A Series of Case Studies

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University of Mississippi

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CASE STUDIES IN FINANCIAL ACCOUNTING

by

Bailey Alissa Baudier

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: Doctor Victoria Dickson

Reader: Dean W. Mark Wilder
Abstract:
Throughout the course of my junior year at the University of Mississippi, I was given the amazing opportunity to work with Dr. Victoria Dickinson and complete my thesis as an accounting major. Each week, we were given a case assignment to work on with a different topic to cover. From potential future living arrangements to researching a financial crisis, our range never settled for anything lower than the high expectations given as an honors student. All of this was used to prepare us for the dedication we needed to put in for our most important assignment. In the last semester with Dr. Dickinson, we were given the ultimate case study. The case study was to work as a group with four other classmates and learn as much as we possibly could in a public company. Through weeks of research and collecting financial data, our group went into depth on General Motors. During the last few class periods we had left together, our group presented our findings to varying accounting firms. This class has taught me more than I could have ever imagined had I chosen to take a different approach to my thesis. I learned how to sort through 10-K reports, work well in a group environment, and make connections that I never would have been able to have I not been able to take this course. This series of case studies have been more than just weekly assignments. They have shifted my perception of what it means to be an accountant, and they have given me opportunities to further my education in the field I am interested in. With hard work and continuous hours of analyzing the numerous topics assigned, I have evolved my knowledge to the best of my ability and will use these learning experiences to further my interest in accountancy. This thesis is the product of a year’s long work, and each topic was a push out of my comfort zone. Had it not been for this course, I can easily say I would not be as driven as I am now. I am extremely grateful for the chance to work with not only an amazing professor but also be impelled to become better by my classmates.
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A Tale of Two Cities

Bailey Baudier

Dr. Dickinson

ACCY 420

9/23/20
Introduction:

Considering where to live once you graduate from college can be a difficult and stressful situation. It is your responsibility to learn as much as you can about where you potentially will live for either the first few years of your life or possibly your entire life. In this paper, I compare two potential cities and decide which one I would prefer to live in after discovering all of the information and facts. I need to find out everything from the weather to individual tax rates. The top two cities I am considering are Washington, D.C. and Houston, Texas. From my findings, I discovered that there are pros and cons of living in each city. While Washington, D.C. has a lower population, its crime rate is not that different from Houston, Texas. That shocked me considering high officials live and visit the city. I assumed that security and the well-being of individuals would be much higher than anywhere else. However, I was wrong. Houston, Texas still has a high crime rate, but it also has a significantly larger population. I also was dumbfounded by Washington, D.C. with its quality of public schools. It has a large dropout rate and low scoring reviews. Washington, D.C. does have some good points, though. The weather seems to be more adaptable than that of Houston, Texas. Houston, Texas weather can be immensely hot and is described as “oppressive”. Also, even though I would be making a higher salary in Houston, Texas, the cost of living is significantly higher. I would be paying almost $300 more a month compared to the apartment I found in Washington, D.C. While there are many other topics covered in my paper, my revelations gave me a lot to consider. I concluded that I would prefer to live in Washington, D.C. over Houston. This paper was very helpful in learning about what city I could live in after graduation, and it taught me more than I previously would have believed.
1. **What is the population?**

   The population for Washington D.C. is 705,749 as of 2019. The population for Houston, Texas is approximately 2.326 million as of 2018. It surprised me that Washington, D.C.’s population is so low. I figured it was much higher, but I guess it makes sense considering most people who go to D.C. are visiting.

2. **Describe the climate and seasonal fluctuations. Are you accustomed to living in this weather? If not, describe some of the challenges from this climate.**

   The weather in Washington, D.C can be described as warm and muggy in the summer and cold and partly cloudy in the winter (Spark). The weather ranges from 17 degrees Fahrenheit to 96 degrees Fahrenheit year-round. While I do prefer warmer weather, I have visited Washington, D.C. in the winter months, and I recall it being very cold. I do not know if that is something I will be able to adapt to. An article I read about Houston, Texas’ weather states, “In Houston, the summers are hot and oppressive, the winters are cool, and it is wet and partly cloudy year-round” (Spark). Even though I said I preferred warmer weather, I think there is a line to draw when the summers are described as “oppressive.” I am not sure if I can deal with the heat.

---

**Figure 1: Washington, D.C.**

**Figure 2: Houston, TX**
3. Describe the city’s topography, scenery, and other geographic or geological features of the area in which the city is located. Include pictures where appropriate.

Washington, D.C. has beautiful monuments and historical artifacts located all over the city. Tourist sites range from Great Falls Park to the White House. Washington, D.C. has been described as “a beautiful city with impressive architecture and spectacular scenery” (Cooper). Houston, Texas has many differing opinions about the looks of the huge city. While there tends to be a lot of construction, areas can be classified as having extraordinary beauty (Viggiano). One of the most beautiful attractions is in Hermann Park. It contains a Japanese garden that helps bring people to peace by “calming your mind, body, and soul” (Viggiano). Even though both cities sound amazing, it concerns me on-going construction can be easily associated with Houston.

![Figure 3: Washington, D.C.](image1)

![Figure 4: Houston, TX](image2)
4. What are the individual tax rates within the city (e.g., consider federal, state and local income tax, property tax, and any other taxes you’d be likely to pay?) Quantify what this means based on a starting salary of approximately $55,000/year)?

Given my starting salary is approximately $55,000 a year in Washington, D.C., that does not account for my taxes that are deducted. My federal tax rate is 9.59 percent, my state tax rate is 4.33 percent, my FICA tax rate is 7.65 percent, and my local tax rate would be zero percent. Together, my total income tax would equal 21.57 percent. That leaves me with an estimate of $43,136 for my net income (smartasset). If I were to live in Houston, Texas with the same given salary, I would have different tax rates. My federal tax rate is 9.59 percent, my FICA tax rate is 7.65 percent, and my state and local tax rates are both zero percent. My total income tax rate would be 17.24 percent. Reducing that from my income, I would be making $45,518 a year (smartasset). Although the differences in net income between the two cities is minuscule, the cost of living among other considerations must be taken into account. I feel like once those considerations are taken, my income would probably be around the same.

5. What transportation hubs are in the city?

An article claims, “Washington, D.C. has one of the safest, cleanest, and most efficient transportation systems in the world” (Washington, D.C.). While Washington, D.C. has many modes of transportation, the most used are the Metrorail and Metrobus. Both means of transportation remain available for close to 24 hours a day and run hundreds of routes throughout the city. A form of transportation I was not aware of is the D.C. Circulator. It is a bus that is free for all riders and travels along specific routes (Washington, D.C.). Houston, Texas also has Metrorail and Metrobus (simpleview). There are no known modes of transportation free of charge in Houston. While I do have my own vehicle, there is a lot to take into consideration.
6. What are the cities’ most prevalent industries? What are these cities’ five largest companies?

Washington, D.C. is most notorious for its federal government, professional services, higher education, etc. Their top five largest companies consist of the U.S. Department of Veterans Affairs, the Department of Homeland Security, the U.S. Navy, the U.S. Postal Service, and the U.S. Department of Justice. Houston, Texas’ prevalent industries are Aerospace and Aviation, Advanced Manufacturing, Digital Technology, and various others. The city’s top five companies are ConocoPhillips, Occidental Petroleum, CITGO Petroleum, Sysco, and Phillips 66. It seems as though Washington, D.C. covers more protection and receives federal aid while Houston, Texas focuses more on technology and fuel-based companies. I should have realized Houston would have more fuel-based companies considering it is near the coast. It is neat though that because they have such a high revenue from petroleum, their technology is considered to be advanced.

7. Describe the quality of the city’s healthcare. Describe the quality of the city’s school districts (K-12). Would your children attend public or private school?

Washington, D.C. has great private schools. However, it is not considered the same for public schools. A report about the dropout rate says, “one of every three high school students in D.C. are dropping out of school, including 40 percent of low-income students” (Murillo). It has a college readiness index of 8.5 out of 10. It seems as though private schools are the better option, but I am not sure I would be able to afford the tuition for private schools. Houston, Texas has 60 high schools recognized as the best in the nation. “Sixty high schools are recognized on U.S. News and World Report’s Best High Schools rankings.” Its college readiness index is a 7.5 out of 10. Both of these cities have significantly lower school quality than I thought, which is very concerning.
8. **What types of crime are common within the city and where are the locations within the city to avoid?**

Washington, D.C.’s top crimes are murder, rape, robbery, and assault. It is considered to be safer than three percent of the U.S. cities, which is low. My chance of becoming a victim of crime is one out of 100. It seems as though the east side of Washington, D.C. tends to be the most dangerous. Houston, Texas’ top crimes are also murder, rape, robbery, and assault. It is considered safer than four percent of the U.S. cities, which is low as well. My chance of becoming a victim of crime is one out of 96. It seems as though most crime is in the center of the city and spreads out. It does worry me that both cities have such high crime rates.

![Figure 5: Washington, D.C.](image1.png)  
![Figure 6: Houston, TX](image2.png)

9. **Based on where you see yourself living for the first three years, how much rent do you expect to pay? Back up this assertion with sample properties from each location (including pictures).**

Describe the square footage, amenities, need for a roommate, availability of parking, etc.

Considering I will be making approximately $43,136 a year ($3,549 a month), I hope to pay no more than $1,200 a month. I found a beautiful one-bedroom condo located near the center of the city that is $880/month. It is 788 square feet. It comes completely furnished, is pet friendly, water is included in rent, and even has a meal program available. My net income for Houston, Texas is $45,518 a year ($3,793/month). Because I will be making slightly more in
Houston, I raised my rent to $1,300. I found a facility located in the center of Houston. Rent is $1,199 a month and is 781 square feet. It is one-bedroom, pet friendly, has assigned parking, maid service, and an in-unit washer and dryer. I am really impressed by both cities’ available apartments for rent.

**Figure 7: Washington, D.C.**

**Figure 8: Houston, TX**
10. What is the typical mode of commuting? Based on your answers identified in the prior question, what are your likely commute times?

Typical mode of commuting for both Washington, D.C. and Houston, Texas is driving. Because I have a car, I do not think commuting would be an issue. Even if I decide not to drive, both cities have Metrorail and Metrobus that are available at all hours of the day. It is good to know that I would also have an alternative option.

11. Where will you do your grocery shopping?

Washington, D.C. and Houston, Texas have many grocery options, and many of the grocery stores deliver. Because I would be living in such a busy area for both cities, I feel as though delivery would be my best option.

12. How will you do your laundry?

Both units I have discovered contain an in-unit washer and dryer. There are also many laundry facilities located all around both cities. I think I will have many options to depend on when it comes to getting my clothes cleaned.

13. Name at least three civic, religious, or charitable organizations you would like to be active in for each city?

The top three non-profit organizations I would like to be active in for Washington, D.C. would be Green America, Bethany Women’s Center, and National Organization for Women. The top three non-profit organizations I would like to be active in for Houston, Texas would be Total Loving Care, Kid’s Meals Inc., and Brave Bully Rescue. I love all of the potential organizations that I can get involved in since I am involved with similar organizations now.
14. **What are the sports, entertainment, or recreational activities that you would be most likely to engage in within the city? Name at least five activities.**

Washington, D.C., has hundreds of activities and entertainment to get involved in. The ones I am most interested in are the Blossom Kite Festival, hiking, Blues Alley, the National Theatre, and Jazz in the Garden. The top activities and entertainment that caught my eye in Houston, Texas are the Houston Aquarium, Houston Bike Tours, White Oak Bayou Trails, Jumping World, and horseback riding. There are so many activities I would look forward to participating in because I have very little experience and practice, such as horseback riding.

15. **What are the modes of traveling back to your hometown of this city? What is the average cost you’d incur for each trip back home? How long will it take to reach your home?**

The top option for me to return home from Washington, D.C. to Madison, MS would be by flight. The best option would be to fly out of Washington All Airports and fly to the MSY airport in New Orleans, LA. It would cost around $161.70 and last two hours and 34 minutes. I would then need a ride home, but I have a lot of family in New Orleans I know I could depend on. Flying would also be the top mode of traveling from Houston, Texas. I would fly out of George Bush Intercontinental Airport and fly to the MSY airport in New Orleans, Louisiana for $51, it would last an hour. I then would need a ride from New Orleans, Louisiana to Madison, Mississippi, but as I said previously, I would be able to find transportation with little issue.
16. Based on your findings, develop a model monthly operating budget for each city for Year 2, assuming that with bonuses for being a high performer, your annual salary is $60,000.

Washington, D.C.

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<thead>
<tr>
<th>Tax Type</th>
<th>Tax Rate</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>10.62%</td>
<td>$6,375</td>
</tr>
<tr>
<td>FICA</td>
<td>7.65%</td>
<td>$4,590</td>
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<td>State</td>
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<td>Local</td>
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<td>Income After Tax</td>
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<tr>
<td>Retirement</td>
<td>$0.00</td>
<td></td>
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<tr>
<td>Take-Home Pay</td>
<td></td>
<td>$46,329</td>
</tr>
<tr>
<td>Monthly Income</td>
<td></td>
<td>$3,860.75</td>
</tr>
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</table>

Houston, TX

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Tax Rate</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>10.62%</td>
<td>$6,375</td>
</tr>
<tr>
<td>FICA</td>
<td>7.65%</td>
<td>$4,590</td>
</tr>
<tr>
<td>State</td>
<td>0.00%</td>
<td>$0.00</td>
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<tr>
<td>Local</td>
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<tr>
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<tr>
<td>Retirement</td>
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<tr>
<td>Take-Home Pay</td>
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<td>$49,036</td>
</tr>
<tr>
<td>Monthly Income</td>
<td></td>
<td>$4,086.33</td>
</tr>
</tbody>
</table>

17. Finally, based on your full analysis, determine which one is your preferred city and why?

Based on all of my findings, I would prefer to live in Washington, D.C. It has better attractions, chances of me being involved in crime are lower, and there is more of a variety of things to do rather than Houston, Texas. However, even though these cities were my top two, it has opened my eyes on going to other cities such as New Orleans, Louisiana, and Nashville,
Tennessee. I am not sure being so far from home will be a great fit for me. I will have to do the same research on both of these cities as well.
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Honors Code:

“On my honor, I pledge that I have neither give, received, nor witnessed any unauthorized help on this Case 1 assignment.”

Signed: Bailey Baudier
Introduction:

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

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

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

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

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

Viewpoint I:

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

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

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

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

**Viewpoint II:**

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

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

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

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

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

Question II

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

Viewpoint I:

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

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

**Anne Elise:** Viewpoint one’s asset valuation method makes it easier to trace the value of an asset to how much the individual asset is worth in cash or in exchange for another asset. It takes a more literal, tangible approach to valuing assets. Determining the asset’s value becomes easier because the value comes from the asset’s cash worth (or equivalent asset worth). However, this viewpoint fails to recognize the going concern assumption. By valuing an asset at the price at which it can currently be exchanged, a company takes a liquidation valuation approach and fails to assume the company will continue operations long enough for the asset to provide real value to the firm. This individualistic view of assets also fails to acknowledge that assets work in conjunction to make a product or provide a service for the firm.
**Bailey:** While, originally, I sided with viewpoint one because I thought of assets in terms of liquidity, I realized later on after discussing with my group that there are many sides to assets. Assets can be used collectively, individually, periodically, you name it. This viewpoint, though, considers assets to be more of a single isolated item that cannot join or work together with anything else owned by the company. Because of this, viewpoint one believes that assets do little to nothing to increase the value of the company unless they are “exchanged”.

**Viewpoint II:**

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

**Cristina:** Viewpoint two focuses on how assets contribute to firms by being consumed either by themselves or in combination with another asset. We can see this in the way assets are used differently for revenues and expenses. In creating revenues, assets such as equipment or supplies are used up and equipment will be used with accumulated depreciation. In expenses we see cash being used to pay expenses such as salary or insurance.
Anne Elise: Viewpoint two maximizes the amount of value an asset can have by looking at assets in conjunction with one another and the incremental value they bring to the table. For example, raw materials inventories work in conjunction with pieces of equipment in a factory to make a final product, which generates revenue and value for a company. This valuation method does prove difficult because there is more of an allocation rather than a direct tracing that must be done in order to properly determine the worth of an asset and how it contributes to a firm. However, I agree with this viewpoint because it takes the going concern assumption into consideration and gives firms more value by accounting for the life and use of the asset, not just when it is purchased and sold.

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

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

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

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

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

For one year’s accumulated depreciation:

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

For the sale of the equipment:

6/1/20 Value-In-Use 15,000
Cash 17,000

Equipment 15,000
Accumulated Depreciation 15,000
Gain 2,000

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

For recognizing incremental value:

10/1/20 Building 500
Inventory 500

Value-In-Use 1,000
Example 3: When dealing with intangible assets, such as patents and copyrights, standard journal entries would need to be adjusted when accounting for amortization to include the value-in-use concept discussed above. For this specific example, we will deal with the purchase and expiration of patents. The patent was originally purchased at the beginning of January, 2020, for $20,000. Upon expiration, the patent has zero value to itself, but has generated $20,000 of value-in-use for the organization.

For the issuance of a patent:

\[
\begin{align*}
1/1/20 & \text{ Patent} & 20,000 \\
& \text{ Cash} & 20,000
\end{align*}
\]

For one year’s accumulated amortization:

\[
\begin{align*}
1/1/21 & \text{ Accumulated amortization} & 1,000 \\
& \text{ Value-In-Use} & 1,000
\end{align*}
\]

For expiration of patent:

\[
\begin{align*}
1/1/40 & \text{ Value-In-Use} & 20,000 \\
& \text{ Patent} & 20,000
\end{align*}
\]
“On my honor, I pledge that I have neither given, received, nor witnessed any unauthorized help on this Asset Concepts Case.”

Signed: Cristina Trefry, Anne Elise Pillow, Elle Eickholz, Bailey Baudier
Excel Certification
By: Bailey Baudier

The Board of Directors of the Corporate Finance Institute® have conferred on Bailey Baudier who has pursued studies and completed all the requirements for the certificate of Excel Crash Course with all the rights and privileges pertaining to this certificate.

Certificate number 24305730
Chair of the Board
Scott Powell
Director
Lisa Dawson
Director
Oct 15, 2020
Corporation Tax Rates

Bailey Baudier

Dr. Dickinson

ACCY 420

10/28/20
Introduction:

International companies not paying corporate tax rates is a huge controversy going on in society today. It has been a major topic of discussion in the recent presidential debates. Donald Trump has been all for lowering corporate tax rates which he has succeeded so far in his last four years as president of the United States. He passed the Tax Cuts and Job Act which reduces corporate taxes and enables people to get a job. Former Vice President Joe Biden argues the complete opposite. He believes we should tax the rich and give back to the poor. If a family makes less than 400,000 dollars, they will not be taxed the same as those who make a higher income. Regardless of your political beliefs, it is your responsibility to understand what tax rates have to do with you individually and corporately. From the research I gathered, large corporations such as Apple, Amazon, Starbucks, etc. have discovered loopholes to make billions of dollars without being taxed. They do so by putting their profits into anonymous clients’ names or companies in overseas countries that have close to zero tax rates. They record their company making a negative amount of money in the country they are currently in, and therefore, must put their investments in said suspicious foreign countries. It just so happens that their reports are vague on who these investments are going to, and they also are not taxed. While some would say to leave them be, they are not hurting us, they are. Because these multi-billion-dollar industries find ways out of paying taxes, it falls onto the citizens. Our income, groceries, you name it are taxed. These taxes we have to pay go towards education, roads, construction, and so many more other services. If these companies paid what they were supposed to, then it would help out civilians extensively. In summary, because they do not pay taxes, people who struggle to make money have to pay more in their day to day lives. It is not fair and should be looked at more closely than it is right now.
What do you think the optimal corporate tax rate should be and why? Explain your answer including information gleaned from the two links and the documentary (in addition to any other sources you would like to include).

Tax rates are some of the most misunderstood components of the economy. Nobody wants to pay them, but they are a requirement in society to allow the government a means of spending on new roads, the ability for better education, and other public services. In order for the welfare of citizens in the given country where corporations lie to be successful, those specific corporations are required to pay corporation tax rates. An article about the purpose of corporation tax rates states, “Corporation tax is an especially precious part of any tax system, particularly for developing countries where alternative revenue sources are thin. Corporation taxes are very progressive, and they raise significant sums of money for public services” (“What Is the Optimal Corporate Income Tax Rate?”). The United States corporate tax rate was lowered from roughly 36.5 percent to 21 percent under President Donald Trump. As a result, the economy has done exceptionally well. However, the benefits of these tax cuts mainly affect large multinational companies. Citizens of the United States have suffered due to tax cuts because corporations are not paying their fair share of tax rates. There are many loopholes in the law for big companies paying taxes. In order for these said companies to pay even less than the reduced 21 percent tax rate, they report their profits are in countries where there are little to no tax rates. In return, the citizens’ tax rates are raised to cover the differences in the government’s income for our public services. No matter if taxes are raised or cut, corporations seem to find a way to work their way around the system and benefit while everyone else suffers. With that being said, I am not sure what an optimal corporate tax rate would be. My guess would be anywhere from 20 percent to 35 percent. I say this because I believe that corporations should contribute more to the government
due to the fact that they make so much money. Clearly, what we are doing is not working, the tax cuts were supposed to help the economy, but it has only made things worse. “Obviously, our corporate tax rate was much higher than other corporate tax rates, but we’ve got to be careful. The legislative tax rate may not be the tax rate they pay. But given that fact, probably a lower corporate income tax was called for. We have to worry about how you finance it. And we didn’t finance it. We just ran deficits, are running deficits right now” (“Taxing Corporations”). If a company is bringing in billions of dollars in revenue, I feel as though they should pay the given tax rate which would cover more than enough of the expenses for the people who purchase their products and services. We give these companies our money, and in exchange, they cheat us out by not paying taxes which causes our taxes to be raised. That seems completely unethical and unfair. They have plenty of money to give, yet their greed and power keep them from doing so. There were a few clips in the film that showed the faces of these CEOs, and it did not help change my formed opinion on their companies. A CEO, Troy Alstead who is in charge of Starbuck’s Franchise in the United Kingdom, was being interviewed. He was so smug with his responses and attempted to avoid any direct answers to his lines of questioning. When he was directly asked about his involvement in reporting all his profits were in the Netherlands, all he had to say was that it was confidential and there was nothing else to be said. The government knows what they are doing is wrong, but it seems like there has been little to no effort in attempting to prevent these loopholes from continuing to happen. I do not know enough about taxes in the economy to offer a solution, but in my opinion, I believe that there needs to be stricter guidelines in place for companies reporting their profits overseas and have an additional tax if they plan on transferring that money back to the United States, or wherever their actual company is located. These loopholes in the law need to be closed. There are too many homeless
people, hard workers only making minimum wage, and a ridiculously high unemployment rate in this country for the amount of income that is made by these companies to give back to these citizens. A reduction in tax rates only helps these corporations, and I believe they should be held accountable to pay their given tax rates instead of being given an alternative option of lowering these said rates.

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

My interest in the tax service line of public accounting was already low, but after researching tax rates and the outcome that follows, it is next to none. There are so many laws and loopholes to take into consideration that it just seems extremely overwhelming. From my perspective, corporate tax rates and corporations as a whole seem very corrupt. So many ethics and morals are compromised in order to make money. That is just not how I was raised. I would never forgive myself if I was in a position of power that takes from the poor and profits from it. I was interested in forensic accounting for the longest time. I received the opportunity to get in contact with a forensic accountant who works in New Orleans, Louisiana. She explained to me that her job role is to help attorneys with injury cases. Her company calculates future loss and wage loss to try and forecast how much money their client would be making if they were not injured. While she does perform similar roles as an auditor such as bookkeeping, making schedules in excel, etc., there seems like so much more liability with her job. Even though the job description does seem interesting, it is not up my alley of intelligence. Anything related to the law just goes right over my head. Documents have to be worded very specifically and seem confusing. If one sentence is written incorrectly you are setting yourself up for a lawsuit. I am more of a straightforward and numbers person. I have the ability to do quick calculations, and I feel as though I
would be more able to help clients figure out how much they owe which correlates more so with audit instead of dealing with tax laws. This assignment solidified my interest in going into audit.
Works Cited

https://www.taxjustice.net/topics/corporate-tax/taxing-corporations/

https://www.stlouisfed.org/timely-topics/optimal-corporate-income-tax-rate
Honors Code:

“On my honor, I pledge that I have neither give, received, nor witnessed any unauthorized help on this Case 5 assignment.”

Signed: Bailey Baudier
Introduction:

Before starting on this case, I was completely hesitant about who I would be able to interview. I know little to no one in the business field, and I felt as though I would be left empty-handed on the project. I thought about people I was close with and if any of them had any experience in the field of business. Then, it clicked. My boyfriend’s (Eli Dykes) mom, Karen Dykes, has her own jewelry making business she runs from home. She has always been like a second mother to me, and she has taught me a lot about arts and crafts over the past few years. She buys all the materials herself and sits in her craft room for hours working on shaping wires, shaving down ends, and adding jewels. Every piece of work comes out beautiful. I have even spent weekends with just her going to craft fairs and seeing how she works. It is truly incredible. She knows how to work the crowds and grab the attention of potential new customers. The best part is she doesn’t even do it for the money. She genuinely loves making jewelry. I believe that is why her work always turns out as well as it does. It is because she takes her time with it and does it of her own free will instead of having stress of financials on her hands. also, because she makes every piece by hand, each pair of earrings, bracelets, necklaces, rings, and anklets are one of a kind. Her mind is so creative it blows me away every time I see her working on a new project. She is truly someone I idolize and hope to be one day. Through her techniques and life experiences, she is patient, dedicated, and hard-working. Not only is she good at what she does but she is also willing to teach others. She loves to spread her wisdom and is very humble about it. Through this interview, she taught me many things. Things I never even thought to consider. I am so thankful to have been able to interview her for this project and could gain insights on what it takes to succeed.
1) **Tell me about your life growing up before you started college or your career.**

“I grew up in the middle-upper class. Starting at the age of 15 I had to start making a living for myself. I was allowed the opportunity to work for one of my parent’s friends that owned a small boutique where I am from. I am from Slidell, Louisiana, which is a small city outside of New Orleans, Louisiana. Anyway, I had to help out around the store by keeping inventory of our stocks and making sure everything was in order. We sold a lot of varying art which always caught my eye. I started to practice the crafts needed to make pieces people would want, specifically jewelry, but at the time, it was just a hobby. It was more important for me to find a “real” job than one that was unreliable. At least that was what was told to me by my parents. So, I always had an interest in arts and crafts, but it wasn’t a focus of mine at the time.”

2) **What were your college years (if applicable) like?**

“I was never one to like school. I was a teenager, so of course, I wanted to do what I wanted to do. I was not disciplined to go to class. Plus, I had no idea what I wanted to do for a career except something in art. I went to a small community college, but after my first year, I dropped out. I had no idea what I wanted to major in. I wanted to major in art, but that wasn’t an option for me according to my parents. So, after dropping out of college, I went to work at a bank in my hometown as a bank teller. I was young and reckless. I married a local boy when I was just around 20 years old and thought we would live happily ever after. Of course, we didn’t, but I was confused about what I wanted. It just seemed like the right thing to do at the time. Even though I did what I wanted, I was never confident in myself with what I did.”

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

“After divorcing my first husband, I realized I could not live on my salary that I was making as a bank teller. I decided I needed to be more responsible with my decisions, and I moved to Gulfport, Mississippi to attend nursing school at Southern Mississippi. There was a shortage of nurses at the time, so I was guaranteed a job with many incentives. I was able to work shift work which gave me time to pursue my
other interest of making jewelry. Anytime I wasn’t working, I was teaching myself more about making jewelry. It wasn’t until later on when I wore a pair of earrings to work that another nurse I worked with commented on them. She wanted a pair for herself, and the news quickly spread. It also was an advantage that I worked in a predominately female field where the women constantly wanted more of my jewelry. It helped me almost as a “side-job” while I was still paying off college debt and expenses that resulted from my divorce.”

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

My first job before working at the boutique was babysitting. It was very common for young girls who weren’t old enough to work to babysit the kids in the area. Next, I worked at the boutique followed by being a bank teller. I later worked my way up to being a customer representative, but I quit shortly after. Once I became a nurse, I stayed in the profession until my recent retirement. I did not like staying home so I worked at an elementary school in my area as a school nurse for the past five years, but I just retired from that due to the pandemic. Through all of my different career opportunities, I worked hard. I showed up. I volunteered for more work and was usually rewarded with moving up. I had to succeed, so I wouldn’t be rock bottom where I was after my divorce. These skills followed me into nursing. I learned to accept each challenge that was offered to me. You never know what is going to walk through a hospital’s doors. It was hard work. Not many people could handle the gruesome tasks we had to take, but luckily, I didn’t mind. I took extra shifts when asked and treated my coworkers with dignity and respect. You never know when you may need their help. Even if you don’t like who you’re working with, you should always be respectful. You have to learn to work with others, no matter how tough it may be. Some co-workers, though, won’t be so hard to get along with. I made a lot of friends in my years as a nurse. They understand your stress and frustrations more than anyone, and they can be great people to confide in. Most importantly, I learned to hang around people who stay positive. It makes the job more fun, and it helps you get through the day-to-day life of work. Lastly, never say no to your boss. No matter how worn
down or tired you are, your job is in their hands. They can help you out a lot or make your life miserable. Try and stay on their good side.”

5) **What has your life been like outside of your work?**

“Now that I have retired, my life is a fairytale. I had to work hard to get where I am but knowing I went from having nothing to having everything I could have ever wanted because of hard work and dedication is the most rewarding feeling. I have a wonderful husband, an amazing son, and I love my son’s girlfriend.” *(that’s me 😊)* “I get to work without feeling like I’m working. It truly is a peaceful life.”

6) **What has been the best vacation you’ve ever taken?**

“I’d say my favorite vacation was backpacking through Europe for an entire month. It was amazing what life could be life without the everyday items you tend to rely on. The sights were beautiful, and everything was just so peaceful. It was truly an amazing and eye-opening experience. I recommend it to everyone.”

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

“There are two related things that I wish I could go back and change. My husband and I never wanted children. We were completely content with just the two of us and having little to no responsibilities other than ourselves. However, I was surprised to find out I was pregnant early on in my 40s. I couldn’t believe it. Neither could my husband. He didn’t believe the baby was his until he was born and had his nose. But through it all, I realized the wonders of having a child. I wish I didn’t wait as long as I did to have a baby. My second regret is not having more kids. If I didn’t wait as long, I would have realized how much I loved being a mother and wanted a bigger family. I am very thankful for the son I do have. He is all I could dream of and so much more.”

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

“I wish I would have studied other artists and traveled to their workshops to learn hands-on techniques from real masters. I love to travel. It brings me so much joy. If I would have not overthought and decided to reach out to others in unknown areas when I was around the world, I could have learned so much. I
have learned not to second guess myself. Your first reaction or thoughts are typically correct. I hope you and your class decide to act on your wants and desires instead of just letting them pass. Don’t doubt yourself, if you want something, do what you can to make it happen.”

9) What are you most proud of?

“There are two main things I am most proud of. Number one is my son. I have truly been blessed to have him in my life. He has grown into a wonderful man. Secondly, I would have to say an art project I worked on a few summers back. I designed mosaics for the children’s section of our church. I covered the walls in glass and brought my creations to life. The hallways are covered in sea turtles, boats, dolphins…so many things. It is beautiful. It took me months, but I am so happy with the result. Now, every time I walk into church, I get to see my gigantic art piece. It brings me so much happiness seeing how much everyone else loves it. It lights up the little kids’ eyes, and I am so happy I can give them something to smile about.”

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

“The biggest challenge for my generation would be healthcare. My generation is getting older now, and it’s hard to see us being reliable on people who are younger than us. We’ve spent our time teaching you all everything we can, and now, we have to see if it pays off. I’m worried about not having access to my healthcare, but I know I have to trust it is in safer hands.”

11) What will be the biggest challenge for my generation?

“The biggest challenge for your generation is how much you all spend on technology. I know technology is always evolving, and I stay up to date on the changes. I know it is an incredibly useful tool to have and helps in so many ways. I just hope that your generation takes the time to travel and see things in person as I did. It evolves people in the best way possible. I don’t want you to regret not doing more.”
Biography:

Karen Dykes is a woman of many interests. Growing up, she made a lot of decisions that could be looked at critically but took the opportunity for them to drive her instead. From working a low paying job struggling to get by to living a life with little worry of money, she turned things around for herself. When most people would have given up, she didn’t. She went to school, became a nurse, and worked a large portion of her life helping others. Through this time, she learned dedication, hard-work, and respect. These attributes follow her to this very day. Even though she is retired, she continues to work. Although, she believes it to be a simple hobby. She combines her love for art with her ability to craft and creates jewelry that is incredibly unique. Her list of capabilities grows with each year. If she doesn’t know something, she learns. This lesson she taught me. Nothing is ever out of reach. If you put your mind to it, you can succeed. I am honored to have her in my life.
Honors Code:

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

Signed: Bailey Baudier
Financial Crisis Case

Bailey Baudier

Dr. Dickinson

ACCY 420

4/21/21
Introduction:

Our class was given the assignment to watch “What is Crony Capitalism?”, “Cause of the 2008 Financial Crisis – Dr. Thomas Sowell”, and Inside Job. Along with these, we were to read “Recipe for Disaster: The Formula That Killed Wall Street” and “The Great American Bubble Machine”. Initially, I cared little about the economy and how it affected me. I was naïve to think it didn’t affect me. Once I did my research with these materials, my opinion on the subject quickly changed. The economy has a chain effect on the entire world. Issues that we had here in the United States carried into China, Singapore, London, and numerous other countries. A small mistake by investors could result in an entire department losing their jobs. Yet, people who are expected to simply do their job messed up so incredibly bad, roughly nine million people lost their job in just the United States. We have spent years recovering from something that could have easily been prevented. “Progress erasing the jobs deficit was slow for some time, but by mid-2014 the economy had recovered the 8.7 million jobs lost between the start of the recession in December 2007 and early 2010 and continued to add jobs thereafter” (“Chart Book: The Legacy of the Great Recession.”). Being unemployed was not the only thing that was lost during this irresponsible act. Trust was as well. The government cannot be depended on and neither can stockbrokers who invest our money. It is up to us as a society to do what is absolutely possible of us by preventing another event similar to this one from occurring. Also, we must hold those accountable who decide to spend our money on funds not benefiting the people. A lot of reform needs to be put back in place. Whether the reform be regulations, strict oversight, accountability, etc., a change needs to be made. Even though we are not the same as we were in 2008, we are still similar, and that is not acceptable. Until the officials in office are correctly doing their job, we should not settle for their unacceptable work.
1. **How did these materials affect your trust in institutions and the government?**

Following these materials, there was an immense amount of information that I was not aware of prior. I was only the age of eight years old with the 2008 financial crisis took place. I knew little of what happened, but what I did know was it had a great effect on my family. I remember there being a lot of tension in our household, many arguments, and in retrospect, how much we struggled with money. Watching the videos, documentary, and reading the articles, my trust in institutions and the government completely vanished. It absolutely blows my mind how much corruption actually takes place daily. You always hear the government is corrupt, but what does that really mean? In what ways are they corrupt? Even though this case only covered a small example displaying the corruption, it was enough for me to lose what respect I had. Recognizing now all the struggles my family went through could have easily been avoided if people focused on morals rather than money angers me. People we trusted by electing into office did not have mutual consideration in return. Their selfish desires were their only intentions.

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

The materials really had an eye-opening effect on my beliefs and my role in society professionally. I have always been one to follow the rules and never stray. I am too terrified of getting into trouble to do anything wrong. Going into the accounting industry, the materials assigned really hit me quite aggressively. It made me realize that I not only need to follow the rules for myself but for others also. The officials elected and billionaires care about one thing and one thing only, money. They have little to no concern about how it affects others, and they still won’t take responsibility even when the issue is addressed. I will carry the lessons learned in this assignment into my profession as an accountant. I owe it to my clients, co-workers, and
myself. People place trust in others to do their job correctly, and I want to rebuild the trust that was broken by corrupt individuals. I want to show that there are good people in the financial branch of the government. I have not even started my career officially yet, however, I know what is expected of me and will exceed those expectations. I will do everything I can to be exactly the opposite of the people who caused so much pain to others with little remorse.

Personally, these materials in truth registered how important it is to research those running for office. A large portion of the people elected into office to help structure Wall Street were people who benefited from the issues they were supposed to fix. As citizens of the United States, we are responsible for who we place into office. Yes, not every office position is open for election, but the positions that are need our undivided attention. We have done something wrong to put people such as these into place. It is time to correct our mistakes. I have never been someone to care for politics, but this assignment has made me realize that this thinking is part of the issue. Thinking that politics has little to no effect on me shows my privilege. I have been sheltered into coming to the conclusion politics does not interfere with my daily life, but it does. If we keep electing people into office that have the same motivations as the officials who were in office in 2008, we will get nowhere. Even the officials who claim they want to see change cannot be trusted because they elect more individuals who thrive on our troubles. It makes me ill knowing these are the people we voted for. From now on, I will spend my free time understanding politicians, their intentions, their history, and who they really are as people and not just who they display to the public. I want people who I can believe in, but the United States government has broken that hope for most of its citizens. The only people they help are the top one percent. That is not acceptable. People are struggling to get by each day with their paychecks, yet people putting a down payment on their fifth house just because they can. I don’t
understand how people who have the means to help could be so selfish and spend it on immaterial purchases. Sure, they worked for the money they earned, but they did it at the expense of the people who are hurting. How is that fair? How can we live in a society that benefits those who are already wealthy and in turn damages those who work an exhausting amount just to barely be able to put food on the table? My family went through so much hardship, along with so many others, so that selfish businessmen and corrupt politicians could do drugs and pay for women’s companionship on a nightly basis. It’s infuriating. On top of all that, when confronted with the allegations, these people were angry at those who brought the truth to the light. They are so self-absorbed to be the ones irritated with the situation that affected so many people worldwide. This problem has resulted in the poverty margin increasing at an ungodly rate, and it still impacts people 13 years later.

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

I do believe that the past and current political environment correlate. The only power people seem to be interested in is money. Individuals will do their jobs, but as soon as they are bribed to look the other way, they take the money and feign innocence. Just a month or two ago, there was a scandal going on with an app used to let everyday people invest in stocks called *Robinhood*. Word got around for people to invest in low-issued stocks that would benefit their wallets. People were ecstatic that they were investing in companies’ shares such as GameStop at the expense of those who worked on Wall Street or were hedge funds. Contrarily, the hype was short-lived. *Robinhood* restricted people from investing in GameStop, and people were livid. Rumors begin to go around that they were paid off by high-up investors, and the customers of
Robinhood were not happy. “Robinhood Markets, the wildly popular app that has lured millions of amateur traders and, in the process, inadvertently unleashed havoc in the stock market, has abruptly changed tack and sided with the Wall Street elite over the mania in GameStop Corp” (Massa). This is just one of many examples of how the current environment is not so different from the political landscape of the financial crisis. Money determines the outcome of so many crossroads, and if you are getting by paycheck to paycheck, then you have no influence in the matter at hand. It is not to the same extent as it was over a decade ago, but the core values of the people in charge of our money have not changed. They see people as dollar signs, and that is the disturbing reality we live in.

On a positive note, there is always something that can be learned with every unfortunate situation. Government officials changed the way mortgages were handled and the oversight of dividends. They reduced regulations and allowed people to have free will over how they spent other people’s money. This clearly did not work. Regulations should be put back into place, officials should be held accountable, and a closer eye needs to be kept on those who deal with others’ money. When it comes to financials, people cannot be trusted. They have proven that through the financial crisis of 2008. It seems they cannot comprehend that each payment they make affects people worldwide. Lee Hsien Loong said wisely in the documentary, “It is a very globalized world. The economies are all linked together.” We should not give so much power to those who spend our money irresponsibly, and instead, divide the power they have. Compartamentalizing where our money goes and what its limit is has to be a must.

Along with that, the accountability we hold these people to is simply pathetic. We give them a slap on the wrist because they are expected to make a mistake when running large companies and investments even when they understand what they are doing is wrong. It is not as though
they are innocent and unaware of what is actually going on. One source I read outside of the assigned materials caught up on former CEOs and politicians that contributed to the crisis and what they were doing today. They went into detail with what role each one had in the downfall and what consequences occurred as a result. Reading the few consequences these individuals received was extremely frustrating. One instance acknowledges Richard Fuld, the CEO of Lehman Brothers, knew what he was doing. “As the last CEO of Lehman Brothers, Richard “Dick” Fuld’s name was synonymous with the financial crisis. He steered Lehman into subprime mortgages and made the investment bank one of the leaders in packaging the debt into bonds that were then sold to investors” (Marquit). He knew leading the company into subprime mortgages would benefit his company with no concern with what happened to others. He still has a job being a CEO of a wealth management firm. Another example in the article that displayed the lack of consequences is when Lloyd Blankfein, who was the CEO of Goldman Sachs at the time all of this was going down, barely got into any trouble. He gave an apology, and that was about all that happened to him. “Another investment bank that participated in packaging toxic mortgage debt into securities, Goldman Sachs, led by Lloyd Blankfein, was allowed to convert to a banking holding company and received $10 billion in government funds, which it eventually repaid. In 2009, Blankfein even apologized for the firm’s role in the meltdown” (Marquit). He heavily invested in going against subprime mortgage loans which led to millions losing their jobs, yet he got to keep his. “He has remained CEO of Goldman Sachs, although he’s expected to retire by the end of September in favor of David Solomon” (Marquit). How is this considered accountability? It’s not. We cannot keep allowing instances to repeat themselves and expect different results. A change must be made, and I am glad I read and watched these materials to realize that.
Works Cited


The Honor Code:

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

Signed,

[Signature]
General Motors
Case Competition: Week 1
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Introduction:

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

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

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

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

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

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

Industry-Level Data and Statistics

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

**Blogosphere**

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

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

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General Motors

Case Competition: Week 2

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Introduction:

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

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

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

There is high risk when it comes to reporting cash due to its nature. The reasons why cash reporting carries high risk is because cash is the most liquid asset and is very easy to transfer (money laundering). The risk of cash misstatement can vary depending on the company’s level of controls in place and the size of the business. The two causes of cash misstatement are error and fraud. The internal controls that a company can utilize to reduce cash misstatement are the segregation of duties and a regular cash count. The segregation of duties allows a company to make sure that separate employees record different inflows and outflows of cash to avoid any opportunity for fraudulent behavior. A regular cash count will help to ensure that the cash is not missing. A good way to audit the cash balances is by taking a closer look at the specific cash transactions using a cash cutoff test which ensures that all transactions are shown in the financial statements. We recommend that General Motors use data analytics to plan how to most effectively manage risk and also assess the risk by analyzing data.

Allowance for Loan Losses

Considering allowance accounts are largely estimations in nature, these accounts pose a significant risk to corporations’ financial statements accuracy. The allowance for loan losses on GM’s balance sheet is further explained in the company’s Notes, namely Note 5. Although the allowance has remained consistent across the comparative balance sheet, allowances are risky in terms of completeness and valuation. Without close auditing, corporations would have the ability to minimize their estimation of allowances in order to report a higher amount of net receivables. A critical internal control that could be implemented to control the evaluation of the allowance would be quarterly analysis to assess risk. Furthermore, GM could design and implement a risk-
Inventory

Inventory is one of the riskiest accounts General Motors has on the balance sheet. There are many risks involved with inventory including classifications. There is the merchandising concern, in which there is only one inventory account. Contrary to this, there is a manufacturing concern which typically has three inventory accounts. Another risk associated with inventory is deciding what to include in the inventory account. Goods in transit are only in inventory if they are f.o.b. destination, compared to f.o.b. shipping point, in which goods are not included in the company’s inventory. The company must also decide which cost flow assumption to adopt, which will ultimately decide the balance of the inventory account that is reported on the balance sheet. To mitigate the misstatement risk, there are internal controls for General Motors to take. First, the company can count all incoming and outgoing inventory to keep a record of what should be stated on the account. In addition, the company can conduct cycle counts throughout the whole year, where a staff member will choose one section of the inventory to count to find any additional or missing inventory. Auditors use substantive tests to gather evidence that the inventory account is not misstated. One commonly used test is for an auditor to conduct an onsite physical inventory count. Now, auditors are conducting inventory counts virtually as well. Auditors also match purchase orders and supplier invoices to the inventory records to make sure the account is correctly stated. Finally, data analytics can streamline the audit process for the Account by using software, such as Tableau, to visualize inventory levels and compare them to the different quarters or periods. This could also show a spike in sales which would result in
inventory being low. This could also show if fraud or suspicious activity was taking place internally.

**Pensions**

Pensions can be easily described as complex. There are many unknowns and vague explanations to people who retire and how they might receive their pension. Employers must exceed expectations, and even then, there is no guarantee when the employee’s money will be received. The expense they expect does not necessarily mean cash equivalence. It also results in an issue with expense and recognition. Therefore, it becomes a liability to many. In order for General Motors to be successful in creating a reliable pension plan for retirees, there needs to be a set framework for the pension account. Guidelines need to be enforced. Also, a selected board of trustees must be in place. Their job specifically should fall into guaranteeing or helping navigate the systems needed in order to receive a pension. A large portion of the money to be received in pensions is spent elsewhere such as stocks and shares. With the board of trustees in place, the risk of the pension account should be reduced greatly.

**Goodwill and Intangible Assets**

The goodwill and intangible assets account on General Motors balance sheet is an account that could very easily be miscalculated. One of the big issues with the goodwill and intangible assets account is the fact that it is recorded at cost. The items in this account also have a limited or indefinite useful life. These are two of the biggest issues involving the calculation of the total valuation of the goodwill and intangible assets account. One way that GM could help combat a miscalculation would be to record items in the goodwill and intangible assets account, such as technology and intellectual property, at market cost. Another way that GM could help make sure that this account is valued correctly is to verify the valuation, amortization, and usefulness.
periodically. For the goodwill and intangible assets account, the first test you can conduct is to see if the reporting unit’s fair value is less than its carrying amount. If it is, then you need to recognize a goodwill impairment equal to the difference between the carrying amount of the reporting unit and its fair value, but it cannot surpass the carrying amount of the account. General Motors could streamline the audit process by using data analytics to reduce some of the risks surrounding miscalculations in the calculations of amortization and usefulness.

**Accumulated Depreciation**

Accumulated depreciation expense is used by companies to reduce the cost of assets in the asset accounts. It is considered risky in nature due to the account being understated on financial statements. With understating accumulated depreciation expense, accounts such as gross profit, retained earnings, and stockholder’s equity can be affected as well. This alone emphasizes how risky the accumulated depreciation expense account can be. In order for General Motors to control the risk of this account, internal controls from the company must force a resolution to these issues. Their priority should be stating the official depreciation costs in a policy that requires consistent entries to be made so that one may guarantee General Motors’ numbers correlate. An addition to this policy would be acknowledging the evolving depreciation expense as it changes through inflation and other factors over time. Once this policy is in place, a system should be developed that allows internal controls to know what the accumulated depreciation expense is at the given time and confirm the entries that follow to verify the numbers are correct.
The Honor Code:

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

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Reshoring Tax Credit

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

Research and Development Tax Credit

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

**100 Percent Bonus Depreciation Provision**

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

General Motors’ (GM) core business is to design, manufacture, and sell different automobile parts. They conduct business and generate revenue on six different continents (“About Us” 1).

General Motors does over half of their businesses in the United States with corporate headquarters located in Detroit, Michigan. General Motors mission statement is “to earn customers for life by building brands that inspire passion and loyalty through not only breakthrough technologies but also by serving and improving the communities in which we live and work around the world,” (Kissinger 5). The company’s vision statement is “to become the world’s most valued automotive company,” (Kissinger 3).

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

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

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

If General Motors wants to succeed after the implementation of certain environmental policies, then they need to adjust their vehicle prices based on trends in the consumer gas market. When looking at gas prices from 2004 until 2007, there is an increase in the sales of vehicles possessing fuel efficiencies of over 30 mpg when gas is over $2.00 per gallon (www.alliedacademies.org). The basic rules of supply and demand support the decision to change the prices of vehicles as their demands shift. This could help offset any sales decrease in GMs’ SUVs and trucks. Increasing the speed of production for the electric and sustainable vehicle programs could bring GM great success. If GM were to become the first large automobile manufacturer to create only electric or sustainable vehicles, then they could potentially see great increases in revenues, a slight increase in the cost of goods sold, and an increase in their operating income.
Using tax credits that are already offered by the federal government is one of the best ways for GM to avoid the majority of the headaches that come with changes in public policy. Credits such as the 100% bonus depreciation rule, the reshoring tax credit, and the research and development tax credit are the three credits that could play a large role in the success of GM.

**Success of the Electric Vehicles Program and Sustainability**

One of General Motors’ biggest threats is the success and sustainability of the new electric vehicle prototype. Considering other major competitors are producing, if they haven’t yet already, similar automobiles with electric and sustainable capabilities. To remain a major competitor, GM should roll out the sale of electric vehicles before other companies maintain a competitive advantage. General Motors has experienced a decline in auto sales in recent months largely due to the slowdown of the economic market coupled with the financial implications of the COVID-19 pandemic. If GM can put electric vehicles on the market before other competitors, the company will see a substantial increase in revenues, which in turn will also increase its record low-profit margin. Although the manufacturing and distribution of electric vehicles are costly, the increase in operating income will combat the high cost of goods sold and selling general and administrative expenses. Ultimately, the success of the new prototype for cars can minimize the effects of the high expenses involved with the innovative product.

Additionally, the electric vehicles will flip GM’s market from most revenues being derived from trucks and SUV sales to electric cars which successively will make the company more profitable and stable for future years. In the rollout of electric vehicles, General Motors is continuing to align its operations with its strategic mission by offering more sustainable solutions and innovative technologies for its customers and market base. The overall goal is to produce new
and emerging vehicles that are just as safe and reliable as the company’s previous, well-known vehicles (Kissinger 7).

**General Motors Short-Term Projections**

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

<table>
<thead>
<tr>
<th>GM's Projected Growth (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>COGS</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Liabilities</td>
</tr>
<tr>
<td>Return on Assets</td>
</tr>
<tr>
<td>Profit Margin</td>
</tr>
<tr>
<td>Asset Turnover</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>2025</th>
<th>2024</th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
<th>Projected Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$143,359</td>
<td>$137,845</td>
<td>$132,543</td>
<td>$128,833</td>
<td>$124,935 (3.2% AVG.)</td>
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<tr>
<td>COGS</td>
<td>$108,736</td>
<td>$105,569</td>
<td>$102,494</td>
<td>$100,485</td>
<td>$98,514 (2.2% AVG.)</td>
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<tr>
<td>SG&amp;A Expenses</td>
<td>$8,237</td>
<td>$7,921</td>
<td>$7,616</td>
<td>$7,394</td>
<td>$7,179 (3.2% AVG.)</td>
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<tr>
<td>Operating Income</td>
<td>$14,385</td>
<td>$12,355</td>
<td>$10,433</td>
<td>$8,804</td>
<td>$7,242 (3.2% AVG.)</td>
</tr>
<tr>
<td>Assets</td>
<td>$249,639</td>
<td>$244,744</td>
<td>$242,321</td>
<td>$239,921</td>
<td>$237,546 (1.2% AVG.)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$176,425</td>
<td>$178,207</td>
<td>$180,007</td>
<td>$181,825</td>
<td>$183,662 (-1.0% AVG.)</td>
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<tr>
<td>Return on Assets</td>
<td>5.76%</td>
<td>5.05%</td>
<td>4.31%</td>
<td>3.67%</td>
<td>3.05%</td>
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<tr>
<td>Profit Margin</td>
<td>10.03%</td>
<td>8.96%</td>
<td>7.87%</td>
<td>6.84%</td>
<td>5.80%</td>
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<tr>
<td>Asset Turnover</td>
<td>57.43%</td>
<td>56.32%</td>
<td>54.70%</td>
<td>53.64%</td>
<td>52.59%</td>
</tr>
</tbody>
</table>
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General Motors Stock Price & Other Financial Indicators

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

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

Net Income & Common Shares Outstanding Projections

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

**Validity of Tax & Advisory Strategies**

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

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

The Honor Code:

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

Signed,

Evelyn L. Rowan

B. [Signature]

Ashley Eichholz

Samantha R. B. [Signature]

Alec Hudson
BDO Reflection

By: Bailey Baudier

When waiting for the meeting to start, I was beginning to feel nervous. This is the first step into the real world of my career. I did not feel ready to take it on. I sat there with sweaty palms and goosebumps over my body. What were these people going to be like? They know so much more than me? Are they all just as intense as they look? I felt like I was starting high school all over again but much worse.

However, when the group of employees from BDO began to speak, I immediately felt at ease. They sat there and laughed with each other and all took the time to introduce themselves. A few had some jokes they snuck in there, and I could not help but crack a smile. The tension that everyone was feeling before the start of the presentation seemed to ease.

The group went over the main focuses of BDO and what set them aside from the countless other firms. What really impressed me was the number of firms they have. Apparently, they have over 400 firms across the world. I did not even know there were that many firms in the world in general. They also went on about their primary goals. They talked about expanding their already numerous industry-specific practices, providing world-class resources, and being committed to meeting their client’s needs.

Another point they made that stood out to me was the way they treated their employees. One of the topics discussed was on the cultural environment held at BDO. Their first focus is not of the client or the work provided. It is on their employee’s well-being. They talked about how the people in the office are the people you will see every day. You will get to know everyone on a personal level. I found that really sentimental, and it stuck with me. Going into the future of the accounting industry, I am glad I got to meet with BDO.
BKD Reflection

By: Bailey Baudier

Before the meeting, I had heard only a little about BKD. One of my good friends was going through the interview process with them, but that was as far as I had heard. I was interested in getting to know more about this firm and what separated them from the rest. I was still a bit nervous similar to the last meeting we had with BDO.

BKD brought a good game. They had some of their top staff there to recruit for their firm. It did not feel like a recruiting event, though. The employees seemed to be really down-to-earth and knew a lot about one another. What sweet to me was the fact how they interacted with each other when they all worked at different locations. They don’t see each other every day, yet they knew so much about each person. There were genuine connections between the employees. They also made a great point to be inclusive. It was not like we were just sitting there watching them interact. They went out of their way to interact with the class and try to get to know each of us as well.

Not to be shallow but when they described their work environment, I was immediately intrigued. They have a snack bar. How cool is that? I have never heard of a professional building having a buffet-style snack area. It kind of seemed like a game changer to me. They also do a lot of events together as a team which I thought was interesting. There are a lot of work events that take place after hours for team bonding. I really appreciate the time and effort they take to work not only work hard but work hard together. It seems as though there are genuine connections between everyone who works at BKD, and it is definitely a firm I am considering working with in the future because of this.
Crowe Reflection

By: Bailey Baudier

Similar to BKD, I was not entirely familiar with Crowe before the firm came and visited us. I know the University of Mississippi does a great job at introducing accounting students to firms, however, I wish they emphasized on more companies than just the big four. I know the firms themselves have a role in coming to introduce themselves, but I have noticed that the big four seem to be have more of a presence on campus.

With all of that being said, I was pleasantly surprised by Crowe. They really put their all in their presentation and did a great job at explaining their company. It was very concise, yet it went into great detail on what they expect as a company. I know it can be easy to lose the focus or attention of the audience when presenting for two to three hours. Nevertheless, I was intrigued the entire time. They did a great job at getting us to interact throughout the PowerPoint, and you can tell they put in a lot of effort to meet with us. I really appreciated the time and dedication they took to show us who they were as a firm and what they expect. It really made a bigger difference to me than what I initially thought.

Through Crowe and BKD’s presentations, I have learned a lot about what I want and expect when working with a firm. It is very clear that being in a big four accounting firm is a great opportunity and is pushed greatly at the university. Despite that, I have learned that if being with a big four firm is not for me, I will still have a great experience at another. All of these firms are great, and I know that they are still great even if they are not ranked as high as others. It is the experience and work environment that is what I need to focus on. I do not know what my future holds, but I feel more comfortable now after meeting the firms I have met so far.
Deloitte Reflection

By: Bailey Baudier

Unlike the firms I have met in past couple of weeks, I have definitely heard of Deloitte. I was intimidated at first when they came. I know how big of a deal it is to work for one of the big four, and they honestly seem like they are some overpowering force. When I think of a big four accounting firm, all I can think about is a corporation that is like a machine. I know how hard it is to get an offer of any sort from one of these firms because of how competitive it is. Even though you work a lot of overtime and with very few breaks, it pays off in the end by the offers you receive from other companies throughout your time at one of these firms.

Thankfully, though, they were not as scary as they seemed. I actually knew one of the girls pretty well that came and spoke to us. She is a year older than me, and we have the same friend circle. I did not realize that she was an accounting major nor did I know that she worked for Deloitte. She spoke to us about how she worked in Nashville and highly recommended working for Deloitte there. I had never been to Nashville, so I am not sure if that is a city I could consider myself living in. However, the way she described Deloitte as a whole caught my attention. You could tell there was a lot of love and passion she had for accounting. It seems as through Deloitte gave her a path to pursue those desires and pushed her to do better. You could really see the emotions she had for her job with Deloitte and how genuine she felt when discussing them.

While I do not know where I will end up, I am greatly appreciative of Deloitte coming to speak with us. It is nice getting an insight on what it would be like working for a company. I know I will be able to fit in wherever I go, but it is nice knowing the variety of options I have with being an accounting major at the University of Mississippi.
EY Reflection

By: Bailey Baudier

Similar to Deloitte, I have heard of EY as well. Even though Deloitte eased some of my anxiety towards meeting with a big four firm, I still had nerves before EY came and spoke to us. It is really sinking in how big of a deal it is. This is my future, and I have to give it everything I got. Reality is coming at me fast, and I do not feel prepared enough. I know this entire experience is setting me up to be prepared, but it is hard to come to terms that the real world is just around the corner when we are still in school.

Now that I have gotten that off of my chest, I can fully say that I really liked EY. I usually try to look at things in a logistical perspective, but I felt a strong connection with EY. It probably has something to do with some of the people I met at “Meet the Firms.” There was one person I talked to in particular that I really hit it off with. Our conversation was unlike any of the others I had with the other people I talked to. It was casual, yet we still got to know one another.

He talked to me about how grateful he was to work with EY. EY had been great at accommodating his life outside of work. Apparently, he recently got engaged. His fiancé lives in Birmingham, and he has been working out of Atlanta. Instead of making him stay where he was because that was where he got his offer, EY was more than accepting his desire to want to transfer to be closer to his fiancé. I thought that was really sweet.

The guy I met was there at the presentation which I did not expect. It was really nice to see him again, and he even put in the effort to speak to me individually when we went into break out rooms. It felt nice to get to know a firm more on a relationship level than the firm as a whole. I really appreciate the effort they took, and I hope to keep in touch with the connections I made.
KPMG Reflection

By: Bailey Baudier

A lot has happened since the last time I wrote in any of my reflections. I know I have been intimidated by the big four, but I was looking forward to actually getting to meet with KPMG. I am happy to say I received and accepted an offer to intern with them in their New Orleans office in the spring of 2022. With an internship offer, it put my mind at ease now when we have guest speakers. It takes the pressure off of what my future looks like, and I can sit there and actually absorb all of what they have to say instead of looking at myself in the zoom camera to make sure I look professional the entire time. While professionalism is very important, it is also just as important to fully grasp what the firms are coming to speak with us about. I feel as though I lost sight of that throughout the process of this amazing opportunity. With this realization, it made it easier to fully involve myself in the conversations that took place.

It was great to see KPMG present. I could tell just how well everyone worked together, and it made me excited that I am going to be a part of that in the next year. It was easy to see how relaxed they felt talking about what they did when it came to the day-to-day occurrences at the office. Unlike some of the other presentations, this one seemed to be more relaxed. They often joked with each other and even laughed together from time to time. It put a smile on my face seeing how everyone treated each other. One of my biggest fears is getting wrong impression of what the work environment actually is at one of these firms. I know the entire point of this process is to recruit us, but I would be greatly disappointed if what they spoke to us was not actually the case. I am pleased to think that I made the right decision in working for KPMG, and I can justify those feelings by seeing the way these people speak to each other.
Whitley Penn Reflection

By: Bailey Baudier

Even though I already had accepted an offer from another firm, I did not let that bias my opinion on the presentation given by Whitley Penn. I gave my full attention to them, and I really was impressed by what they had to say. I had heard of Whitley Penn from passing, but I was really intrigued by their presentation. Similar to other firms, you could see the love they had for one another and their job. It amazed me by how many employees came to speak to us from all over the country. I had not realized before then the variety of offices Whitely Penn had to offer in Texas. Even though the employees were spread out at so many different locations in one state, they all managed to stay connected and form genuine relationships with each other. I really appreciated that, and I am pleased to have been able to witness it first-hand.

While I was originally interested in Texas, I lost that desire due to other locations I could potentially see myself in. However, after listening to them describe what it would mean to live in Texas, it definitely opened my eyes to that being a possibility again. Even though I plan to work in New Orleans, that does not mean I want to live there permanently. I still am open to the idea of working elsewhere to grow my knowledge and experience. I can easily say that their presentation sparked that desire to travel and go out of my comfort zone. Even if I decide on a place other than Texas, I still want it to be some place I have yet to have been. I have lived in the southeast my entire life, and this has sparked my interest in living somewhere completely different. I know I like the northeast, but I am not a fan of the cold winter months that occur. Maybe, I could move somewhere completely different like Colorado, New Mexico, Arizona, etc.

While I will not be interning with Whitley Penn, I am very grateful they came and spoke with us. They have brought to light a possibility I had hardly considered beforehand.