $123,556,000. When applying the tax credits for studio production in both states, California would pay $189,953,920 in taxes and Georgia would pay $92,667,000. We found these numbers by reducing the taxable income by the percent the credits were worth and then multiplying that number by the state tax rate. With the favorable Georgia tax incentives, Disney would pay $97,286,920 less in state corporate taxes each year in their animation sector alone if they moved to Georgia.

Our second suggestion is moving the manufacturing of products from overseas to rural areas around Orlando. Not only would this save money on shipping products to Walt Disney World, the Disney Cruise terminal, and other domestic locations, it would allow Disney to gain significant tax credits. Under the Biden Administration, a 10 percent tax credit is available for companies that create jobs for Americans, as well as a 10 percent tax penalty for companies that ship jobs overseas ("Biden's Tax Plan").

Therefore, if Disney can move some jobs back to U.S. they are reducing their taxable income by 20 percent. The best way that Disney could go about repatriating these manufacturing jobs would be by revitalizing manufacturing in rural Florida. The state of Florida has a Rural Job Tax Credit that would allow them to receive $500,000 a year in tax credits per manufacturing plant added in designated areas of the state ("Florida Dept. of Revenue - Corporate Tax Incentives."). If Disney moved product manufacturing to the United States, they would save thousands of dollars. We were not able to find specific figures for Disney's overseas product production to use in our calculations, however, using the information we have we think it would be a significant amount of money.

Another tax strategy that is worth mentioning for The Walt Disney Company is for them to take advantage of laws regarding bonus depreciation and net operating loss carryforwards. Bonus depreciation essentially allows companies to deduct a large portion of the cost of certain purchases during the year they acquire them, rather than depreciating them over a period of years. This reduces net income, and thus reduces taxable income. Under the Tax Cuts and Jobs Act, qualified improvement property is now eligible for 100 percent bonus depreciation (Abramowitz). It is also important to note that the TCJA added qualified film, television, and live theatrical productions to the list of qualified improvement property that may be eligible for first-year depreciation deduction ("New Rules and Limitations...Jobs Act."). As an entertainment company, this is especially applicable to Disney. The Disney Company suffered a net operating loss in 2020 and already carries forward previous losses. According to their released 10-K from

2020, they already have a $34 million tax benefit from legislation that passed in 2020. Ensuring they are taking advantage of 100 percent bonus depreciation; Disney would increase their net operating loss and offset taxes in future years which will likely have higher tax rates due to the Biden Administration. The TCJA limited NOL's to 80 percent of taxable income in any one tax period, but the CARES Act has lifted this limit and still allows for an indefinite net operating loss carryforward. Without a very detailed list of qualifying assets that Disney has placed into service since 2018, it is impossible to say approximately how much this would save the company. We also do not know exactly what policies created by the TCJA the company is already taking advantage of. However, along with our first two tax strategies, we believe that advising the company to utilize these new laws regarding 100 percent bonus depreciation and indefinite NOL carryforwards would be advantageous.

CONCLUSION

In conclusion, this week's case consisted of many challenges and opportunities for learning. We assumed the role of tax accountants and researched ways that the Walt Disney Company could save money on taxes. We came up with three main suggestions that could save the company millions of dollars in taxes each year. This project allowed us to scrape the surface of the complex world of corporate taxation. It shows how in-depth the tax codes are in states, our country, and even internationally. By finding these solutions to save Disney money, we learned the importance of a good tax accounting

department. The money that is saved in taxes could allow Disney to pay higher dividends to shareholders, explore potential new projects, and gain a competitive advantage.

Case Week 4: Walt Disney Co.

By: Megan Jansen ,Kate Sudduth, Matthew Stersic, Eli Dykes, Mark Coleman Miller

This week we looked at the Walt Disney Company from an advisory perspective. To do this, we analyzed the company's operations, where they are located, their business strategy, their mission, how supply and demand affect them, and their biggest competitors. We also surveyed the company's financial statements and produced charts comparing the financial position of the last five years in several categories. We then used this information to determine what the company's biggest threats are and how the Walt Disney Company can plan to work around them. Serving as advisors for the company allowed us to see a new and different perspective than in previous cases. We learned that no matter how successful a business is, there are always ways to work towards improving its financial position. Throughout this write-up, we will list two threats that Disney faces and what steps they can take to dilute them.

THREATS AND SUGGESTIONS

The first threat that is having a devastating effect on the success of The Walt Disney Company is unauthorized streaming and distribution of intellectual property. The unlicensed distribution of content occurs in many ways, from the sale of merchandise to the unauthorized use of film or musical content and many cases in between. Disney, unfortunately, faces almost every form of unlicensed distribution of content. Predominately, they face the unauthorized production and streaming of Disney-owned

film and television content. Disney explained that they are experiencing increasingly sophisticated attempts to obtain unauthorized access to data systems that have "made the unauthorized digital copying and distribution of our films, television productions and other creative works easier and faster and protection and enforcement of intellectual property rights more challenging" (The Walt Disney Company). Unauthorized distribution of Disney content does not have a direct effect on the reported Cost of Goods Sold, however, it can have a responsive effect on Disney's Sales, General & Administrative expenses. Specifically, any costs associated with protecting intellectual property and electronically-stored information will increase as higher levels of security are needed. Operating income is the most affected account on the income statement because as illegal streaming and distribution become more prevalent, the number of paying customers decreases.

Our suggestion for Disney to combat these issues is to provide discounted or free Disney content so that they are not losing traffic because of free illegal sites. We believe that more people will be visiting Disney sites and paying for their content than before. They can make up the loss of revenue from subscribers by adding advertisements. Companies will feel more inclined to market through Disney because their advertisements will potentially reach a greater number of customers. Many customers are more willing to sit through ads than to divert to illegal sites with less image quality and service security. Other streaming services such as Hulu, already utilize this model. They have an affordable base plan that provides for viewing with ads and a plan

that is double the price for viewing without ads. In 2019, Hulu reported that 70 percent of subscribers were on their base plan. Hulu also reported that their revenues from advertisements were consistently similar to their revenues from subscriptions (Holland).

With Disney's current model they are missing out on potential revenue from ads and losing money from illegal viewing sites. Both of these issues could be easily avoided without lowering their profits if they decreased their streaming prices and added advertisements.

Another plan that Disney can take to combat revenue lost to illegal streaming would be to take the legal route. In August 2020, Disney as well as other content giants such as Netflix, Amazon, and Paramount sued Crystal-Clear Media for unauthorized distribution of their content. The case is ongoing, however pursuing legal action against illegal streamers that can make it not a profitable industry could limit people from creating illegal streaming sites (Holland). On the federal government level, The Protecting Lawful Streaming Act, which was signed into law in December 2020, allows the Department of Justice to charge providers of illegal streams with a felony ("Protecting Lawful Streaming Act of 2020"). Disney should lobby to back more legislation that increases the penalty of unlawful distribution to further discourage streamers from cutting into their market.

A second threat that Disney faces is the high pace of change in the entertainment industry. For example, Coronavirus shut down the tourism industry overnight, while also closing movie theaters. Both of these experiences will likely be impacted by COVID for

several years, even after normal operations resume. In the last several years Disney has experienced a decline in ratings for broadcast television as well as a reduction in demand for home entertainment sales of theatrical content. However, before the pandemic, Disney was experiencing a record-breaking year in movie theatre ticket sales. When they were forced to move new releases to streaming services, their return on assets declined.

The best course of action for Disney to take to deal with the everchanging entertainment industry is to make use of the highly profitable movie theatres, while also using the successes of the premium video on demand (PvoD) releases to create a movie release model that meshes well with the movie theatre and streaming industries. An article from *the Atlantic* talks about the premiere of the highly anticipated Mulan and how the debut at the box office would have been estimated to yield $261 million, but the release through streaming sites drove down the profits to an estimated $60 million from $90 million (Sims). This suggests that while streaming is a growing industry, the profitability of the movie theater is much greater than that of streaming services. We suggest that Disney should make sure they return to putting their movies in theaters and do what they can to make sure the industry survives through COVID.

In an initial response to the outbreak of Covid-19, Disney reduced the amount of money they were spending on advertising and marketing (The Walt Disney Company). As government regulations get less rigid, we recommend that Disney immediately begin advertising the reopening of parks in order to get customers back in theatre seats and theme parks. We think that after the pandemic, both theme parks and

movie theaters will see a large spike in attendance because people will be ready to get out of their houses and back to the pre-COVID way of life.

CONCLUSION

Both of these suggestions to the various threats Disney faces coincide with its mission statement of entertaining people around the world via storytelling. Not only do they align with the company's ideals, but they increase their overall revenues. Serving as advisors allowed us to observe how an already profitable company can significantly improve their financial position. The problems Disney faces are often dealing with the constant changes involved with an industry that is so reliant on technology. The best way for Disney to reduce its threats is to make sure that it is staying ahead of the curve on emerging technological changes. By creating ways to mitigate its risks Disney can ensure that it will remain profitable no matter how the industry changes.

Case Week 5: Walt Disney Co.

By: Megan Jansen ,Kate Sudduth, Matthew Stersic, Eli Dykes, Mark Coleman Miller

INTRODUCTION

This week we were tasked with looking at the Walt Disney Company's equity position. We analyzed Disney's current stock price and how it has changed over the recent years. We also reviewed the company's current price-to-earnings ratio and earnings per share. Next, we recalled information from the previous weeks' advisory and tax cases to see how Disney's earnings per share would change if our ideas were to be implemented, and we compared them to prior period's numbers. This case taught us that it is important to consider how business decisions will affect a company's market price before implementing them. An important part of publicly traded companies is how well they are valued and traded on the open market and all business decisions affect those statistics. By calculating the potential effects of our suggestions into Disney's current financial information, we can also see the effect that new projects and endeavors have on these numbers and subsequently how they can affect the stock price.

SUMMARY

Our recommendation for Disney to put extensive effort into the cessation of unlicensed usage of content will cost Disney a significant amount of capital; however, they will quickly see an increase in revenues of 2.2 billion annually. We calculated this by finding estimations of how much is lost in revenue annually. A 2019 report from NERA Economic consulting and the Global Innovation Policy Initiative suggested that $29.2 billion in revenue are lost annually due to illegal streaming. An article from Neilsen says that Disney+ makes up for four percent of all streaming while Hulu makes up 11 percent. They did not give information for how much of the market ESPN+ (another Disney streaming site) has, so to keep our estimates conservative we assumed

that Disney had 15 percent of the streaming market between Hulu and Disney+. 15 percent times the $29.2 billion means Disney loses $4.38 billion dollars a year to illegal streaming. If we were able to cut illegal streaming in half, this would mean we would have access to $2.2 billion of new revenues. We predict that Disney will see the effects of this investment for an indefinite period of time exceeding five fiscal years. While this recommendation will not have a direct effect on the number of shares outstanding, it will have a positive impact on net income, which would increase our earnings per share. When we used last year's earnings per share, this made a significant impact in reducing losses. We assumed a very large investment of $1 billion into political lobbying and legal fees to get back the 2.2 billion dollars in lost revenues, Disney would gain 1.2 billion dollars in earnings. Last year with earnings per share of ($1.57) with 1.82 billion shares outstanding ("Walt Disney Company"). This would add in about $0.66 per share, meaning that our newly calculated earnings per share would be ($.91). While Disney's earnings per share for the previous year would still have been negative, in a normal year the EPS is under $6 per share, which means that a $.66 increase would drive EPS up by over 10 percent.

Our tax recommendation to move Disney's animation and film production sector from California to Georgia will have a varying effect annually on net income because of the vast variation of costs and revenues per movie. To avoid speculation, we utilized Disney's 2019 values as 2020's values were unrepresentative of expected performance. Per our calculations in the tax case, Disney will be saving $97,286,920 annually (Dybek, Film Tax…). Instead of being associated with state taxes payable, this money would be additional revenue and, in turn, will increase net income. Like the former, this recommendation will have little to no effect on the number of shares outstanding. As previously stated Disney last year had an earnings per share of ($1.57) and outstanding shares of 1.82 billion (Walt Disney Company). Implementing this

recommendation will increase earnings per share by $0.053 producing a new earnings per share of ($1.517). This impact on earnings per share or net income may not seem like an overwhelming amount for a company of this magnitude, but over the next 10 years, it could produce an extra $1 billion in revenues for the company.

CONCLUSION

In conclusion, our ideas could have tangible benefits for Disney's stock price as well as the company's financial statements. These calculations also show us that any source of revenues could impact the stock price and how outside investors view the company. These calculations validate some of our proposed tax and advisory strategies. We do not believe that investing in higher levels of cybersecurity as well as spending more on legal fees in order to combat unauthorized usage of content will increase the riskiness of Disney stock. However, our suggestion for Disney to move their animation and film production sector from California to Georgia may require a period of acclimation before being as profitable as it is currently. However, the eventual tax savings and increase in EPS will lead to an increase in stock price.

Financial Crisis Case

Introduction:

For this case we were tasked with reviewing several different sources of information and gather what we can about the financial climate of the United States in the early 2000s. Along with that we wanted to keep in mind how we viewed and trusted financial organizations and the government. To report this we were to display how the material changed our opinions of the government and financial institutions, how it may have changed my opinion of what my role is in society may be different than I had initially thought, and report parallels from today to the financial crisis and how we can use this to prevent a future crisis. To start the case, I stated my initial opinions going into the case. From there I chose to select the most important factors in my reasoning behind why I feel the way I do about the two respective organizations and present them. After that I wrote about the parallels between the way that the government was being run in the early 2000s that caused for the first financial crisis and what I see the current establishment doing. Then I wrote about the role we have as citizens to ensure things like crony capitalism cease to exist. I closed with my final opinions as a result of the case.

This case helped me learn a lot about myself and about the financial environment that we live in. I knew going into this case that I would have a slight anti-government, and a friendly-to-big business mindset and so I figured that my mindset would not change much. However, seeing the vast amount of opportunities that both the financial institutions and the government had to make an effort to reverse some of the damage from the crisis and that they essentially threw them all away. I knew that there was always favoritism in government contracts the lowest asking price is not always what the government chooses for various reasons but to think that it happens on an individual level day in and day out is disheartening. I did not know how manipulative financial intuitions were in the early 2000s to individual investors the fact that financial institution employees can knowingly sell something to someone they would not buy themselves and not mention the defect to the clients who thought they were being helped. The fact that financial institutions prey on the poor and functionally defenseless was unbelievable to me. The main

takeaway I have is that it is the responsibility of all of us as accountants and citizens alike to hold our government and financial institutions accountable for their actions because they will not do it themselves.

Final Case Financial Crisis:

I find it hard to start this case any other way than by introducing my trust level and opinion of financial institutions and the government going into the case. I started out with very high levels of trust in financial institutions, I always thought of them as having the interest of making themselves and their clients' money never before had I consider them self-centered and money grabbing. The government on the other hand I had always assumed was the wrongdoer financially. I have always seen politicians and the government at large as conniving only looking out for their own interests to get reelected and their personal financial drivers.

Factors of the financial crisis and my opinion basis:

The first factor that caused the financial crisis in the mid 2000s politically was all of the new legislation that politicians were passing primarily several to allow more people to be qualified for home mortgages with next to nothing down. At the time they were predicted to see severe negative effects as a result of the passing of such legislation; however, the politicians pushed it through despite the heavily stated downside (Sowell, "Cause of…"). The reason they did this was because of pressure from other politicians and their own interest to be reelected. Political motives for opening up the range of applicants who would be approved for home loans varied from politician to politician; however, this was not the only instance of politicians going against the public good in their own financial interest.

Another example of when the government did what was better for them, personally or collectively, was when it came to the governmental rulings on the use of derivatives in the financial sector. In this case, alternatively, it was mostly financial institutions and companies of the like that were lobbying to prevent the regulation of derivatives by the government. Being that the financial sector has over 3000 lobbyists and from 1998-2008 spent tens of billions on lobbying and even more in recent years it is no surprise that they were able to make their impact decisions made in Washington in their interest (Ferguson). Specifically, on the ruling of derivatives there were many financial, and economic analysis

and experts all over the world recommending regulating derivative use in the United States, but the politicians decided against it because it was in their best personal interest rather than the positive effect that it could have had being enacted on the general public (Ferguson).

One of the major problems that caused the financial crisis in the mid 2000s was the lack of honesty in the safety ratings given to many toxic mortgage investments in the form of collateralized debt obligations (CDOs). This problem was brought about because of the connection that the ratings companies had with the financial institutions where the financial institutions would many times pay off the ratings companies to give safe investment ratings to their risky CDOs (Ferguson). Because the credit company saw no real downside of valuing the securities as triple A investments, the safest investment, as mortgage loans had traditionally been, they presented it to a vast amount of unworthy investments (Sowell, "Cause of…"). Financial institutions would make risky loans out to people who they knew likely would not be able to pay called subprime loans that were very aggressive and very predatory. They would then build CDOs comprised of many of these subprime loans watered down with some slightly safer loans initially to pull the ratings up in the end this was no longer necessary (Ferguson). The financial institutions knowing that the securities that they are selling their clients are bad investments started betting against the investments they were pushing on their clients to ensure higher institution profitability.

The financial institutions were fully aware of the situation that they were putting their clients, company and the world markets in but seemingly did not care until it came time for them personally to see the negative repercussions. The actions that companies like Goldman Sachs and Lehman Brothers were taking such as preparing the CDOs to be toxic, collusion with the financial rating companies, and influencing the political opinion towards their own and away from the general populous. They knew would result in substantial losses to taxpayers and investors alike but took no regard for them in their decision-making process. When the situation arose and people began defaulting on their loans, and these CDOs became worthless the government did not come to the aid of all those who lost everything. It primarily gave to financial institutions to the tune of hundreds of billions to restabilize the national and global economies (Ferguson).

Parallels from early 2000s political landscape:

The biggest and most obvious connection to me between the political landscape then and now is the fact that the presidential advisors as well as many of the appointed positions for financial and economic oversight were handed to people with significant conflicts of interest. In the early 2000s especially at the change of presidency in 2009 many of these positions aforementioned were given to execs from financial institutions who had a hand in on why the country's economic situation was so bad and in most cases were also still on the board or consulting for these and like institutions making substantial sums of money. Currently we are right at the same point of transition between presidencies lots of president Biden's advisors have begun their tenure and we have yet to see just how they will use their power.

Several of Joe Biden's advisors also served under president Obama during the recession in 2009. This is quite alarming seeing as how after causing the recession not only were they not personally prosecuted, or fined they ensured the execs themselves would not see jailtime. With COVID-19 causing so much fluctuation in the markets over the last year there is no telling what kind of collusion they could be trying to cover up. There is far too much capability for conflict of interest in the financial world so having most of the presidential advisors coming from the same background not just financial institutions but in any background should give rise to concern amongst the citizens.

We can learn a lot from this crisis and put what we learned to use to ensure another financial crisis of this magnitude does not happen. Primarily what should have happened to disincentivize other institutions knowingly partaking in activities that will have ill effect on their clients, or the economic environment was. After the crisis ensued and it was clear who was at fault there should have been significant financial and legal sanctions on the major architects of the systems; most executives were let off completely free and fortunes untouched. Also, we should ensure that the politicians are not allowed to receive the kinds of incentives that lobbyists and lobbying companies were providing. Most importantly though we should educate the masses about living within their means and doing more research on investments before diving 401k first into a bad investment. Lastly it is important for people being put into

advisory or facilitative positions in and around the presidential level should be thoroughly vetted for conflicts of interest be it former relations, or current positions if they have a bias, they should not be involved in decisions for millions of people.

Our duty as society:

We have a responsibility as a society to ensure that we take care of each other. Humans were put on this Earth to work together but constantly over the course of history we see time and time again the few fat cats walking all over the rest of society. We as the general public should make it our job to ensure what the politicians are doing in Washington as well as what the banks are doing on Wall Street aligns with what we want out of our society and our lives, because if not then we have no right to complain when what they do goes against our best interest. The biggest thing specifically we should do is look at where your tax dollars are going; crony capitalism is crippling to the US economy costing the taxpayers tens of billions of dollars in unnecessary overpriced purchases annually (Crony Capitalism). For example, I do not buy the name brand chips for the highest price every time so I can save money why should we let the government they are spending our money anyway. Professionally as public accountants we will have the duty to ensure that the interests of all people affected by our and our client's actions are taken into account. The ethics of the financial and political field are gray so being a guiding light as to what is right and what is wrong for others is a role that I believe I could personally fill. If my efforts help even one person make more morally sound decisions it will be worth it.

Final position:

After reading and watching all of the material for this assignment I believe my opinions of financial institutions and government have changed significantly. Beginning with not trusting the government's financial decisions knowing that crony capitalism was happening but not knowing the scale or that it was even identified on a large scale. My trust has lessened in the government ensuring my financial security. When the time came, and all the problems were on the table the politicians decided that instead of bailing out the victims of the predatory lending and foreclosure they gave hundreds of billions to the companies that had already profited from the victims of CDOs. To me that is unacceptable and

unforgivable. The amount of corruption that is taking place in the government currently was formerly unfathomable to me and now that I see how much it affectss my life and the lives of everyone around me I do not see why I should trust the government to have my financial wellbeing at heart.

My trust for financial institutions has plummeted as well. From starting with thinking that they might have the common man's interest at heart to now understanding that banks are interested in one thing and one thing only, profit. They did not care what the effects of their actions would be on their clients or the economy at large even though they knew they were only going to see short-term profits before people quickly started defaulting on their loans. They paid themselves outrageous bonuses to ensure they would retain their gain from their underhanded activities. Financial institutions like all companies must turn a profit to continue operation and stay functional but I do not believe it is worth it to destroy the hard-working Americans' life savings. It may be naive that I trusted big business to still care about the populous, but it is important that some still have faith in society that others will do the right thing otherwise it is impossible to repair ourselves from how far we have gotten. I want to see a turnaround and betterment of the financial institutions in this country to the point where everyone can trust them but at this point there is no reason to as they have shown no signs of remorse or evidence of change.

Honor Pledge:

"*On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this Thesis.*"

Mark Coleman Miller

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