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A Series of Financial Accounting Case Studies

Indu Nandula

A SERIES OF FINANCIAL ACCOUNTING CASE STUDIES

by

Indu Priya Nandula

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

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Victoria Dickinson

Advisor: Dr. Victoria Dickinson

W. Mark Wilder

Reader: Dean W. Mark Wilder

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ABSTRACT

This thesis was completed during the 2021-2022 academic year consists of eleven accounting case studies. The topics from these cases cover a wide variety of topics both related and external to accounting. The first five pertain to topics such as 9/11, the impact of COVID-19 on Pfizer, an interview with a business professional, and an Excel certification course. One of the cases also pertains to the city we desire to start our career in.

Following case 5, myself and several other honors students worked together to complete the next six cases, which involved a multiple-week analysis of Goldman Sachs. Topics include the business structure of Goldman Sachs, audit risks and controls, tax-saving strategies, advisory opinions, and an overall threat assessment. After completing these cases, they were compiled and presented to a panel of accounting professionals, who then were able to make further inquiries about the presented material.

Case 1: Minutes that Changed the Country

Indu Nandula

15 September 2021

The topic of this case is the 9/11 attacks that happened in New York and Washington D.C. in 2001. That morning, two planes were hijacked from Boston, MA, and subsequently hit the North and South towers of the World Trade Center, one at 8:46 AM and the other at 9:03 AM. When the first plane hit, it was initially thought to be a horrible accident, but after the second collision, it was clear that what had occurred was no accident. Shortly after, a third aircraft hit the Pentagon, and a fourth plane was thought to be aimed towards the Capitol, but no impact was ever made. The events of that day shook the nation to the core because it was the first time the United States experienced an attack on its own soil. Terrified people had no choice but to evacuate their homes and head north to escape the toxic air and ash that filled the streets, while firemen and law enforcement personnel worked tirelessly to rescue survivors from the towers themselves, but the attacks took many of the lives of those who were originally in the towers and those who bravely tried to save them. The events of 9/11 took the lives of close to three thousand people.

When the 9/11 attacks occurred, my mother was eight months pregnant with me. Ignorantly, it is easy for me to say that I have no connection with what happened that day, but it never fails to shake to me my very core when I think about the tragedy that transpired. I remember my mother telling me about how she found out what happened. My mother was sick and eight months pregnant, and while my father was at work she would watch the news or read a book until he came home, but that day she did neither. When my father came home that evening and told her what happened, she was shocked. My parents were in the process of getting their green-card at the time, and they truly began questioning whether this country was truly a place they wanted to call home.

The United States is a melting pot of cultures, attracting people from all walks of life from across the globe. Every year, numerous people migrate to America, with only the clothes on their back and a dream for a better life. This is exactly what my parents did. In 1991, my father landed in Pennsylvania to complete his Master's degree at Penn State, then his doctorate at Virginia Tech. In 1999, he married my mother and together they moved to Fargo, North Dakota. At the time, being an Indian immigrant was not out of the norm. The promise of a good education and a stable career attracted an influx of Indian immigrants to the United States, and they filled every corner of the job market that they could, from IT to medicine and everywhere in between. My father had a degree in agriculture and struggled to make ends meet in a state where any plants that were living succumbed to the harsh winters. My mother was still finishing her Master's degree. Though life definitely could have been easier, my parents toughed it out and eventually had me, but before that could happen, things took a turn for the worst.

After Al-Qaeda claimed responsibility for the attacks, people that had initially been accepted into American society with open arms were shunned by the majority. In the article titled "Arabs and Muslims in the Media after 9/11: Representational strategies for a 'Postrace' Era," the author writes that "According to the FBI, hate crimes, against Arabs and Muslims multiplied by 1,600 percent from 2000 to 2001" (Alsultany, 161). Anyone with a little more melanin in their skin became the target of racist microaggressions, workplace discrimination, harassment, and in some unfortunate cases, physical violence. Arab-Americans who had once been considered the kind people who ran the convenience store on the street corner of the hotel in the middle of town were considered pariahs in their own communities. This phobia also trickled into other communities as well. My own father, after a decade of struggling to find a niche in Fargo, ND, began to question whether immigrating to the United States and starting a family was even a good decision if it meant danger was impending everywhere he went. Neighbors and colleagues who were once considered friends now only communicated with angry looks and wary stares. Many men, my father included, shaved their beards in fear of becoming a target of a violent hate crime. People of the Hindu, Muslim, and Sick faiths were openly questioned about their religious beliefs as the hatred harbored for these that bore even a slight resemblance to the perpetrators of the horrible acts of 9/11 increased tenfold.

We still see the effects of the 9/11 attacks in terms of lingering Islamophobia that exists to this day. Even prior to being elected as President in 2016, President Trump has always been vocal about his opinions on various issues, one of these including the topic of Islamophobia. At one of his campaign rallies in South Carolina, President Trump declared his support for the "total and complete shutdown of Muslims entering the United States until country's representatives can figure out what the hell is going on" (Harvard). In addition, only a week into his presidency, an executive order was issued banning people from seven Muslim-majority countries from entering the United States. The aim of this was to "detect individuals with terrorist ties" and people who may "bear hostile attitudes" towards the nation's values (Harvard). This only led to more hatred towards people with brown skin and those who, in many Caucasian people's eyes, looked like members of notoriously violent extremist groups. This only lead to another uptick in racist aggressions towards Middle Eastern Americans and those who bore a resemblance to them. According to The Sikh Coalition, an organization founded after 9/11 to protect followers of the Sikh faith from discrimination after 9/11, "In the past two decades, dozens of Sikhs have been assaulted because of their appearance" (The Sikh Coalition). This is especially pertinent to men of the Sikh faith, who traditionally wear turbans and grow long beards. In one instance in 2018, a man named Surjit Malhi, who was a well-loved member of his community in Turlock, CA, was beaten by two white supremacists when putting up signs in support of a local congressman.

Malhi recalls being told to "go back to your country" and a Celtic cross being sprayed on his truck (Gumbel, 2018). Instances like these were not isolated and have occurred throughout the years, even occurring today. The one common link to these occurrences are the events of 9/11.

During the 9/11 attacks, in the footage taken on that day, people in the streets can be heard uttering things like "I think we should go to war, like now!" and "Blow them up! Kill them! Pulverize them!". While the sentiments expressed at the time are out of shock, anger, and hurt, these statements proved to be true in the coming years. All followers of the Islamic faith were automatically pegged as having violent intentions and the entire religion was twisted into the ideology that only the extremist branches followed. However, it only takes one instance to turn a group against a community, and 9/11 was that instance. Many Americans watched on as tragedy struck the nation on that day, and from the shock and anger expressed a desire to avenge their country's honor. While this is indeed a justifiable sentiment, what appeared first as patriotism became convoluted into racist madness that we still see today, with people of many groups not responsible for the events of 9/11 being collateral damage.

Many Hindus who lived in post-9/11 experienced an extensive amount of backlash and race-based hatred from their Caucasian counterparts. In an article titled "How the Hindus Became Jews: American Racism after 9/11," the author states that "Violence was directed at people solely because they shared...the national background or religion of the hijackers and al-Qaeda members," and furthermore "645 bias incidents directed towards Americans perceived to be of Middle Eastern descent" (Prashad 583-84). While Hindus were not subjected to violence as such, they were still the victims of actions that were clearly racially motivated. On September 12, 2001, a woman was taken off an Amtrak train in Boston. In New York, a drunk driver tried to run a Pakistani woman off the road and threatened to kill her because she "destroyed his country" (Prashad 584). The 9/11 attacks were definitely events that warrant a strong reaction, but reacting with ignorance is only effective in creating more problems for innocent people. People were searching desperately for someone to blame, and it was easy to turn on the South Asian population in the United States, though only a day before they would not even be able to fathom the tragedy that was to come. In fact, many countries lost citizens to the attacks, including some in South Asia and the Middle East.

This brings about the question then, what can be done to curb these kinds of racist injustices? The primary solution is education. Educating both individuals and communities on not only the harmful effects of racism, but also the different demographics present in the United States, is the first stage of action so both ourselves and others can stand up and do what is right. According to Dr. Heyer of the National Museum of Natural History of France, "Racism is not just about skin color, but about discrimination against individuals who are physically, culturally or morally different" (UNESCO). It is natural for individuals to fear the unknown. But the real question is why did Americans suddenly turn against the very people who they've lived with for years? The answer to this may well be frustration. Frustration that those who masterminded the attacks were still free, while an entire nation suffered the effects of the attacks. So, in a state of anger, people blamed the next best thing.

All of that said however, the events of 9/11 are seared into the memories of all Americans, whether you were young, old, or like me, not even born yet. As I've read more and more stories, I am rendered speechless by the strength, bravery, and resilience of the American people. I was talking to my mother about this, and she said the same thing: "Twenty years later, the memories bring back that pit in my stomach as I recall the emotions I felt that day but that comes along with a sense of patriotism for the sacrifices of so many Americans. I will never forget!" I will never know what it was like to stand where those people stood in the towers, or in the Pentagon, or on the streets of New York. I will never know how it felt to see the horrible events unfolding on TV. And I will never know the uncertainty of whether or not my loved ones made it out alive. But watching the footage of people falling out of the towers as they crumbled to the ground and seeing people crying and struggling to breathe made me see the events in a different light. Because I was not born at the time, it is easy to think that the events of 9/11 don't affect me as much as people who were alive to see it and at first glance this may seem true. But knowing what my parents have gone through and what I have unknowingly experienced in some instances throughout my life, create a personal connection for me that I was not even aware of until I became older. The impact that 9/11 has had both on my life and other people's lives is a larger scope that we can really even imagine. Racism towards South Asians and Arab-Americans grew exponentially after one day, and I have to wonder what life was like prior to that.

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

Signed Indu Nandula

Case 2: Design your Life – New York City

Indu Nandula

6 October 2021

In this case, the topic was to come up with a projection of what our lives might look like in the near future when we graduate from college and eventually go into our internship and job in the location that we chose. Our group chose New York. Being from a small town in Mississippi, it was always a dream of mine to migrate away from the rural surroundings that I grew up in and to move to the city. As the child of immigrant parents, it has always been instilled in me to dream big and make a life for myself away from the Mississippi Delta, and clinging onto that idea of a big-city future, I came to college to pursue that. And while an accounting internship is certainly of a much more serious nature than a young girl's pipe dream, it is still something I carry with me to this day.

Throughout the course of completing the research needed for this project, I learned that living in the city definitely has its perks. However, like all things, one must carefully plan and budget in order to make the most of the experience available. In New York, the typical lifestyle differs a lot from other cities. For example, public transportation is the primary way of getting around in the city, so the financial obligation for the upkeep and maintenance of a car is absent. However, living costs are higher in the city and normal practices like bulk grocery shopping are not commonplace, nor are they practical. Living in the city versus living in a typical suburban or rural area, at least from the perspective that this case has lent us, is a completely different experience. However, in a place like New York, you trade the convenience of large houses and big-box retailers for a cultural, metropolitan offering that cannot be found anywhere else. New York is also, from what I have seen, a hub for accounting firms and a variety of clients and industries.

In this way, it seems like the perfect way to not only diversify myself and open my mind to the possibilities out there but also to use it as a jumping off point to figure out where I want to eventually end up.

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

Indu Nandula

Signed ____

Case 3: Excel Crash Course

Indu Nandula

13 October 2021

Corporate Finance Institute®

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

Indu Nandula

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.

VERIFIED CFI™ CERTIFICATE

Certificate number
40059203

Chair of the Board

Director

Director

Oct 14, 2021

Case 4: Financial Impact of COVID on Pfizer

Indu Nandula

27 October 2021

SUMMARY AND FINDINGS

The purpose of this case is to investigate the impact of the COVID-19 pandemic on Pfizer Pharmaceuticals. Several topics were researched to gain further insight, including the financial impacts of the pandemic on the company's overall revenue (sourced from both the 10K and external sources), potential competing drugs or treatments, Pfizer's thoughts on these alternatives, and political affiliations with COVID-19 and Pfizer. The executive order issued by President Biden on September 9, 2021, mandating COVID-19 vaccines for all Federal employees, was also studied.

Overall, there was a net benefit for Pfizer in terms of excess revenue and profits derived from COVID-19. Contracts drawn up with international governments also contributed to a large uptick in revenue for the pharmaceutical company. Despite the major financial blow that other businesses have seen throughout the course of the pandemic, it was thought-provoking to observe the company experience the opposite.

It was interesting to see what different results we got from the different browsers we used. Brave returned results that were more unbiased, and DuckDuckGo seemed to return more government and research documents as well. Google had a lot of different news outlets and many ads to push these kinds of websites. It was great to get a view of all sides of the research behind different treatments for COVID-19 and effects from COVID-19. It is really eye opening to see all the various lobbying practices and efforts by Pfizer to keep their drugs profitable and selling. It's also curious to see that Pfizer has decided to develop a few of their own antiviral treatments to create additional profits from the windfalls of COVID-19.

FINANCIAL EFFECT OF COVID-19 ON PFIZER (FROM 10K)

Although Pfizer was instrumental with manufacturing vaccines that helped to curb the spread of COVID-19, like many businesses, it too experiences its fair share of challenges. In 2020, Pfizer experienced a loss of $700 million due to COVID-19 disruptions in the demand of other drugs, and a further demand in China. In addition, subsequent supply chain and manufacturing delays have caused issues in the distribution of other products. However, there were also some upsides as well. As a
result of the pandemic, international growth in Prevnar 13 and awareness for respiratory illnesses was seen and the hospital segment saw an increase due to a larger demand for medical materials for the treatment of COVID patients. A $700 million loss occurred due to COVID-19 disruptions in demand of other drugs and demand in China.

Overall, incremental costs increased, but this was balanced out by less spending on sales and marketing. In April 2020, Pfizer entered an agreement with BioNTech to manufacture and distribute the vaccine in the US, Europe, and other areas. The
vaccine development cost with BioNTech consisted of an upfront payment of 72 million dollars in cash for development along with a 113 million equity investment. Pfizer also agreed to pay BioNTech an additional 563 million if milestones were hit. In the future, Pfizer would share all costs and revenues associated with the COVID-19 vaccine.
Because of the CARES Act, Pfizer received generous tax benefits to distribute the vaccine. This created a revenue and income jump for 2020.

Revenues increased $736 million, or 2 percent, to $41.9 billion in 2020 from $41.2 billion in 2019, reflecting an operational increase of $1.1 billion, or 3 percent, and an unfavorable impact of foreign exchange of 331 million, or 1 percent. Revenues increased 8 percent operationally, reflecting a growing demand for Vyndaqel/Vyndamax, Eliquis, Ibrance, Inlyta, Xeljanz, Xtandi, and Prevenar 13 outside of the United States and Europe. There was an estimated unfavorable impact of approximately $700 million, or 2 percent, due to COVID-19, primarily reflecting lower demand for certain products in China and unfavorable disruptions to wellness visits for patients in the U.S., which negatively impacted prescribing patterns for certain products. Unfavorable disruptions to wellness visits in the US was partially offset by increased demand for certain sterile injectable products in the US and an increased uptake for Prevenar 13 in international markets

FINANCIAL PERFORMANCE OF PFIZER - WHAT THE INTERNET HAS TO SAY

(Google) At the release of the vaccine, Pfizer decided to opt to profit on this vaccine. This resulted in a massive windfall of revenues and profits. The vaccine is estimated to have generated $3.5 billion in revenue with about 20 percent margins in the first quarter of 2021. This means that they would have made just under one billion dollars. There is a bit of backlash on the high amounts of profits because the vaccine may not get to the people who need it. In the report by New York Times, they note that only 1 in 500 people are vaccinated in developing countries vs 1 in 4 in developed countries. This could possibly be an opportunity for Pfizer to generate more profits, albeit at lower margins, from these developing countries. [1]

(Brave) Pfizer forecasts approximately $26 billion in revenue from the sales of its COVID-19 vaccine in 2021. This is a 73 percent increase from the original estimate of $15 billion in sales. Each vaccine carries with it a cost of 39 USD for a set of two doses

[1] https://www.nytimes.com/2021/05/04/business/pfizer-covid-vaccine-profits.html

in the United States and 30 USD in the European Union. In the first three months of this year alone, vaccine sales totaled $3.5 billion. The updated sales forecast is based on existing contracts for the delivery of more than 1.5 billion vaccines around the globe.

The uptick in revenues is slightly offset by higher spending on research and development, which increased by 20 percent, particularly due to cost and profit margins being split equally between Pfizer and BioNTech.[2]

(DuckDuckGo) Pfizer reported $10.5 billion in net income in the first half of 2021 as well as $11.3 billion in revenue from its COVID-19 vaccine. According to the SEC, 12 percent and 14 percent of total revenues for the three- and six-month periods in 2021 came from the US government. The company has seen a large increase in all of its vaccine programs, not just COVID-19, earning $14.1 billion in revenues in the first half of 2021, up from $2.9 billion in the same period in 2020. [3]

COVID VACCINE ALTERNATIVES

At the beginning of the COVID-19 pandemic, there were not any therapeutics to treat those who were infected. Over time, however, due to high demand, many treatments were tried and developed for COVID, and a few have gained traction. Two we will be looking at will be Ivermectin and Hydroxychloroquine. Ivermectin has specifically gained a lot of attention in the press due to the fact that Joe Rogan, a popular podcast star, has used it. He stated that once he was diagnosed with

COVID-19, he threw a variety of treatments at it including ivermectin, monoclonal antibodies, and a vitamin drip. It is a bit controversial because the FDA has urged the

[2]https://www.theguardian.com/business/2021/may/04/pfizer-forecasts-26bn-annual-sales-covid-

-
vaccine
-[3]https://www.mediaite.com/news/pfizer-made-11-3-billion-in-revenue-from-covid-19-vaccine-in-first-half-of-2021/

populus to not use ivermectin, a veterinary drug used to treat horses and cows. There is a human version of the drug; however, many people are opting for the veterinary one which is more concentrated. It is hard to say what the long term effects of this drug are.

[4] The main purpose that Ivermectin is FDA approved for is to treat parasitic infestations in livestock and for the treatment of intestinal strongyloidiasis and as a topical treatment for pediculosis and rosacea in humans. It has been hypothesized that Ivermectin's mode of action could potentially inhibit the respiratory effect of the COVID-19 virus in its early stages. Several past and ongoing studies were reviewed for any evidence that might show relevant results related to the efficacy of Ivermectin against COVID-19. Studies were evaluated for bias and the certainty of evidence for possible treatment outcomes and overall prevention. Studies were found treating patients with symptoms ranging from mild to moderate, and comparisons were made between Ivermectin, a placebo, standard of care, and no treatment. However, there was no comparison to a treatment with known efficacy. Overall, it was found that it is uncertain Ivermectin is safe and effective to use for treatment. [5]

Over the course of the pandemic, calls relating to Ivermectin usage to the Oregon Poison center increased by almost four times relating to poison exposures. In the month of August 2021, the center received twenty-one calls. Six out of the twenty-one were hospitalized for toxic effects, and though no deaths were reported, four of those six were admitted to intensive care. Symptoms included gastrointestinal discomfort, dizziness, confusion, vision symptoms, and rashes. Overall, Ivermectin has

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[4] https://www.npr.org/2021/09/01/1033485152/joe-rogan-covid-ivermectin

[5] https://pubmed.ncbi.nlm.nih.gov/34318930/

shown toxic effects when used incorrectly and is thus not recommended for use in this manner.

Hydroxychloroquine was originally developed in 1946 to treat autoimmune diseases, like lupus, rheumatoid arthritis, and malaria. Some in vitro studies have suggested that the drug could block transport of the virus within cells, preventing the release of the viral genome. It has been hypothesized that hydroxychloroquine's immunomodulatory effects could also be useful for COVID-19 treatment. The drug azithromycin is known to have antiviral and anti-inflammatory properties, and, when used in conjunction with hydroxychloroquine, it has been shown to have a synergistic effect on the COVID-19 virus in vitro and in molecular modeling studies; however, neither drug alone was able to significantly reduce upper or lower respiratory tract viral loads. Hydroxychloroquine has a toxic profile, though is better tolerated than chloroquine. Patients taking this drug have, however, been known to experience cardiac adverse events such as ventricular arrhythmia or cardiac death.[6]

PFIZER'S THOUGHTS ON ALTERNATIVE TREATMENTS

While Pfizer has not directly stated its support or condemnation of alternative treatments for the COVID-19 vaccine, it is interesting that this topic is indirectly addressed in the contracts they have drawn up for the international sale and distribution of its vaccines. Even though it was supposed to be kept under wraps, a leaked version of the agreement provides valuable insight as to why governments around the world were denouncing the use of alternative treatments for the virus - the contract does not

[6] https://www.covid19treatmentguidelines.nih.gov/therapies/antiviral-therapy/chloroquine-or-hydroxychloroquine-and-or-azithromycin/

allow them to back out even if a more effective treatment than the Pfizer vaccine is discovered. The contract states the following:

> "Purchaser acknowledges and agrees that (i) Pfizer's efforts to develop and manufacture the Product are aspiration in nature and subject to significant risks and uncertainties, and (ii) the fact that any other drug or vaccine to prevent, treat or cure COVID-19 infection is successfully developed or granted authorization earlier than the granting of Authorization for the Product shall not change the current situation of urgent needs for prevention of the spread of the COVID-19 infection that poses serious threats to and harmful effects on the lives and health of the general public."[7]

Pfizer has actually come out with their own study and alternative treatment for COVID-19 called EPIC-PEP. It stands for Evaluation of Protease Inhibition for COVID-19 in Post-Exposure Prophylaxis and is an antiviral treatment that is designed to be administered orally at the first sign of symptoms of COVID-19. In the study, they are seeing if it helps prevent the infection when co-administered with another drug, ritonavir, which is typically used as a HIV antiviral. They have just recently started the phase two and three trials of the drug in September of 2021. Results from phase one indicated positive results in safety and toleration. Because they are developing their own antiviral, they would most likely have an incentive to downplay the benefits of other rival COVID treatments in favor of their own. It seems like Pfizer is trying to capitalize from all

[7] https://rightsfreedoms.wordpress.com/2021/08/01/pfizer-engineered-agreements-with-governments-stating-they-had-to-pay-for-covid-vaccines-whether-they-worked-or-not-no-recourse-for-injuries/

revenue streams from the pandemic. If they were to develop a successful antiviral treatment they would be in control of both preventative care with the vaccine and post care with the antiviral. [8]

Pfizer has its own brand of azithromycin (Zithromax®), which, when used in conjunction with hydroxychloroquine, has been shown to have a positive effect on COVID-19 patients. Recently, a group of French scientists performed a study on 20 individuals infected with SARS-CoV-2. All 20 patients were administered hydroxychloroquine, and six also received Pfizer's azithromycin brand, Zithromax®. All 20 patients indicated higher rates of cure; however, the six who also received Zithromax®, demonstrated the highest rates of virologic cure. Pfizer noted that although they have not done their own studies on this combination, they have performed a number of studies on the effects of azithromycin and chloroquine on malaria patients in Africa. It was concluded that the treatment was well-tolerated, and all primary efficacy endpoints were met.[9]

PFIZER LOBBYING EFFORTS

As of October 2021, Pfizer has added two new outside lobbying firms while drug pricing measures become even more of a hot topic in Washington. One of these includes TheGROUP DC, which includes many former administration officials to President Joe Biden. Pfizer also recently retained Federal Health Policy Strategies, which contracts many top Democratic officials and committee members at the

[8] https://www.pfizer.com/news/press-release/press-release-detail/pfizer-starts-global-phase-23-epic-pep-study-novel-covid-19

[9] https://cdn.pfizer.com/pfizercom/news/ZithroComboStatement.pdf

beginning of September to lobby, again, on drug pricing, which is a major revenue inlet for the Democratic party.[10]

Pfizer has conducted numerous lobbying operations on an almost weekly basis in the past few years. Recently, their efforts have been focused on COVID-19 issues and pricing laws. Just recently in this month, October 2021, they have sent $40,000 to US representatives. Ten thousand dollars of this amount was specifically lobbied on October 12th for a law to expand and protect U.S. company's IP of drugs. This may be in response to other companies trying to copy the ingredients for the COVID-19 vaccine. In July 2021, Pfizer sent $40,000 to lobby against a new "Lower Drug Costs Act." They have spent thousands of dollars over the last few years to try and change the opinions of representatives in favor of the company. [11]

Pfizer declared 102 lobbyists in 2020, many of whom are former government aides (one recent hire, Sudafi Henry, was Joe Biden's former legislative affairs director during his Vice Presidency). Other recent hires with political ties include Justin McCarthy, who served under President Bush, David Schiappa, a longtime staff member for Senate leader Mitch McConnell, and Kwabena Nsiah, former staffer for the Department of Health and Human Services. Lobbying efforts increased from $11 million in 2019 to $13.2 million in 2020.[12]

[10] https://www.politico.com/newsletters/politico-influence/2021/10/01/pfizer-adds-more-lobbying-help-797991

[11] https://api.quiverquant.com/beta/historical/lobbying/PFE

[12] https://rightsfreedoms.wordpress.com/2021/10/10/revealed-pfizer-lobbying-hits-decade-high-as-dozens-of-high-profile-political-appointees-become-big-pharma-reps/

EXECUTIVE ORDER

The health and safety of the Federal workforce and the members of the public with whom they interact are foundational to the efficiency of civil service. President Biden felt that to ensure the health and safety of these groups of people required immediate action. At the time the executive order went into effect, the Pfizer vaccine had been fully approved by the FDA and Moderna had been approved for emergency use; therefore, the administration felt that it was safe and effective to mandate Federal employees to get vaccinated against COVID-19.[13]

This is not the first mandate of the vaccine for employees of a particular field. Many hospitals around the nation and other businesses have mandated the vaccine. Some well known companies that are fully or partially mandating the COVID vaccine include Netflix, Deloitte, Disney, and Uber. So, what the government and Biden are doing is not a new thing. It is somewhat controversial, though, as this government mandate may lead to mandates for more employees across different sectors. [14]

[13] https://www.whitehouse.gov/briefing-room/presidential-actions/2021/09/09/executive-order-on-requiring-coronavirus-disease-2019-vaccination-for-federal-employees/

[14] https://www.nbcnews.com/business/business-news/here-are-companies-mandating-vaccines-all-or-some-employees-n1275808

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

Indu Nandula

Signed ______________________________________

Case 5: Important Influencers

Indu Nandula

19 November 2021

In this case, the objective was to interview a fairly established member of the business community in order to gain firsthand insight into the struggles of forging a career in this path of work. This is an especially beneficial assignment in that gaining the primary perspective of an individual's unique journey can help to truly portray the struggles and hard work that goes into becoming a well-rooted member of the community. As we move forward in our education and get closer to figuring out what the next stop is in our journey, there are important decisions to be made regarding the route to be taken and where our skills will be best utilized. Many people have had to make these decisions before we did, and knowing the steps to get there and any advice to be gleaned from those with more experience is beneficial.

From this case, I learned that the path to success is never linear. It curves and throws you for loops that you might not be prepared for. Becoming an established businessperson, no matter in what capacity, takes an extensive amount of dedication, diligence, and sacrifice, as I learned from the interview. For this case, I interviewed my mother, Aparna Nandula. I have seen her go through numerous obstacles to get to the point where she is today, and if there is any one in the world who works hard, it's definitely her.

Aparna Nandula grew up in Vijayawada, India, and is the youngest of four siblings: she has two older brothers, and one older sister, with a fifteen-year age gap between herself and her eldest brother. She grew up in a very close-knit family, with a large extended family that visited often, almost every weekend in fact. She had close relations with her cousins, who were like brothers and sisters to her, with whom she communicated weekly through postcards and letters. Her mother was a high school social studies teacher, and her father worked in the census bureau with a master's degree in economics. He traveled a lot for work, and always had stories to tell his children when he came home from traveling. She traveled by train to visit her maternal and paternal grandparents often on holiday in the Godavari delta, a region filled with right, fertile rice fields and lush, green land. These memories comprised a great deal of her childhood.

Aparna attended Maris Stella College in Vijayawada and traveled almost two hours every day to attend school there during her eleventh and twelfth grade years. According to her, college life was fun and full of friends, and missionary teachers taught in manner that was well-disciplined and godly, and she learned a lot, despite not being a Christian herself. In her own words, it was one of the best schools, and she has fond memories of all the friends she made, who now span many career paths including scientists, engineers, doctors, and successful entrepreneurs and business leaders. She also attended college there, and there was a male college opposite her school, so she made friends there as well.

As a child, Aparna's mother wanted her to follow in the footsteps of her grandparents, who specialized in Indian Ayurvedic medicine, and become a doctor. But when, her two older brothers went on a different path and chose engineering, she wanted to pursue engineering as well because as a child, she hero-worshipped her brothers. However, by the time she was ready to take the entrance exams for the engineering program she desired, her father had already retired, and she was unable to get any extra tutoring necessary to get a leg up on the competition for the exam. As a result, neither she nor her sister studied traditional engineering: instead, her sister studied synthetic chemistry and Aparna studied geophysics.

After graduating from college, her first job was as a research assistant at the National Geophysical Research Institute (NGRI) in India. Twenty-two years later, she holds the role of Chief Intelligence Officer at Delta Health Alliance in Stoneville, Mississippi. Even from the very beginning of her career, she has always believed that one should always make use of every opportunity that comes their way, and always approach work positively. After she moved to

Fargo, North Dakota in the U.S. from India with her husband, she had to go through an arduous process of verifying her education credentials and go through immigration services before she could truly start her new life. In her own words, this took “a lot of patience and servitude and with blessings and help from my husband and family.” She began her new career path in a new country as a Teaching Assistant and North Dakota State University. This was her second master’s degree, so it was relatively easy to balance her academics and her teaching job. While studying and working on her assistantship, Aparna got another job with a sociology professor who was running the Census Data Center at North Dakota State University. His dream was to build a dynamic website for elderly people using GIS (Geographic Information Systems) and he had a passion for helping people. This job helped to truly define the direction she wanted to take with her career path. She has held multiple jobs over the years and traveled with her husband wherever his career took him, and has worked in community colleges, manufacturing, and software, which actually proved to be a difficult hurdle in her career progression:

“At one point, I was working under a software engineering group and the super was very controlling. I was coding and testing and the manager I worked under was an extreme micromanager. He would call me every ten minutes and ask me how my code was coming along. Because of the way he was pressuring me. I believe I could not perform at my very best, and he furthermore should have understood that I completed every task, and this led to me quitting.”

Ultimately, Aparna ended up working at a nonprofit and been there for the past four hours. She says that healthcare in the United States is a calling, and she is glad to have met so many academics and intellectuals throughout her career.

After marrying and having two kids, Aparna says that her life has been good so far. She said that she is extremely proud of the family support she has received throughout every step of her life, and of the memories she has made along the way. One of her favorite memories is a vacation she took with her family at the age of nine to Kanyakumari, the southernmost tip of India.

When asked what advice she wished she might have for a twenty-something starting out a new career, she said, “I wish I would have known that organization and discipline are the most important qualities, not necessarily the career itself.” This carries into her concerns about the current generation. According to Aparna, the biggest challenge for Gen Z is “Understanding that every step matters. Things need to be done right then and there and not pushed back to tomorrow.” In addition to this, she also expressed concern about the lack of communication skills present in the younger generation:

“Communication is the biggest challenge for this younger generation. When they have conversations, they are cryptic, as if they are texting, and they don’t sit down and have face to face conversations like adults. The bonding that face to face interactions bring is something that needs to be worked on, and this generation is so technology driven We are living on technology from the past but no one brings up this knowledge now.”

From this interview, I definitely was able to gain a lot more insight into my mother’s life and what makes her tick. I have seen her work extremely hard to get to where she is today, and talking that process through with her has me further appreciate everything she does for our family. Her journey shows that you can make something out of nothing, and that with hard work, dedication, and as she would say, effective communication, even without a linear career path you can still pave your way to success.

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

Indu Nandula

Signed ____

Case 6: Goldman Sachs – Week 1

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

9 February 2022

This week, our group researched and analyzed Goldman Sachs from a business perspective. To gain more insight into Goldman Sachs, we dissected its annual reports, investigated its financial stability, studied its company culture, and evaluated its plans for the future. We also gathered business press articles, analyzed industry-level data and statistics, and read Goldman Sachs' personal press releases. Using this information, we were tasked with compiling an informative overview of the company as a whole, cohesive unit, as well as its culture, structure, operations, potential risks, and prospective potential.

This week's case introduced us to an abundance of new information concerning Goldman Sachs and the international investment banking industry. Despite Marcus Goldman establishing Goldman Sachs in 1869 initially as a commercial paper business, the company went on to revolutionize the investment banking industry. In the early 1900s, "Goldman Sachs broke new ground in making equity and debt securities more attractive to investors," launching their reign in investment banking ("Goldman Sachs Commemorates 150 Year History"). Through this endeavor, Goldman Sachs paved the way for a new lending basis—a company's earning power and goodwill, rather than their physical assets—which, in turn, established the Price-to-Earnings ratio as an industry standard and Goldman Sachs as a financial pioneer. Since then, Goldman Sachs has consistently grown and acted as an innovator for the industry, introducing many new elements to Wall Street for the first time, including block trading, options, swaps, and merger and acquisition departments. While acting as trailblazers in its industry, the company has also expanded its service offerings to include global markets, asset management, and consumer and wealth management in addition to its long-standing investment banking segment. The company is still moving forward with no end in sight.

Today, Goldman Sachs focuses on offering a "broad range of financial services across investment banking, securities, investment management, and consumer banking" (10-K 53). The company has a "large and diversified client base that includes corporations, financial institutions, governments and individuals" (53). Goldman Sachs' reach in the investment banking industry is so broad that they claim to "maintain offices in all major financial centers around the world" (53). These claims are verified by the fact that Goldman Sachs has locations in 35 countries and operations in even more, and the firm is continuing their vast global expansion.

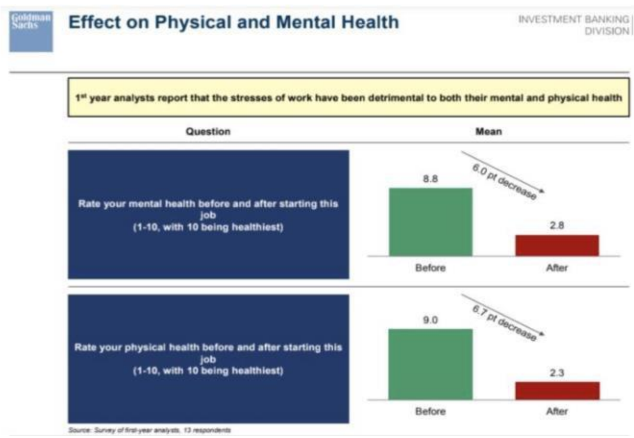
Goldman Sachs continues to make history through China's recent approval of the company to "take 100% ownership of its Chinese securities joint venture, Goldman Sachs Gao Hua Securities Co. Ltd" (Liwei). Goldman Sachs is just the second foreign investment bank to be granted full ownership in China. As China hosts a large capital market and is currently accelerating its financial market openings, Goldman Sachs stands to endure great success through this acquisition. First and foremost, Goldman Sachs' capabilities give them a major competitive advantage over both the domestic and foreign competition in China because the company "can work with clients in evaluating U.S., Hong Kong, and A-share markets for their funding needs" (Liwei). In addition, Goldman Sachs' joint venture in wealth management with ICBC, a Beijing-based lender, is expected to be a catalyst for the company in this new market. Analysts forecast that by teaming up with ICBC, Goldman Sachs will be gifted with "a vast distribution network and access to millions of wealthy customers," which will create lasting relationships worth billions in revenue (Liwei). As the second foreign investment bank in China, Goldman Sachs further advances its reputation as a pioneer in the American finance industry.

Although the company thrives in many areas, Goldman Sachs also faces considerable threats in market uncertainties and credit risks, changes in regulations, and office culture issues. A large portion of Goldman Sachs' business operations is based on the purchasing, selling, and financing of commodities. This business sector is greatly impacted by market uncertainties and credit risks, as even a small percentage change in a market or currency could result in massive gains or losses. Goldman Sachs' most recent 10K explains that a two-notch downgrade in their credit rating could require "additional collateral or termination of payments" to the extent of $1.39 billion (*Form 10K* 32).

Regarding regulations, Goldman has had to adapt to the new statutes and the growing uncertainty of the future of commerce in Europe and Asia. In Europe, the company is currently adapting to the changes brought on by Brexit. In Asia, the firm is settling into full ownership of its Chinese counterpart. While trying to expand their clientele and revenue-enhancing resources, the company is also acclimating to the Chinese regulations and preparing for the opening of the Chinese financial markets.

In terms of personnel, recent reports have highlighted poor working conditions, including consistent 100-hour workweeks for entry-level employees. As exhibited in a leaked PowerPoint presentation, the affected employees stated that "the grind damaged their physical and mental health," as they barely had time to sleep, eat, or shower (Moynihan). In response to these complaints, David Solomon, the CEO of Goldman Sachs, has reaffirmed the firm's "Saturday rule," which, under most circumstances, prevents employees from working between the hours of 9 P.M. on Friday and 9 A.M. on Sunday. This response, along with the firm's strong desire for employees to return to offices, may lead to a decrease in applicants as the banking industry is increasingly competing with Silicon Valley startups for qualified college graduates (Kelly). Also, to counteract Silicon Valley while still making amends for the poor working conditions, Solomon, much to his dismay, has raised the starting pay for entry-level employees and created more entry-level positions to assist with the workload. However, this increase in wages has created a large expense for the company, resulting in a loss in market share catapulting their competitor, JPMorgan Chase & Co., to the top market share for the industry.

In 2020, Goldman announced initiatives regarding funding optimization with real potential for improving profitability and shareholder returns. The firm hopes to generate 10-figure expense efficiencies and savings through optimizing deposits and reducing unsecured funding, which will enable the company to reinvest more money to adapt to future market changes. The first year's application of the new system did not meet the estimates, but it did allow the company to significantly reinvest into personnel and other business needs. Based on the recent increase in interest expense savings, the company is working diligently towards a $1 billion savings by year-end 2022.



As a global leader in the financial world, Goldman Sachs provides a plethora of financial services that can be classified into four core business lines: investment banking, global markets, asset management, and consumer and wealth management (*2021 Resolution Plan* 40). Investment banking services are provided to both public and private sector clients and include advisory services, underwriting in equity and debt to help companies fund their business endeavors, and lending services. The global markets sector aids clients in the purchasing and selling of financial products, fundraising, and risk management. Through the global sales force, Goldman Sachs maintains client relationships and conducts investment research. A large portion of this interconnectivity takes place via technology platforms such as *Marquee,* which provides access to data, such as market intelligence and risk analytics to investors. Goldman Sachs' asset management segment provides advisory services to clients to aid in ensuring investments that not only have longevity, but that will also grow over time. Finally, the consumer and wealth management segment assists clients in fulfilling investment goals and provides personal finance services, including financial planning, investment management, and banking advisory services (Goldman Sachs).

<table>
<tr><th colspan="4">The Goldman Sachs Group, Inc.</th></tr>
<tr><th>Investment Banking</th><th>Global Markets</th><th>Asset Management</th><th>Consumer and Wealth Management</th></tr>
<tr>
<td>• Goldman Sachs & Co., LLC (New York, USA)
• Goldman Sachs International (UK)
• Goldman Sachs Japan Co., LTD (Japan)
• Goldman Sachs Bank USA (New York, USA)
• Goldman Sachs International Bank (UK)
• Goldman Sachs Bank Europe SE (Germany)
• Goldman Sachs Financial</td>
<td>• Goldman Sachs Global Holdings LLC (United Kingdom)
• J. Aron and Company LLC (New York, USA)
• Archon International Inc. (Delaware, USA)
• Goldman Sachs Financial Markets, L.P. (Delaware, USA)</td>
<td>• Goldman Sachs Asset Management, L.P. (Delaware, USA)
• Goldman Sachs Asset Management International (UK)
• Goldman Sachs Property Management (UK)
• Goldman Sachs Property Management USA LLC (Delaware, USA)
• Goldman Sachs Specialty Lending</td>
<td>• Goldman Sachs Hedge Fund Strategies LLC (Delaware, USA)
• Goldman Sachs Investment Strategies (Delaware, USA)</td>
</tr>
</table>

Services L.P. (Delaware, USA) ● Goldman Sachs Specialty Lending Holdings , Inc. II (Delaware, USA) ● Goldman Sachs Specialty Lending Holdings, Inc. (Delaware, USA) ● Goldman Sachs Lending Partners LLC (Delaware, USA)		Holdings, Inc. (Delaware, USA)	

This week's task has given our group a great deal of insight into the difficulties we will face in this project and the complexity of international corporations as large as Goldman Sachs. Even though it is a publicly-traded company and a great deal of information is available to the general public regarding their business processes, it is difficult to find relevant information about the company. Through the variety of search engines, most results discuss Goldman Sachs' evaluations of different stocks and bonds, instead of their own business operations. This is great for the firm because the difficulty to find information seemingly offers immense privacy and covers the firm's recent scandals.

Regarding the rest of the semester, this investigation has given us a clearer picture of how we would evaluate the company's audit, tax, and advisory plan. One of the largest takeaways was the sheer manpower needed to audit all of the subsidiaries' business processes for a given year. The firm operates in almost every developed economy and they are constantly expanding. It has also opened our eyes to the endless possibilities there are for advisory, as they are constantly looking to expand into new markets and improve business processes to reaffirm their position near the front of the financial industry. While a great deal of the tax work would be following U.S. regulations, there are also mounds of different regulations to consider when deciding how to process different liabilities and income sources for the multinational corporation. We have come to realize that evaluating Goldman Sachs from each of the audit, advisory, and tax perspectives is going to be an extremely rewarding challenge that will give us a better understanding of how firms evaluate potential clients and what we can look forward to doing when we start as associates.

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

Signature: Aubrey Christ

Hannah Harris

Indu Nandula

Jake Ransin

Case 7: Goldman Sachs – Week 2

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

16 February 2022

This week, our group read through Goldman Sachs' consolidated balance sheet, income statement, and the corresponding notes to determine which three accounts would carry the greatest deal of risk if misstated. Using the basic audit standards of existence, completeness, and valuation, we analyzed each account to assess the level of liability they carry. After considering all of the available information, the group decided the Trading Assets, Revenue, and Other Comprehensive Income accounts pose the greatest risk for Goldman Sachs and its shareholders.

Trading Assets

The Trading Assets account is made up of trading cash instruments and derivatives, accounting for a third of the firm's total assets. This account summarizes Goldman Sachs' market-making activities, loans, government obligations, swaps, futures, options, and several other major segments of the business. Since this account has such a large impact on the firm, it could greatly misrepresent the firm's financial position if it were to be materially misstated. A substantial portion of the firm's revenue is generated from these accounts' interest, so a misstatement could also affect revenue. Additionally, it would be difficult to find the source of the error as these accounts are revalued at fair value based on the market price of a recent similar transaction each day, so the balances are constantly changing regardless of whether or not these assets are involved in transactions.

The main internal control structures that apply to the Trading Assets account are segregation of duties, proper authorization, and reconciliation of accounts. The scale of these accounts is a result of multi-million dollar transactions, so it is paramount that only authorized employees can initiate transactions. Furthermore, it is necessary to assign the processing, authorizing, and recording of these transactions to different employees to prevent fraud. It is also imperative to reconcile the accounts with the transaction records and market values of the assets at the end of each day to detect fraud.

When it comes to testing transactions, the firm should trace transactions through processing, review of contracts, review for changes to debt covenants and credit ratings, confirmation of balances with outside parties, and reprocessing transactions to confirm the balances of the accounts. The assets and their contra accounts are based on current values, interest rates, and contract provisions, so the auditors must test all of these functions to confirm the values posted to the balance sheet. If there are misstatements, it could greatly impact markets' opinions on the firm's current and future positions. The use of data analytics could streamline the process of confirming fair values for the trading assets at the end of the period, comparing current interest rates with the contractual rates, tracking transactions as they process, and testing for unusual transactions. Since derivatives and cash instruments constitute the majority of the Trading Assets account, data analytics could allow the firm to run a continuous audit on Goldman Sachs.

Revenue

Goldman Sachs earns revenues primarily through providing investment banking and other financial services, such as asset management and securities trading, but they also generate material profits through interest revenues stemming from the company's held investments. With multiple sources of income and hundreds of transactions posted daily, the Revenue account can easily be misstated simply due to the overload of journal entries required to keep up with their performance. However, there are also multiple reasons for the organization to purposefully misstate this account.

As a company that reports earning total net revenues of $44,560,000,000 in 2020, Goldman Sachs falls severely behind their competitor, JPMorgan Chase & Co., who reported

$119,543,000,000 in net revenues for 2020 (“Form 10-K 2020” 116, “Annual Report 202” 162). In the investment banking and financial services industry, competition is the main risk factor to the company’s profitability, and that is not expected to change. To increase market share, pricing–and therefore, revenue–pressures are at an all-time high and are continuing to increase. In an attempt to “win the industry,” Goldman Sachs is reducing prices “at levels that may not always fully compensate [the company] for the risks [it takes],” but this has only had an adverse reaction on the company, resulting in lower net revenue results (50). To look more profitable, Goldman Sachs’ Revenue account incurs great risks for current and prospective shareholders. Because companies can overstate their revenues without obvious recognition, Goldman Sachs has an opportunity to manipulate investors through, for instance, creating false service transactions or recording unearned revenues as earned.

On the other hand, the finance industry is reliant on liquidity in their business operations, as the main cause of financial-service failure is due to insufficient liquidity. As Goldman Sachs Group, Inc. is a holding company in nature, it depends on payments from its subsidiaries to fund all liabilities, acquisitions, expenses, and dividend payments. With increasing laws and regulations concerning parent companies and their subsidiaries, Group, Inc. faces major issues in receiving enough revenue from their subsidiaries to settle their debt obligations and to expand the company. In cases such as this, Goldman Sachs could overcome their struggles by understating its revenue and hiding it offshore to use as a means to cover its financial obligations. Not only will this allow them to easily conceal free-flowing cash, but it also results in a major tax benefit for the company. By understating their revenues, their income will also be understated, allotting a lower sum to tax expense. While these low earnings may deter some potential investors, Goldman Sachs gains the liquidity needed to avoid discontinuing operations and, potentially, Group, Inc. as a whole.

In order to mitigate a potentially poor audit and extensive substantive testing, Goldman Sachs should enforce a strong internal control structure, focusing on account reconciliation, documentation providing an audit trail, and an ethical "tone at the top." Through account reconciliation, the firm provides the foundation of the audit trail by matching the source documents to the general journal transactions. Revenue is easy to misstate—whether it be intentional or unintentional—because hundreds of transactions are processed daily at Goldman Sachs. By matching the source documents with the journal entries, using pre-numbered documents, the firm can provide evidence that their transactions are of faithful representation. Additionally, the documentation for each transaction should be properly stored to complete the audit trail necessary to prove their credibility. This can be easily implemented through the use of enterprise resource planning software, such as SAP which can be useful in enforcing other important internal controls, including access controls, IT controls, and segregation of duties. Another vital internal control considers management's attitude. As revenue is the main focus of their bonus evaluations, management can be easily swayed to misstate the account to receive a higher compensation package. If management sets this unethical example for the company, intentional misstatements will become more common in all levels of the organization.

For the auditor to test the transactions at hand, it is critical to conduct an analytical review of the Revenue account, especially in concerns of liquidity ratio analyses. As liquidity is a driving factor for the financial industry, these ratios must be reviewed to ensure that the company has not overstated its liquidity. Additionally, vouching for transactions from final records to their origins and performing cut-off tests is imperative. Vouching for transactions displays evidence for the auditor that nothing has been misstated, while cut-off tests allow auditors to ensure that no unearned revenues have been reported in the current period as earned revenues, and vice versa. As stated earlier, the data analytics tool, enterprise resource planning systems, aids in this process as it stores all documentation and journal entries in one place, improving efficiency in an auditor's investigation. Another great data analytics tool is data visualization, especially in analyzing the liquidity ratios in comparison to the company's previous year data and industry data.

Other Comprehensive Income (OCI)

The Other Comprehensive Income (Loss) Adjustments account, net of tax, includes currency translation, debt valuation adjustment, pension and postretirement liabilities, and available-for-sale securities. This vast account has varied greatly in the most recent three years, with balances totaling $50 million in 2020, ($2,177 million) in 2019, and $2,573 million in 2018. These major differences indicate considerable risk concerning the Other Comprehensive Income (Loss) account. These variations can be essentially attributed to all four accounts included in comprehensive income, though, most notably, debt valuation adjustment, which decreased by 87.4 percent in 2020.

The most applicable internal controls to the OCI account are documentation providing an audit trail, reconciliation of accounts, and IT controls. Having an audit trail would allow auditors to follow all transactions and entries for the accounts, making fraud much easier to find. It is also vital to reconcile the accounts, as the securities and liabilities are constantly changing through transactions and adjustments to interest rates. In terms of IT controls, limiting access to change information in each ledger could prevent fraud.

In terms of testing, it would be beneficial to focus on tracing through processing, reviewing contracts and pending litigation, and confirming balances with outside parties to confirm that each subledger has the correct values. The review of contracts could be used to internally confirm the values of the liabilities and securities contained in the account, and the reevaluation of pending litigation could be used to ensure litigation liabilities are correctly estimated within the company. Confirmation of balances outside of the company would be the second level of balance confirmation, adding to the confidence in the balance sheet values.

Data analytics could streamline the audit process for OCI as many of the accounts could be processed through enterprise resource planning systems to avoid the frequent manual entry of values. It could also be used to check for transaction values outside of the normal range and for accounts that are not regularly involved in the process, making it easier to detect potential fraud and misstatements.

This week's task taught us a great deal about the firm’s business operations. Instead of traditional inventory like that of most companies outside of finance, Goldman’s accounts are more focused on investments. These investments are made up of a complex system of accounts and contracts that hold or hedge a variety of different financial positions. Although it was difficult to interpret the balance sheet and income statements notes as they are full of financial jargon, we were able to ascertain which accounts carry the most risk. We learned the firm’s ability to generate revenue is greatly based on the global markets, as interest rates and investments are dependent on market values. We also learned that Goldman Sachs, along with the entire financial industry, operates under great pressure, potentially influencing intentional misstatements in revenues. Overall, this week’s assignment gave us an insight into what the beginning of an audit case may look like.

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

Signature:

Hannah Harris

Indu Nandula

Jake Ransin

Case 8: Goldman Sachs – Week 3

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

2 March 2022

This week, our group reviewed the new and existing tax credits, incentives, and deductions for corporations based in the United States. After reviewing tax incentives, we used Goldman Sachs' consolidated financial statements and notes to the financial statements to determine which tax benefits the corporation should take action to become eligible for to reduce their tax liability. After considering all available information, the group decided that Goldman Sachs should make a capital investment in solar panels to qualify for many of the sustainability tax credits. We also suggest returning most assets and operations to the United States before the large increase in global intangible low-taxed income tax is enacted.

Sustainability Tax Credits

As more information comes to light concerning the depletion of Earth's resources due to human-caused environmental damages, the United States government incentivizes corporations and individuals to transition to more sustainable business practices. One such incentive is the Solar Investment Tax Credit that was enacted in December 2015. Through this incentive, the IRS "provides a 30 percent tax credit for businesses that install, develop, and/or finance solar energy property" (Murray). Although the credit has now been reduced to 10 percent of the cost of the solar panel project, there is still an opportunity for large savings, especially since Goldman Sachs could install solar panels for their offices *and* finance projects for other businesses and individuals through their financial services. In addition to the 10 percent tax credit, the Solar Investment Tax Credit allows commercial businesses to "take advantage of accelerated depreciation… to reduce the overall cost of a PV installation," which reduces the overall tax liability since there is a larger depreciation expense ("Guide to the Federal Investment Tax Credit"). There is also a bonus depreciation incentive for businesses with solar panel systems placed in service between January 1, 2018, and December 31, 2022, allowing Goldman Sachs to claim a 100 percent bonus depreciation, allowing for a total write-off of the solar panels in the first year of use. If Goldman Sachs were to service the solar panels in later years, this bonus depreciation would decrease by 20 percent yearly, so the urgency of installation and use is immediate and will affect the company's tax and depreciation expenses differently depending on when the transition is implemented.

Additionally, if the corporation made this switch, they would qualify for the Commercial Buildings Energy-Efficiency tax deduction, through which the IRS deducts taxes of $1.80 per square foot for "owners of new or existing buildings who … reduce the energy and power cost of the interior lighting, HVAC, and service hot water systems by 50 percent or more in comparison to a building meeting minimum requirements" ("179D Commercial Buildings Energy-Efficiency Tax Deduction"). Goldman Sachs' installation of solar panels would more than cover this 50 percent reduction in energy and power costs, as this transition in energy efficiency eliminates costs by 89 percent on average. As solar panel technology continues to advance, these costs are expected to drop even more. Not only will the installation and use of solar panels offer a great tax incentive for Goldman Sachs, but it will also reduce their operating expenses, allowing for a greater gross profit. As the corporation reported occupancy costs of $960 million—$384 million of which is allocated to rent—in 2020, utilizing solar energy could reduce this cost to as little as $62.7 million for utilities, resulting in a total occupancy cost of $446.7 million in following years.

Not only would accepting this recommendation aid in tax liabilities for Goldman Sachs, but this transition also enhances shareholder value. By reducing the tax liability, there will be a larger sum of income to be attributed to shareholders, increasing the economic value. Additionally, and most importantly today, the energy switch greatly enhances both the social and environmental aspects of the triple bottom line. By achieving a greater value in all three of the triple bottom line parts, Goldman Sachs offers value for all shareholders and stakeholders. By keeping the stakeholders happy, Goldman Sachs positions itself above its competitors in the industry. Luckily, this could just be the first step for Goldman Sachs, as the Build Back Better Act aims to "extend and enhance certain green energy credits as well as introduce a variety of new incentives" ("2021 Year-End Tax Planning for Businesses"). Although this bill has not yet been passed by the Senate, the Build Back Better Act could offer great savings to the company, along with value enhancements for sustainable and responsible management. During this time of increasing tax rates, Goldman Sachs could use these sustainability improvements to minimize their legal cash tax payments, while also promoting environmental friendliness and maintaining successful stakeholder relationships.

Increase in Global Intangible Low-Taxed Income (GILTI) Tax

In the past, many companies have held assets offshore to avoid US corporate taxes. In recent decades, the IRS has developed tax regulations that require companies to pay minimum tax rates on income earned abroad to encourage U.S. firms to bring assets back to the United States. The most recent attempt to do so in the international tax provisions in the Build Back Better Act. If passed, the BBB Act will include significant changes to the way companies evaluate international taxes. The legislation includes an alternative tax rate of 15% that would apply to GILTI ("Build Back Better"). Allowed deductions for GILTI were originally expected to be reduced from 50 percent to 37.5 percent after 2025, but the BBB Act would reduce this figure to 28.5 percent as early as 2022 ("2021 Year-End Tax Planning for Businesses"). BBB would also require firms to figure low-tax income and foreign tax credits on a country-by-country basis ("Tracking Federal Tax Legislative Proposals"), likely resulting in significant tax increases for the banking industry. The increased tax rates and decreased deductions are a great concern for Goldman as their 2020 10K warned an increase in corporate and GILTI tax rates has the potential to decrease profits in certain areas to the extent of forcing the firm to close certain locations (43, 44 Form 10K). If the BBB Act is passed, the feasibility of avoiding US corporate taxes by keeping assets offshore will significantly decrease.

We propose that Goldman should repatriate a large portion of the low-taxed income in the coming years to avoid the increased tax rates. While the proposed minimum tax rates are not as high as US corporate tax rates, the benefits of holding assets and revenue streams offshore are dwindling. Since the tax increases are focused on intangible assets, the process of relocating these assets is not overly cumbersome. The firm should reassess tax amortization schedules to determine the most effective way to minimize the costs of relocating the intangible assets.

It is difficult to determine the amount of taxes paid for GILTI and the impact of new legislation on these intangible assets as these values are not listed in the firm's 10K or supporting financial statements. It would also require the individual assessment of income earned from intangible assets in each country that has tax rates below 16 percent, net of the allowed deduction. While the information to calculate the impact of the new legislation is not available, it is known that in 2020 Goldman Sachs paid $1.539 billion in non-U.S. taxes (196, Form 10K) and this number could materially increase under the proposed legislation.

Conclusion

During the time of Global Tax Reform, many corporations are preparing for a major increase in their tax expense. As the COVID-19 pandemic dwindles, many tax credits and deductions are phasing out, resulting in an increase in tax expense for both corporations and individuals. Although tax percentages are increasing and incentives are decreasing, corporations still have many options to save money on their tax liabilities. As the world transitions to a more sustainable and eco-conscious management style, sustainability tax credits and incentives offer corporations an easy way to become more environmentally friendly, while also saving on the expenses associated with the large capital expenditures necessary. Also, the firm would benefit from relocating foreign intangible assets to the U.S. to avoid paying the increased tax rates and wading through the increased international tax complexities of GILTI. Through analyzing tax benefits that Goldman Sachs could utilize, we learned that tax performs a vital advisory function for accounting firms' clients. As it is a constant governmental issue, the world of tax is constantly evolving, meaning that businesses must rely on tax accountants to ensure that they are updated on the current tax policies and are consulted on how to attribute the least amount of income on taxes. We also learned that due to the constant changes in tax policies, it is important for tax accountants to remain informed of new tax policies, their enactment dates, and their phase-out dates. Therefore, rather than just performing and recording traditional accounting processes, tax accountants must also focus on the news to remain informed of the policies that could affect their clients' bottom line.

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Signature: ______________________________

Hannah Harris

Indu Nandula

Jake Ransin

Case 9: Goldman Sachs – Week 4

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

23 March 2022

The task for this week is to design an action plan to combat major issues facing the firm and predict the action plan's future financial benefits. We began by considering Goldman Sachs' financial statements from the last five years to determine their return on assets, asset turnover, and profit margins. The firm's financial statements show that their strongest ratio is the profit margin for all five years, so we decided they are strategically a product differentiator. Their recent strategic publications discuss the unique value that Goldman Sachs can offer its customers, so we concluded that their strategic plans are in line with their financial statements. We then chose two major issues the firm faces and designed plans to combat these issues. The plans include strategies and their financial implications. The greatest risks to Goldman Sachs going forward are employee retention and litigation expenses.

According to our research, Goldman Sachs prides itself on its strategy of product differentiation. Although they do not blatantly state this strategy, they emphasize the great advantages that their services hold over competitors in their yearly strategic updates. For example, the firm has an ever-expanding global market; most notably, they are the only U.S.-based financial institution with 100 percent ownership of their operations in China. Also, as Goldman Sachs was founded based on innovation in the financial sector, the company offers unparalleled innovation in the industry, winning two innovation and technology awards in 2021 for their partnership with Fintech Open Source Foundation to create their personal "open-source data modeling platform" and for their "100 percent cloud-based transaction banking platform" ("Goldman Sachs Wins Two Awards"). Through their global presence and continuing innovation, Goldman Sachs offers more accessible services for their current and future clients compared to their competitors, allowing them to upcharge their services. In addition to its unrivaled accessibility, Goldman Sachs also holds a strong advantage due to its world-renowned reputation.

Although Goldman Sachs does not openly express their strategy, they publicize their strategic goals as "growing and strengthening [its] existing businesses, diversifying [its] products and services, and operating more efficiently" to cover all possible business strategies ("Our Strategic Direction"). As the company claims to work towards being an industry leader in all strategic directions, they remain competitive only in product differentiation at the moment, and the financial statements support that preliminary analysis. From 2017 to 2021, Goldman Sachs's profit margin fluctuated significantly, reaching a high of 35.64 percent in 2021. These high-profit margins indicate the company's ability to differentiate its products and services and therefore, charge a premium for its offerings. On the other hand, during the same five-year period, the company's asset turnover peaked near 4 percent. This low turnover rate demonstrates Goldman Sachs's inefficiency in its operations, proving that the firm has not been following a cost leadership strategy.

Even with a successful differentiation strategy, Goldman Sachs faces many threats. As a company within the Investment Banking and Financial Services industry, Goldman Sachs must address and mitigate threats concerning market uncertainties and credit risks, changes in regulations, and a highly saturated market with large competitors. Although there are ways to mitigate the risks of these threats, for the most part, these dangers are simply standard for the industry. However, Goldman Sachs faces much larger threats to its normal operations due to the unethical behaviors surrounding the company. In recent years, the firm has endured many legal issues concerning fraud, bribery, and insider trading, and they have a much higher employee turnover rate in comparison to its competitors due to the poor treatment of their entry-level employees. Not only do these issues result in large costs, but they also help to damage the brand's once-strong reputation, resulting in a drop in their clientele pool and a decrease in market share.

Over the past few years, Goldman Sachs has publicly identified employee retention as a major threat. Recent reports of poor working conditions for entry-level associates have created issues for a firm already facing "increased competition in hiring and retaining employees" (*Form 10K 2020*). An internal survey revealed that a majority of first-year analysts would leave the firm if working conditions did not change (Bizouati-Kennedy). Although the firm has increased benefits and encouraged Saturdays off in recent months as an attempt to combat employee criticism, we believe that allowing some remote work may be an even stronger solution. Two weeks after David Solomon released a statement requesting employees to return to work, about half of the New York City office personnel showed up to work. We suggest that Goldman Sachs offer employees more hybrid opportunities going forward in hopes of boosting employee morale. Offering employees a more flexible work format can not only improve quality of life but also increase productivity, as 77 percent of employees who work from home at least once a month are more productive ("Surprising Working from Home Statistics"). These improved working conditions could greatly improve employee retention and productivity going forward.

Because banking and finance is a highly skilled profession, firms invest a lot of money training employees. If a more hybrid-friendly employment strategy is implemented and promotes employee retention, they could benefit from material savings in reduced training costs and higher profit margins in the future. This coupled with Goldman Sachs's continued innovation could help the firm overcome recent public scrutiny and strengthen its position as one of the top firms in the banking industry. Although this approach does not have a calculable return, it does increase the value in the firm's greatest asset: its people. If the firm can improve employee quality of life, they will not only benefit from increased employee retention but also increased revenues and efficiency as employees are more productive and passionate about their work.

In addition to high employee turnover rates, Goldman Sachs also has damaged their reputation through its explicit non-compliance with laws and regulations. These violations of trust have cost the company some current and potential future clients, limiting their revenue; not to mention, the legal fees and settlements have cost the company billions of dollars. For example, immediately before the 2007 financial crisis, Goldman Sachs mishandled mortgage-backed securities, ultimately resulting in the company's vital role in pushing the economy into the recession. In 2010, Goldman Sachs paid $550 million in settlement of the U.S. Securities and Exchange Commission charges, then in 2016, the company admitted to their involvement in securities fraud and paid an additional $5.1 billion in settlements. Today, the company faces paying an additional $13 billion through their shareholders' class action suit against them, which they believe is reasonably probable they will have to pay. Additionally, the Goldman Sachs Group and its Malaysian subsidiary recently "admitted to conspiring to violate the Foreign Corrupt Practice Act" after planning to pay over $1 billion worth of bribes to Malaysian officials ("Goldman Sachs Charged"). Because of this, two Goldman Sachs employees faced criminal charges, and the company paid $2.9 billion in penalties and fines in 2020 in addition to their personal legal fees.

After losing billions due to illegal actions throughout the company, we suggest that Goldman Sachs invest in a greater internal control system. Although implementing proper internal controls is an expensive venture, it will save Goldman Sachs billions in legal fees and settlements over time. In a study conducted by the Chief Financial Officers' Council and the President's Council on Integrity and Efficiency in 2005, analysts found that Fortune 1000 companies spent an average of $7.8 million to implement first-year controls and $4.2 million in yearly upkeep ("Estimating the Costs and Benefits"). Although this sum would amount to approximately $11.3 million in implementation and $6.1 million in upkeep today due to inflation, it is still undoubtedly lower than the billions that Goldman Sachs has paid over the past decade. By making this change, the company could save nearly $21.5 billion in legal liabilities and expenses, if the past decade acts as a prediction for noncompliance in future years. This would allow for an additional $21.5 billion in cash that could be allotted to capital improvements and expenditures that increase revenue for the company, increasing the firm's return on assets, asset turnover, and profit margin further, as the company plans to do. These material savings, in conjunction with the increased revenues and market share that could result from restoring their reputation, could earn Goldman Sachs the industry leader position.

All in all, this project taught us how to connect financial ratios with strategic plans and gave us a better understanding of advisory. While advisory plans are designed to have financial implications, they are not necessarily based on accounting principles. Our proposed solutions focus on personnel and behavioral issues than financial ones, but both address problems the firm has deemed to be materially significant. Advisory seems to present accounting professionals with opportunities to be more creative than the traditional service lines, but this also leads to a need for more delicate presentations. Audit and tax being more quantitative disciplines produce predictable numbers, but advisory's qualitative basis requires more sensitive explanations as advisory solutions could be interpreted as criticizing a client's business practices.

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Signature: Aubrey Crist

Hannah Harris

Indu Nandula

Jake Ransin

Case 10: Goldman Sachs – Week 5

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

30 March 2022

This week, we were tasked to determine the greatest risks for Goldman Sachs in relation to today's operations, macroeconomic environment, and cybersecurity. Through extensive research online and examination of Goldman Sachs's 10K and additional documents, we determined that the firm faces many risks in all of these areas. For example, Goldman Sachs faces great threats to operations due to employee retention, increasing competition, third-party involvement, and both internal and external fraud, as is the case with almost every firm in the investment banking and financial services industry. Additionally, as the world begins to adjust after the COVID-19 pandemic and the financial crisis, Goldman Sachs financial services are impacted by major economic fluctuations and market uncertainties concerning interest rates, inflation, and foreign exchange rates. Also, due to the pandemic's launch of the remote working lifestyle and hence, the greater use of E-business, all companies are exposed to detrimental cybersecurity risks. As a frontrunner in technological advancements in the financial services industry, Goldman Sachs conducts even more business online, opening the firm up to greater cybersecurity risks.

Cybersecurity Risks

Cyber-attacks are a large risk for Goldman Sachs, especially since the rollout of Marcus, their new online banking platform, and the expansion of business practices to online or cloud-based operations. They are "regularly the target of attempted cyber-attacks, including denial-of-service attacks, and must continuously monitor and develop our systems to protect the integrity and functionality of our technology infrastructure and to access the security of our data" (*Form 10K*). Since a great deal of the firm's transactions take place online, it is increasingly important to maintain strict security controls. For example, the firm actively trains personnel on detecting phishing attacks and limits access to minimize the risk associated with these attacks (Chung).

Also, the banking industry has started to use cryptocurrencies to process transactions, and Goldman Sachs is at the forefront of this push. They were the first bank to offer options trading via crypto and they have recently invested a great deal into adapting to the changing markets (Yang). While blockchain is praised for its security, recent incidents involving theft from blockchain-based technologies have called its security into question. A prime example being hackers stealing $590 million from a gaming company (Abdoullaev). Hacks like these remind the markets of the vulnerabilities of the new technology and also help companies adapt their technology overtime to make them safer from attack.

The increased usage of blockchain technologies is necessary to keep the firm at the forefront of its industry, and its adaptation within the firm could be very beneficial to the firm and its clients, as it offers faster transactions and can be more dynamically applied to business transactions than traditional payment methods. That being said, there are many risks involved with the new technology, so we suggest that Goldman Sachs limits large transactions to private blockchains. This allows the firm to reap the benefits associated with using blockchain technologies while also mitigating some of the risks that come with processing transactions using miners on public blockchains.

Macroeconomic Risks

In the investment banking and financial services industry, all companies face great risks due to fluctuations in the economy arising from the unsteady markets. As a bold competitor in the industry, Goldman Sachs must face these concerns as they manage and invest large sums ($2.14 trillion, as of 2020) of their client’s assets (Norrestad). While the company faces constant interest rate changes, excessive exchange rate volatility, and falling terms of trade, the most impactful risk that Goldman Sachs must counteract today is inflation. Through the firm’s personal market evaluations, Goldman Sachs has found that the United States "economy is at greater risk of falling into a recession over the next year" because of the continued Russian invasion on Ukraine which has resulted in all-time-high gas and commodity prices (Zilber). As the nation faces this 35 percent chance of recession, inflation poses major problems in terms of both short-term and long-term risks. In the short-term, Goldman Sachs struggles to recover what they have earned in terms of receivables since there is less disposable money to pay bad debts after facing the rising commodity and oil prices induced by inflation. In the long-term, this inflation will continue to have adverse effects on emerging markets. These risks have already proven the downturn they can cause, as Goldman Sachs has decreased its 2022 first quarter forecast for U.S. economic growth from 1 percent to 0.5 percent, its second quarter forecast from 2.5 percent to 1.5 percent, and its fourth quarter forecast from 2.4 percent to 1.75 percent (Zilber, Sheen). As economic growth struggles in the coming year, the economy will place impositions on Goldman Sachs's revenue generation. As inflation will only continue through higher interest, trade, and exchange rates for the company and their clients, potential and current clients realize that now is not the time to invest, resulting in poor performance for the company.

As Goldman Sachs and all other financial institutions navigate these uncertain times, they rely on "healthy job gains in 2022" to keep growth high (Zilber). As the service sector further reopens in the pandemic aftermath, more job opportunities are available and will stimulate the economy in a positive direction once the positions are filled. Additionally, throughout the pandemic, many citizens benefited from federal aid and were able to save excess money. As the pandemic comes to an end, Goldman Sachs predicts that people will spend these savings, which will also help to stimulate the economy.

Although Goldman Sachs offers optimistic predictions that will counteract the inflation and its high-risk effects, the firm should have a solid plan concerning how they can mitigate the risks to their operations. As there are many uncertainties concerning the macroeconomic environment, it is quite difficult for Goldman Sachs to mitigate these potential risks, especially since many of the fluctuations are not solely attributed to the firm's operations. In terms of how they can help themselves, we suggest that Goldman Sachs should increase their own employee retention rate. In order to do so, they must recreate the company culture to be a more flexible, understanding environment that considers its employees' well-being, both physically and mentally. By having high employee retention and improving their reputation concerning employee treatment, the firm can fill their open positions more easily and help to stimulate the economy away from recession. Additionally, the firm should continue to embrace technology and use it as a cost-saving aid. By eliminating costs through the use of technology, Goldman Sachs can increase their profit margin and use the excess funds to institute a larger allowance for doubtful accounts and to cover the costs associated with increased interest, trade, and exchange rates.

Operational Risks

In addition to the primary risk of cybersecurity breaches, Goldman Sachs faces additional operational obstacles from third-party risks and both internal and external fraud. The firm states that "third-party risk, including vendor risk, is the risk of an adverse impact due to reliance on third parties performing services or activities on our behalf" (*Form 10K*). Often, behaviors that directly impact third parties can have an adverse effect on the primary entity, disrupting operations and slowing business. Reliance on a third party can also pose a reputational risk to the primary company. If negative information comes to light of a third-party vendor, for instance, any businesses with a link to that third party can suffer a hit to their reputation as a result.

Additionally, third parties are often a popular vector for cyber attackers. Attackers can pervade third party links, such as supply chain systems, and use them as a platform to further infiltrate high-value targets, such as Goldman Sachs (Kotler).

Internal fraud occurs when "when a director, an employee, a former employee, or a third party engaged by the bank commits fraud, colludes to commit fraud, or otherwise enables or contributes to fraud" ("Operational Risk"). Many times, Goldman Sachs has been accused and convicted of this illegal behavior. Through their role in the 2008 financial crisis and their bribery in Malaysia, the firm has spent billions of dollars in legal expenses, all due to a limited few employees' actions. In order to limit this risk, Goldman Sachs must invest in training, updated codes of ethics, and cultural programs in order to emphasize the importance of an ethical work environment. On the other hand, external risk "is committed by a person or entity that is not a bank employee, a former employee, or a third party engaged by the bank" ("Operational Risk"). External fraud can be a product of either online theft or in-person theft. In order to mitigate against this type of fraud, the company must invest in top-notch IT controls. Also, Goldman Sachs must ensure proper security personnel within their banks and have multiple access controls concerning cash drawers, safes, and vaults. Cameras and security systems are also vital in preventing in-person theft.

Conclusion

In summary, this case reminded us that many of Goldman Sachs's risks are beyond their control, but that does not mean that the firm should not mitigate these risks. Throughout daily operations, the firm must counteract macroeconomics risks, which can be caused by politics, consumer patterns, pandemics, and so much more. However, in order to be proactive, the firm must engage in opportunities that will stimulate the economy, as a stable, successful economy can reduce the fluctuations in the market beyond Goldman Sachs's control. Additionally, it is crucial to limit cybersecurity risks caused by outside hackers. Through taking precautions and ensuring that transactions only occur through private blockchains, the firm is more protected against potential theft of both information and cash. With operational risks, there are a slew of internal controls that can lessen the multiple impactful risks involved. As external fraud and third-party issues can be completely unpredictable, it is important for the firm to implement beneficial internal controls to be prepared at all times in order to prevent any potential illegal misdoing.

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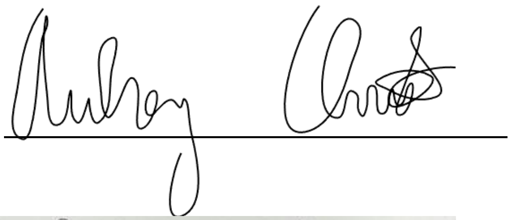
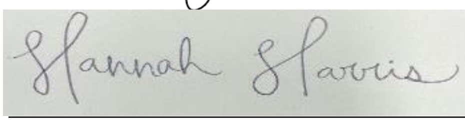
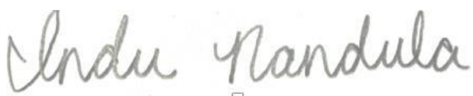
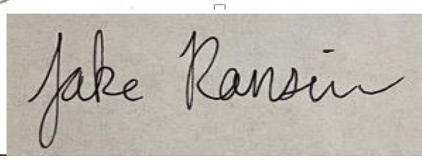
Signature: 







Case 11: Goldman Sachs – Week 6

Indu Nandula, Aubrey Christian, Hannah Harris, Jake Ransier

ipnandul@go.olemiss.edu, jachris3@go.olemiss.edu, heharri2@go.olemiss.edu,

jcransie@go.olemiss.edu

5 April 2022

Goldman Sachs

Aubrey Christian, Hannah Harris, Indu Nandula, Jake Ransier

Agenda

1. Risk Factors
2. Audit Concerns & Solutions
3. Advisory Concerns & Solutions
4. Tax Concerns & Solutions
    a. Corporate Income Tax
    b. GILTI Tax
5. Closing
6. Q&A

Greatest Risk Factors

- Operational Risks
  - Internal & External Fraud
  - Noncompliance
  - Highly Saturated Market
  - Employee Retention

- Macroeconomic Risks
  - Market Uncertainties & Fluctuations
    - Interest Rate
    - Foreign Exchange Rate
    - Foreign Trade Rate
    - Inflation
  - Regulation Changes

- Cybersecurity Risks
  - Marcus – Online Banking Platform
  - Third-Party Exposure & Reliance

Audit & Advisory Overview

Audit

- Allowance for Loan Loss Reserves
  - Internal Control Suggestions:
    - Outsourced qualified personnel prepares the estimate
    - Comparison with previous year allowance balance
  - Substantive Testing:
    - Review of accounts receivable and aging schedules, and service contracts
    - Recompute estimates and compare with client's estimates

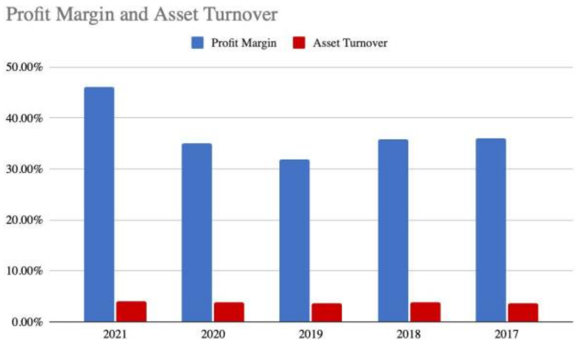
- Level III Financial Instruments
  - Internal Control Suggestions:
    - Outsourced qualified personnel prepares the estimate
    - Implement a checks and balances system
  - Substantive Testing:
    - Confirmation of balances with outside parties
    - Recompute estimates and compare with client's estimates

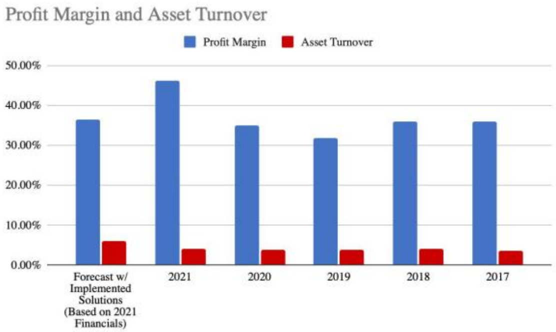
- Revenue (Credit and Liquidity Risk)
  - Internal Control Suggestions:
    - Account reconciliation
    - Documentation providing an audit trail
  - Substantive Testing:
    - Cut-off testing
    - Trace transactions through processing

Advisory

Strategy: Product Differentiation

- Current Strategic Goal: 60 Percent Efficiency
- Most Valuable Assets:
  - Goldman Sachs’s people
    - Clients
    - Employees
    - Shareholders
  - Reputation
  - Capital
- Limitations to Overcome:
  - Employee Compensation and Training Expenses - Increased 33% in 2021
  - Noncompliance Fees, Settlements, and Other Liabilities and Expense
- Solutions:
  - Instill a yearly organizational culture workshop
  - Offer a flexible hybrid work schedule





Risk Advisory & Cybersecurity

Risks

- Cybersecurity
  - Digital currency
  - Online banking platform - Marcus
- Macroeconomic
  - Inflation
  - Uncertain market rates
  - Foreign exchange
- Operational
  - Third-party reliance
  - Internal and external Fraud

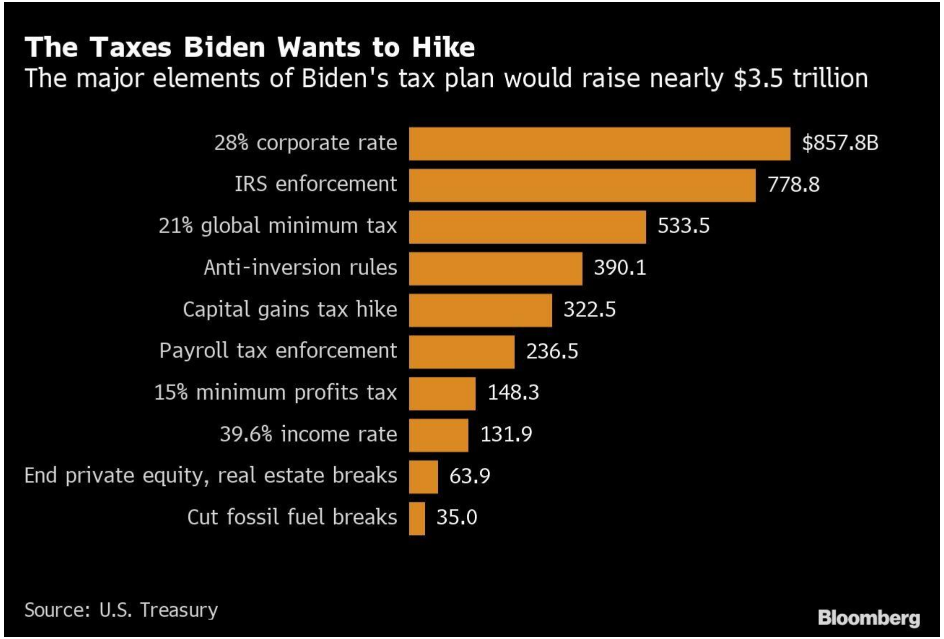
Solutions

- Cybersecurity
  - Limit large transactions to private blockchains
  - Train employees in detecting phishing attacks
- Macroeconomic
  - Focus on employee retention and revenue generation to stimulate the economy
  - Transact in domestic currency
- Operational
  - Vendor risk assessment and periodic screening
  - Standardized onboarding
  - Emphasis on ethics
  - Security personnel and multiple access controls

Tax

Corporate Income Tax

- Review Past R&D Expenses for Credits
- Prioritize future R&D expenditures in the U.S.
- Decipher minimum book income tax rate



GILTI and Foreign Tax Changes

- Repatriate Intangibles
- Reevaluate Amortization Schedules
- Maximize Current Period FTC

	Current Law		H.R. 5376	
	High Tax	Low Tax	High Tax	Low Tax
Foreign Taxes	20	5	20	5
Foreign Taxes, Net of QBAI	16	4	18	4.5
Share of Taxes for GILTI Credited	12.8	3.2	17.1	4.275
U.S. Tax (from **Table 1**)	8.4	8.4	14.91	13.5135
Residual U.S. Tax	0	5.2	0	9.2385
Excess Foreign Tax Credit	4.4	0	2.19	0
Final Tax	0.8		9.2385	
Excess Foreign Tax Credits Carried Forward	—		2.19	

Source: CRS Calculations and **Table 1**.

Appendix

Biden’s Proposed Tax Rates

GILTI Tax Changes

Comprehensive Income Statement

Past Corporate Rates

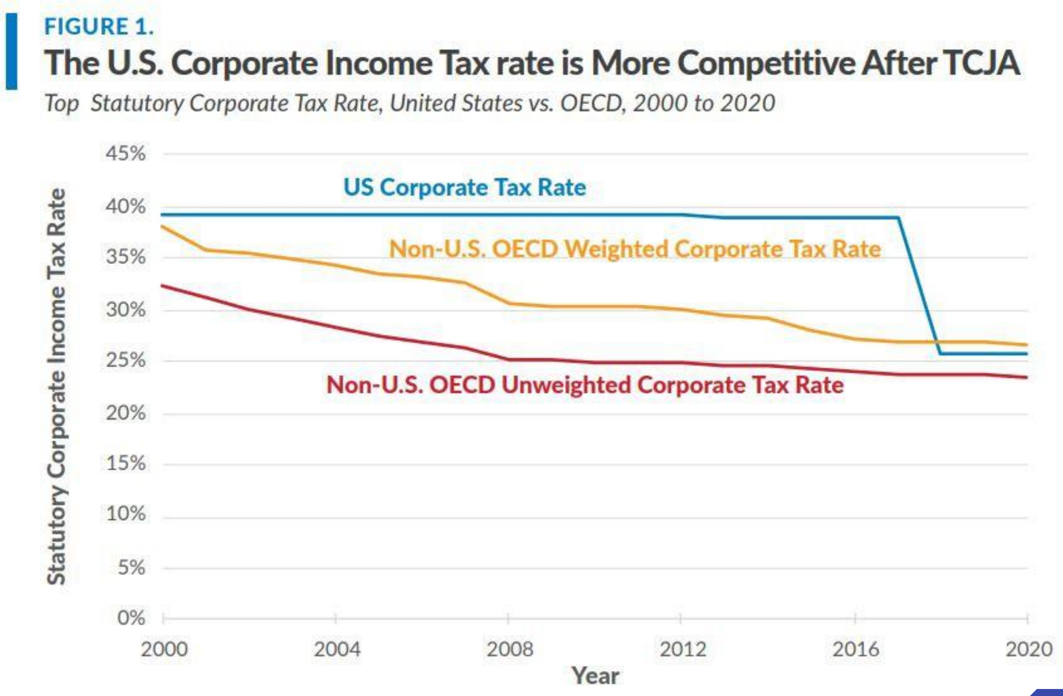
Intangibles & Amortization

Employee Turnover Rate

Consolidated Comprehensive Income Statement

$ in millions	2021	2020	2019
	Year Ended December		
Net earnings	**$21,635**	$ 9,459	$ 8,466
Other comprehensive income/(loss) adjustments, net of tax:			
Currency translation	**(42)**	(80)	5
Debt valuation adjustment	**322**	(261)	(2,079)
Pension and postretirement liabilities	**41**	(26)	(261)
Available-for-sale securities	**(955)**	417	158
Other comprehensive income/(loss)	**(634)**	50	(2,177)
Comprehensive income	**$21,001**	$ 9,509	$ 6,289

Past Corporate Income Tax Rates



Biden Proposed Income Tax Changes

	Current Law	Build Back Better Act (BBBA) + FY 2023 Budget	OECD Average (excluding U.S.)
Top Combined Marginal Rate on Individual Income	42.9%	57.3%	42.6%
Top Combined Marginal Rate on Corporate Income	25.8%	32.3%	22.8%
Top Combined Marginal Rate on Capital Gains Income	29.2%	48.9%	18.9%
Combined Integrated Rate on Corporate Income	47.5%	65.4%	41.4%

Note: Estimates include average state and local taxes.

Sources: State and local tax statutes; OECD; Tax Foundation calculations.

Intangible Assets and Amortization Schedules

$ in millions	As of December 2021	2020
By Reporting Unit		
Global Markets:		
FICC	**$ 1**	$ 2
Equities	**43**	45
Asset Management	**122**	274
Consumer & Wealth Management:		
Consumer banking	**–**	6
Wealth management	**252**	303
Total	**$ 418**	$ 630
By Type		
Customer lists		
Gross carrying value	**$ 1,460**	$ 1,478
Accumulated amortization	**(1,130)**	(1,089)
Net carrying value	**330**	389
Acquired leases and other		
Gross carrying value	**500**	710
Accumulated amortization	**(412)**	(469)
Net carrying value	**88**	241
Total gross carrying value	**1,960**	2,188
Total accumulated amortization	**(1,542)**	(1,558)
Total net carrying value	**$ 418**	$ 630

$ in millions	Year Ended December 2021	2020	2019
Amortization	**$120**	$147	$173

$ in millions	As of December 2021
Estimated future amortization	
2022	**$69**
2023	**$65**
2024	**$53**
2025	**$37**
2026	**$30**

GILTI Tax Changes

TABLE 1

Comparison of Pre-TCJA and TCJA Taxes on Active Foreign Source Income of US Multinational Corporations

TPC

Provision	Prior Law	TCJA, 2018-2025	TCJA, 2026 and Later
Tax on repatriated dividends from foreign affiliates.	35% tax with credit for foreign income taxes, up to U.S. tax rate.	No tax (100 percent dividend deduction); no foreign tax credit.	No tax (100 percent dividend deduction); no foreign tax credit.
Current tax on income in controlled foreign subsidiaries.	No tax until repatriated.	10.5% tax on intangible profits (GILTI); credit for 80 percent of foreign income taxes, up to U.S. tax rate.	13.125% tax on GILTI; credit for 80 percent of foreign income taxes up to U.S. tax rate.
Tax on past accrued profits in foreign affiliates.	No tax until repatriated; then taxable at 35% with credit for foreign income taxes.	Tax imposed at rates of 15.5% on cash assets and 8% on non-cash assets payable over 8 years; credit for foreign income taxes reduced in proportion to reduction from 35% corporate tax rate.	No tax.

Employee Turnover Rate

15.2% Employee Turnover Rate at Goldman Sachs

- Employee Headcount: 40,500
- Average Employees Leaving per Year: 6,156

$15,000 - Employer's Exit Costs per Employee

$92.34 Million - Average Cost in Employee Exits Per Year