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A SERIES OF ACCOUNTING CASE STUDIES: MACY'S INC. AND OTHER NOTABLE FINANCIAL EVENTS

by

Emelyn Darnell

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

Oxford, Mississippi

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Approved by

Advisor: Dr. Victoria Dickinson

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ABSTRACT

A SERIES OF ACCOUNTING CASE STUDIES: MACY'S INC. AND OTHER NOTABLE FINANCIAL EVENTS

(Under the direction of Dr. Victoria Dickinson)

This thesis is a compilation of six case studies focusing on financial accounting and analysis of current events in the accounting world. These were completed under the direction and supervision of Dr. Victoria Dickinson through the Honors Accountancy 420 course. Four case studies included in this compilation are analyses of Macy's Inc. through different accounting lenses. The case studies analyzing Macy's Inc. were done in groups in the fall semester of 2022. Our group prepared an Operational Risk Assessment, analyzed Macy's audit risk, and comprised possible solutions to decrease risk. We also discussed Macy's current ESG and cybersecurity procedures and proposed possible tax benefits and credits. At the end of the semester, our group presented our findings to a group of other students, accounting professionals, faculty and staff members, and even the signing partner of the Macy's Inc. audit committee. This experience helped prepare us for internships with accounting firms and gain experience communicating with tenured accounting professionals. In the spring semester, we were provided with three unique prompts discussing current and historical economic events. These case studies helped improve our research ability and opportunities for individual analysis and educated us on historical economic events. This alternative capstone was instrumental in my professional and academic development.

ACKNOWLEDGEMENTS

The case studies analyzing Macy’s Inc. were completed as a group project through the course ACCY 420. I completed this work with Cameron Richardson, Abby Petersen, and Gunnar Gale.

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CASE STUDY ONE: OPERATIONAL RISK ASSESSMENT

Macy’s Inc.

Overview

For this week, our group was first tasked with understanding our company's structure. From this structure, we needed to observe a multitude of factors. Geographic location, number of stores, number of brands and subsidiaries, specific products sold by these brands, and target demographics were all important variables our group needed to understand to accurately paint a picture of Macy's Inc. (stock ticker M).

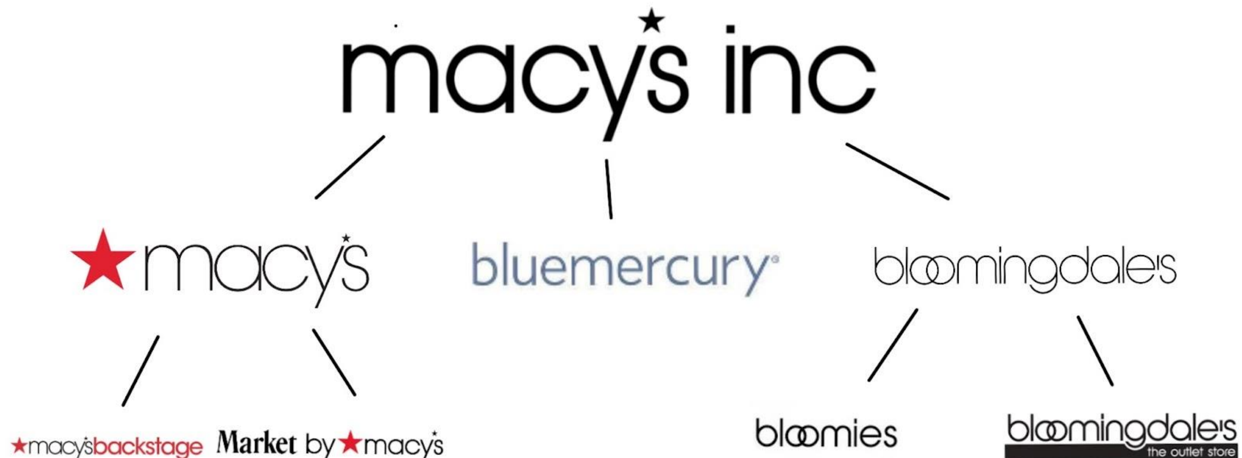
In addition, we were tasked with evaluating various risk factors most relevant to Macy's Inc. (referred to throughout the remainder of this document as Macy's) and its industry. Our group vetted the threats of inflation, interest rates, energy prices, supply chain disruptions, political considerations, and global unrest to discover what challenges each respective threat presents to Macy's After researching these risks, we then determined what could be the greatest threat to the Macy's future.

Aside from gaining a stronger understanding of Macy's, our group developed multiple new skills throughout the past week that will help us move forward. Organizationally, we gained experience writing concisely concerning a prompt in the face of massive amounts of information. It is easy to write extensively about large macroeconomic events like inflation and the supply chain crisis (among others), but it is difficult to identify and evaluate only key pieces most relevant to Macy's. As the semester progresses, we expect to become more adept at keeping our writing direct. In addition, we also developed and improved our research abilities, drawing from the corporation's annual report and outside sources to uncover how specific risks could affect Macy's. And, although sounding simple, our group communication skills increased. This assignment was our group's first attempt at collaborating in and out of class to complete a task.

As we approach our case competition and final presentation, we must improve this skill further to maximize the quality of our work.

Macy's Organizational Structure

Macy's is a merchandising company that sells men's, women's, and kid's apparel and accessories, cosmetics, home furnishings, and other consumer goods (SEC). The company operates in Macy's, Macy's Backstage, Market by Macy's, Bloomingdale's, Bloomies, Bloomingdale's The Outlet, and bluemercury. Macy's has 725 locations and operates in 47 states and the District of Columbia, Guam, and Puerto Rico. Bloomingdale's operates in the United Arab Emirates, Dubai, and Al Zahra, Kuwait. Most stores are located in the United States' heavily populated urban and suburban areas.



According to the SEC, Macy's has four major subsidiaries. The first is a bank subsidiary, FDS Bank, that supports the issuance of credit card accounts to customers and provides customer service and credit marketing for those credit cards as a part of the credit programs through

Macy's. The second subsidiary is Macy's Systems and Technology, Inc which provides electronic data processing and management information services. The third subsidiary is Macy's Merchandising Group which provides design and development services for Macy's private label brands. The fourth subsidiary is Macy's Logistics and Operations which is responsible for warehousing and distribution.

Macy's Risk Factors

The first key risk our group analyzed was inflation. As expected, inflationary pressures have squeezed consumer spending habits, leading to consumer caution in retail markets. In particular, Macy's store profitability has been limited as the middle-income segment, typically the target demographic for Macy's has lessened its spending. At the end of the most recent fiscal quarter for Macy's in 2022, consumer sales dipped by 2.9 percent. This decrease in spending creates many problems for the store since fewer sales result in inventory surpluses, yielding more issues for retailers. However, the Macy's store is only one brand of Macy's Inc. The other two major brands, Bloomingdale's and bluemercury, have not seen a decrease in sales in the most recent quarter. Instead, these luxury-focused brands have seen upticks in sales by 8.8 and 7.6 percent, respectively. Macy's. CEO Jeff Gennette has referenced how high-income customers have not limited their spending despite inflation, providing evidence that Bloomingdale's and bluemercury have churned out strong second-quarter numbers. Without a change in how Macy's approaches its customers in a period of rising costs, executives can only hope high-income customers remain undeterred in the face of inflation while the bulk of their consumer base regains its footing.

Directly tied to inflation, interest rate changes have affected the macroeconomic landscape, resulting in changes in the retail sphere. As costs rise, interest rates rise in an effort to

disincentivize spending and curb inflation. The opposite side of this was shown during the peak of the pandemic, as interest rates dropped to incentivize spending to stimulate the economy, which consequently played a part in the financial dilemmas ahead of the world market. To contextualize this issue in the retail market, low-interest rates lead consumers to have more disposable income to spend at retailers like Macy's. Unfortunately, rising interest rates apply the inverse effect. Customers are losing money as higher interest rates increase the price of borrowing money. In addition, the higher cost of borrowing money impacts borrowing money for businesses. Companies struggle to obtain favorable rates when borrowing money to cover expenses in periods of higher interest rates. Since lending money is essential to the business world, Macy's will have to adapt to higher rates by finding other ways to pay off expenses or making intelligent borrowing decisions.

The soaring energy prices that began to rise in late 2021 are being felt by companies worldwide. While Macy's Inc may not be at a direct risk of the high energy prices, its supply chain is. According to ING Research, the shipping industry is one of the most energy-intensive sectors. This could hurt Macy's shipping and distribution channels for in-store and online shopping as shipping costs could be higher. According to Macy's Inc Sustainability Report, Macy's Inc has already begun looking at energy alternatives due to climate change. Macy's is striving to have 10 percent less energy consumption by 2025. Macy's also has Energy Management to track energy efficiency and potential renewable energy opportunities across the company. While energy prices may rise, Macy's is seeking ways to minimize energy consumption.

The global supply chain disruption has affected many businesses, Macy's included. The clogged ports, trucker shortages, and empty shelves severely hurt the retail industry and their

bottom line. Macy's is at risk because of its omnichannel model, which means that it sells many different products from different places. Issues with the supply chain hurt Macy's when they cannot meet customer demand quickly enough. These shoppers begin to shop online rather than in-store. While the supply chain has been an issue, Macy's is looking to combat it by investing $548 million in an automated fulfillment center in North Carolina, according to Just Style News. This new center will account for around 30 percent of Macy's digital supply chain and will help strengthen the omnichannel model. This will help with the ever-growing customer demand quickly and efficiently.

Given how Macy's is almost entirely based in the United States, any risks concerning the political climate will be centered around US political occurrences. It is no surprise consumers today make purchasing decisions depending on the political stances of companies. Americans are 44 percent more likely or 53 percent less likely to purchase from a retailer they agree with or disagree with, respectively. And unfortunately, attempting to appeal to both sides does not help you prevent this conundrum. Years ago, Macy's went under fire from both sides of the political aisle concerning the Trump family. In 2015, the store dropped Trump brand merchandise after the then-candidate made allegedly derogatory comments, resulting in conservative Americans being frustrated with the retailer. Years later, after the retailer was reluctant to drop Ivanka Trump's merchandise, citizens on the left began to migrate toward stores aligned with their views and dropped her clothing. To appeal to both sides, Macy's still alienated many. In the future, Macy's must carefully continue to survey the increasingly polarized American political landscape. From this, they must find defensible moral stances that both minimize public frustration and represent shareholder viewpoints.

Global unrest is another risk factor that can have a negative impact on Macy's in the near future. The conflict between Russia, Ukraine, and NATO has already indirectly created some economic threats, being that Russia is one of the leading producers of oil and natural gas. However, as previously stated, most of Macy's operations are located in the United States, and the US generally does not receive many imports from Russia. However, energy markets are global, meaning energy prices worldwide are all related. This might not be a direct risk to Macy's, but it is a significant threat to their supply chain and can cause the prices of raw materials and finished goods to rise. This kind of global unrest leads Americans to cut back their spending on everyday and luxury goods, which could prove detrimental to department stores such as Macy's and their luxury counterparts of Bloomingdale and bluemercury.

Macy's Most Severe Threat

Macy's largest threat is the ever-increasing e-commerce presence in the everyday lives of today's consumers. According to Macy's 10K filing from March 25, 2022, their consumers are continuing to migrate towards online shopping, which has offset many of their efforts contributing to their brick-and-mortar stores. Many of the previously presented risks culminate in Macy's biggest threat being eCommerce. While Macy's is one of the largest and oldest retailers in the nation, many competitors threaten their clientele. Part of Macy's appeal and one of its biggest strengths is its in-store shopping experience, which is becoming increasingly obsolete as society changes after COVID-19. As one of the largest and most notable retailers in the United States, Macy's specifically has struggled with the decreasing opportunities to present this strength. This increase in online shoppers is drawing consumers away from brick-and-mortar stores and onto their laptops. This could result in the closure and restructuring, negatively

contributing to operations and cash flows. In their 10K statement, Macy's stated that they are opening new segments, Market by Macy's and Bloomie's, to bring consumers back to their physical locations.

Macy's plans to increase its e-commerce presence by decreasing delivery expenses and growth margin expansion and has other initiatives to increase digital sales. Along with its initiatives to increase its online shopping presence, Macy's has invested in helping fulfill online demand and elevate delivery speed expectations. While eCommerce may be Macy's biggest threat, its investments, effort, and contributions to bettering its online presence look promising in aiding its future growth and success.

CASE STUDY TWO: AUDIT RISK AND PLANNING

Macy's Inc.

Overview

This week, our group analyzed Macy's Inc. (Macy's) from an audit risk perspective. After reviewing Macy's annual report and supplementary financial statements, we identified ways various accounts along the balance sheet may be open to misstatement. Further, we examined the materiality of possible misstatements and how the ramifications of a misstatement in a particular account may affect the rest of the financial statement. In addition, we also suggested a few internal controls for each identified item that we believe would best mitigate the associated risks that may lead to an account resulting in an inaccurate valuation. Much of this paper will be speculative, as the most recent annual report for Macy's listed an unqualified opinion over the financial statements and internal control procedures, which is the highest level opinion an audit firm can give a company. Nevertheless, we still believe it is essential to develop some possibilities for how accounts related to a large retailer could fall into misstatement due to error or fraud.

Our group learned multiple new skills over the past week that will help us move forward. First, this assignment helped us better understand the basic protocols and processes behind conducting an audit. The team brainstormed ways accounts may be misvalued before entering an audit engagement and identified controls, which are integral steps firms take when approaching clients. It was very valuable to learn a little about what auditors look for when auditing and some of the audit procedures. A final skill we learned was how audit firms and companies can use data analytics internally and externally to ensure all the information being reported is accurate and complete.

Merchandise Inventories

The first account that may be risky for Macy's is Merchandise Inventories. As a merchandising company, most of Macy's value comes from its inventory. Because of this, inventory could potentially be misstated or misvalued. Inventory must be properly recorded and valued because it impacts financial statements like the balance sheet, income statement, and statement of retained earnings. Inventory accounts for roughly 65 percent of current assets (Macy's 10-K). Because inventory is such a significant share of current assets, it must be calculated correctly. The inventory value on the balance sheet determines the profit or loss the business generates. According to Melanie Chan with Unleashed Software, when there is a discrepancy in inventory (the value of inventory captured in records differs from the value of actual inventory held), there will be variations in the cost of goods sold, which directly impacts the income statement via gross profit (Chan).

Internal controls for the inventory account need to achieve a multitude of objectives. The controls must protect the assets against theft, ensure compliance with policies and laws, and ensure accurate and reliable data reporting. One critical internal control for Merchandise Inventories is physical control or a physical inventory count. According to Lumen Learning, "Physical inventory counts are a way of ensuring that a company's inventory management system is accurate and as a check to make sure goods are not being lost or stolen" (Lumen Learning). A physical inventory count is done at the end of the period to ensure inventory levels are accurately reported on the balance sheet.

Another internal control used for inventory is adequate documents and records. Macy's should maintain complete and accurate accounting records. For this to happen, competent and honest employees should be hired. In addition, there should be at least one or more business

documents to support the accounting transactions that occur involving inventory. Lumen Learning says, "These source documents are an integral part of the internal control structure" (Lumen Learning). Furthermore, these source documents should be serially numbered. Not only should these documents exist, but they should also be checked periodically to ensure validity.

On the other side, auditors must run tests to ensure the inventory is not misstated. Since Macy's has an impressive inventory account, its auditors have to perform many inventory audit procedures to ensure the valuation is correct. The first test they can run is an analysis of the cutoff. According to Steven Bragg with Accounting Tools, "Auditors will examine your procedures for halting any further receiving into the warehouse or shipments from it at the time of the physical inventory count, so that extraneous inventory items are excluded" (Bragg). Auditors will test the last couple of shipping transactions before the physical count and the transactions after to make sure the inventory is correctly accounted for. Another audit procedure is to observe the physical inventory count. Auditors will discuss the counting procedures with the company and test count some inventory. This is to verify all count tags were accounted for. If the company does not use a physical inventory count, it might use cycle counts. The procedures for this are similar to that for a physical count. Auditors will reconcile the inventory count to the general ledger by tracing the valuation from the physical inventory to the count in the general ledger to make sure the balances are the same. These auditing procedures are the substantive tests run on the inventory account; however, many more tests are run in addition to these to ensure the correct valuation is presented on the balance sheet.

Data analytics has become increasingly important for audit firms because it reduces audit risk and adds value to their clients. Data analytics improves audit quality. According to ACCA Global, "It allows auditors to more effectively audit the large amounts of data held and processed

in IT systems in larger clients" (ACCA Global). Data analytics can be used to perform audit tests in the inventory account by matching purchase orders to invoices and payments. Another compares the last time an inventory item was purchased with when it was sold and at what price. Finally, data analytics can be used to segregate duties and test them. This would show all the users involved in processing the transactions and the data attached. Overall, using data analytics is very beneficial in properly auditing a company.

Property and Equipment

Property and Equipment is Macy's largest asset according to their balance sheet, meaning it is the most material asset. The Property and Equipment account includes all the brick-and-mortar stores and the technology and machinery that is equally important to efficiency and operations. Macy's operates out of 725 stores in 43 countries and owns or leases over 112 million square feet. The materiality of this account and its percentage of total assets, 32 percent, means that misstating this account could lead to large mistakes concerning all other aspects of the financial statements, much like inventory.

There are multiple risks to misstating the Property and Equipment account that could have adverse chain reactions. For example, if a store location was missed, that could mean that every piece of inventory, every labor cost, and every single cost associated with that particular brick-and-mortar location was also missed. In the "Guidance Note on Audit for Property, Plant and Equipment" published by KPMG, inherent risk is one of the main risks to consider, including fraud risk (KPMG Knowledge Update). There need to be tests to ensure the completeness, cutoff of transactions, determine client rights, establish proper valuation and/or allocation, and the accuracy of transactions, correctness and appropriateness of classification,

depreciation, and carrying value, all concerning Property, Plant, and Equipment (KPMG Knowledge Update). The misstatement of the Property, Plant, and Equipment account is an avoidable risk that could be very costly to Macy’s.

Another risk factor that should be considered is fraud risk. There are some common fraud risks to look for, including incorrect write-offs, repairs, and expenditures debited to the Property, Plant, and Equipment account, capitalism of an expenditure, incorrect record of a purchase of an asset when the asset has not been received by the company, record of an asset that benefits an individual rather than the company (KPMG Knowledge Update). Any of these risks could be detrimental to the entirety of the company’s operations, depending on the severity of the issue and at what organizational level the risk is found.

One internal control that would be beneficial to implement would be to keep track of separate ledgers. Separate ledgers would help ensure that all costs relating to Property, Plant, and Equipment are properly accounted for and reduce the risk of error (Garcia). This seems like a very elementary concept, but even the simplest of practices still help to go behind to check for and correct any errors. For Macy’s, this could be having a team of accountants keeping their ledgers and then comparing to ensure accuracy or see where a mistake has been made. A test that an auditor could use to check the accuracy of the ledgers would review the ledgers as usual. These tests could also be done by a computer system, which would help with efficiency and maximization of time for employees and auditors.

An additional internal control that could prevent misstatement of the Property, Plant, and Equipment account would be implementing purchase authorization (Garcia). This implementation of checks and balances would help ensure that all purchases of Property, Plant, and Equipment are made in Macy's best interest rather than an individual or other party. This

could eliminate potential issues of abuse of company assets for personal benefit, purchases made at an inflated price with a related party, and other fraud risks. For Macy's, this could mean that purchases for a store location would need to be approved by a regional manager or another party higher in the organizational chart than the store itself. An audit test to account for this could be to check purchases are not being used for personal use and to look into purchases and their terms to ensure that purchases were made in the company's best interest. These tests would be most beneficial if done by a team of auditors rather than an automated process, as this could be considered a more subjective risk that could be up to interpretation by the auditor/auditing team.

Leases

Nevertheless, there are still concerns with the account that must be addressed. As the largest liability account on the balance sheet aside from long-term debt, Long-Term Lease Liabilities possesses both the size and the complexity to be open to misstatement. Two audit assertions may be vulnerable to the account: completeness and valuation.

Relative to completeness, the vast size and makeup of the Lease iabilities and related Right-Of-Use asset accounts may lead to an inaccurate collection of Lease Liabilities. When companies record leases, they must record leased assets related to all various departments owned by the company (CoStar). In the case of Macy's, leases related to all three of its main brands, Bloomingdale's, Bluemercury, and Macy's store, must be correctly counted for an accurate balance. This process can be difficult and time-consuming. One benefit for Macy's is the nature of their leases, as many are related to real estate, including stores and office space (seekingalpha). Real estate leases, like equipment, are more accessible and less complex than

non-real estate leases. But, for a company radically adapting to the new online shopping environment, managing leases related to their ongoing physical stores may prove difficult.

More pressingly, Lease Liabilities for Macy's. may have risks affiliated with the valuation assertion. Inherently within leases, many estimates are used to predict the leases' present value, including the rate of borrowing and the exercise of options related to the lease (CoStar). Most relevant to Macy's is the exercise of lease options. Much of the balance of Lease Liabilities in the account is related to projected payments related to lease extension options that Macy's expects to exercise. If Macy's does not extend an option they expected to or vice versa, the account may be overstated or understated. As a result, Macy's must continuously assess the status of its leased real estate to ensure the company is not misstating that liability and related assets.

Of course, some internal controls can mitigate these risks. To ensure proper account valuation, the control of proper authorization can be used. Essentially, experienced company personnel should be making the decisions regarding how leases and their related exercise options should be used, as these decisions require an upper-echelon holistic view of company operations. If a lower-level employee cannot estimate the value of complicated real-estate leases extending multiple periods, the account may succumb to misstatement. In addition, to combat completeness risks, Macy's may implement and maintain adequate documentation and record-keeping procedures. This will decrease the likelihood of this account missing important lease-related transactions.

Auditors can test this account and these related assertion risks in multiple qualitative and quantitative ways. Qualitatively, auditors may ask relevant questions to proper employees of Macy's, ensuring the correct level of employees are in charge of the transactions. By asking

multiple employees which people are in charge of which valuation assertions to lease in the financial statements, the risk of improper employees being in charge of the account will decrease. On the quantitative more computing side, auditors can check and sample the records of transactions within Macy's information systems. This way, auditors can verify the completeness of recordkeeping related to leases from the source documents to the financial statement account balance.

Data analytics and information technology can also improve each of these auditor tests. Macy's, undoubtedly, uses information systems to record transactions, and employees would certainly have unique system IDs. Auditors may be able to digitally check which employees are responsible for the fair value estimates associated with leases by appropriately testing the authorization controls. Of course, auditors must first determine how trustworthy the internal company system is. In addition, the manual process of testing transactions for completeness would be extremely tiresome and costly. Auditors can use technology and automation to quickly test these accounts to identify missing links and inconsistencies. With these automated procedures in place, the odds of auditors identifying possible flaws that slipped through Macy's internal controls increase tremendously.

CASE STUDY THREE: ESG AND CYBERSECURITY RISK ASSESSMENT

Macy's Inc.

Overview

This week, our group evaluated Macy's from an Environmental, Social, & Governance (ESG) and Cybersecurity perspective, identifying how Macy's handles these sectors. In addition, we analyzed how ESG would impact the accounting world in general. The opportunities and challenges presented within ESG will only increase as this field becomes more complex and regulated. This phenomenon is especially true since investors, one of the primary beneficiaries of public accounting work, will likely view ESG with a higher regard in future years. From this template, our findings are structured first to discuss ESG within the wide scope of public accounting, then narrow down our ESG scope to Macy's itself and its industry. From here, we move into the latter part of our paper, observing how cybersecurity risks affect Macy's and its industry ecosystem.

As a product of our work this week, one apparent skill we improved upon is our ability to understand our profession and all of its moving parts. It is difficult to imagine ESG or any derivative becoming irrelevant in the next decade. As future public accounting professionals, this assignment gave us an understanding of a topic of high prominence in the business world. Also, we now know to look at cybersecurity as a real risk for any company, as most companies have experienced a cybersecurity failure at least once. We now have a more holistic view of cybersecurity as a threat to a company's reputation and business partners, not just its bottom-line financial information.

Environmental, Social, & Governance (ESG)

ESG has become increasingly more relevant in the business world, specifically the accounting industry. According to the Corporate Finance Institute, "ESG is best characterized as a framework that helps stakeholders understand how an organization is managing risks and

opportunities related to environmental, social, and governance criteria" (Corporate Finance Institute).

The Accounting Profession

How exactly does ESG apply to public accounting? The public accounting industry can help pioneer the regulation of ESG accounting by helping establish measurement standards. According to the Harvard Business Review article titled "The Future of ESG is…Accounting?" published on December 3rd, 2020, the International Financial Reporting Standards Foundation (IFRs) asked for the creation of regulations with the idea that it would marry financial performance and sustainability performance. As expected, having a defined standard helps remove all subjectivity and guesswork from ESG accounting, which benefits everyone. That said, ESG is still a highly debated topic in public accounting. Due to the varying opinions of clients, employees, and financial statement users regarding ESG, financial accounting firms are taking a risk by presenting their firm's stance on the topic. Another risk that could arise is liability risk, as firms may help establish ESG standards but may not follow them.

Challenges in Measuring ESG

One of the difficulties and prolonging of establishing ESG standards is measuring ESG effectively. There have been multiple nonprofit organizations who have attempted to aid in the establishment of these standards, but there are a vast number of factors that play into ESG. This large number of factors has made the development process more difficult, as there appears to be no clear answer on who is responsible for developing and compiling said standards and regulations. Some progress has been made; as of November 3, 2021, the IFRs developed the International Sustainability Standards Board (ISSB). As stated by IFRs, "The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards

that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions" (IFRs.org).

An interview article with Deloitte's Global CEO induced a deeper exploration of this topic for our group; This article posed some interesting questions and thought-provoking statements. Renjen stated that he is aware of the other side of this issue that "argue(s) that business is overstepping its bounds by trying to deliver more to society than just profit" (Renjen). It appears that the World Economic Forum is in favor of the establishment of ESG guidelines and that the way to implement these is to work from the top global businesses down. Large companies such as Blackrock have integrated ESG into their operations, stating:

> "Our approach to ESG integration focuses on identifying financially material sustainability insights – those that we believe may impact the financial performance of clients' portfolios - and including those insights into the broader mix of traditional financial information used to manage those portfolios" (ESG Integration at BlackRock.)

If large companies and organizations are willing to join the pioneer group establishing ESG guidelines, we will begin to see this in all aspects of business and the world.

Macy's Inc and the Retail Industry

Like many corporations, Macy's has recently taken major steps regarding sustainability and the rise of ESG. In the first quarter of 2022, Macy's Inc announced the launch of its own social purpose platform called "Mission Every One." To go along with this platform, Macy's has committed to directing $5 billion by 2025 to their people, partners, products, and programs to create "a more equitable and sustainable future" (Macy's Inc). This new enterprise-wide social

economic platform is focused on three pillars of impact: people, communities, and planet. Each of these pillars contains its own set of goals, commitments, and initiatives, but they are all focused on empowering others and creating unity. More specifically, its focus on people includes increasing its investments in underrepresented designers, brands and business partners, products, and service providers. The platform focuses on its corporate grant funding towards advancing human rights, racial justice, workforce development, and economic opportunity. It also accelerates the diverse representation of its leadership (30 percent ethnically diverse representation by 2025), supports more diverse-owned businesses, creates a fully-funded educational benefit program for its colleagues ($35 million investment over the next four years), and raises its minimum pay rate to $15 per hour. Its focus on community includes donating $100 million to nonprofit organizations supporting the emotional well-being and education of underrepresented youth, funding programs and scholarships for youth in fashion ($2 million by 2025), and offering mentorship and employment opportunities. Its focus on Planet includes making sustainable style accessible, incorporating sustainably sourced raw materials and fibers into the design of its own products, and investing in ways to eliminate waste by reducing, reusing, and repurposing materials (Macy's Inc).

The launch of "Mission Every One" is a step in the right direction for Macy's in relation to ESG. If Macy's can follow through with its commitments and continue to build off of them, then the company will be in a good position as the importance of ESG grows. However, Macy's Inc is not currently in great standing as far as its ESG ratings. According to Yahoo Finance, they are in the 15th percentile for ESG Risk Rating, MarketScreener rates Macy's ESG Refinitiv rating as a B, and MarketBeat has given Macy's Inc. a +0.9 percent for its M Impact Ratio. Greenhouse gas (GHG) emissions, waste, and scarce human capital are the biggest negative

factors on Macy's sustainability, with GHG emissions creating the largest negative impact (MarketBeat).

While this may not be a good position, Macy's is well aware of its carbon emissions and recognizes this issue multiple times throughout its Sustainability Report. Its GHG Emissions greatly decreased from 2016 (over 800K metric ton CO2e) to 2021 (less than 500K metric ton CO2e), and Macy's plans to continue this trend. Macy's has currently set a number of Sustainable Stewardship Goals that the company wants to achieve by 2025, which include reducing energy consumption by 10 percent and increasing the in-store recycling rate to 80 percent (Macy's Inc). Several risks still remain for Macy's. The risk of shifting energy prices can directly impact the cost of operations and climate-related issues, and Macy's energy production and consumption can lead to reputational risk. These risks are monitored closely as part of Macy's Enterprise Risk Management process and through membership groups such as the Sustainable Apparel Coalition (Macy's Inc).

As we have already stated, ESG has become increasingly important in the business world. Current ESG regulations are already affecting companies' financial reporting, their perceptions in society, and, most importantly, their ability to raise capital. As ESG regulations become more prevalent, so will companies' commitment and focus to them. Macy's and other retail brands are no exception (Steinhaeuser).

Currently, it is not clearly stated, but it appears that ESG issues are moving from a primarily voluntary disclosure-oriented dimension to a regulatory one. This will lead to corporations creating or hiring risk and compliance teams to oversee specific ESG activities. A recent example is the SEC requiring mandatory reporting of Scope 1 and Scope 2 GHG emissions (Steinhaeuser). The Scope 1 and Scope GHG emissions are already in Macy's last

Sustainability Report, but more of these ESG regulations will require more efforts in collecting, verifying, and acting upon data. As far as how they are viewed by society, it is extremely important that a retail brand like Macy's is looked upon favorably and can maintain a good reputation. As more ESG data is disclosed to the public and investors, Macy's must be viewed as a community-driven and sustainable company. In today's climate, all of these affect a company's ability to raise capital and their relationship with their customers and suppliers. ESG score has become one of the main points of view for investors. Anders Liu-Lindberg said, "ESG is a crucial consideration for fundraising efforts because it focuses the mind on the viability or necessity of the business itself" (Liu-Lindberg).

Macy's understands the importance of ESG and is taking action. Jeff Gennette, Chairman and Chief Executive Officer of Macy's, said, "We are transforming our business from a position of legacy to one of leadership" regarding launching "Mission Every One" (Segal). Whether Macy's intentions are pure or not, the company knows how important the public view of a retail business is and would rather work ahead of the ESG movement than be left behind.

Cybersecurity Risks

The Retail Industry

The retail industry is a very attractive industry for cybersecurity attackers. According to Threat Wave, 24 percent of cyber attackers targeted the retail industry more than any other industry (Threat Wave). Retailers collect and store various customer information from PII to credit cards. This makes them highly attractive for data attackers and thieves. Most retailers, Macy's included, are a mixture of brick-and-mortar stores and e-commerce. This means retailers have complex technology systems to oversee everything. With a growing number of retail

transactions being online, $861 billion, according to Threat Wave, the retail industry is becoming more and more susceptible to cybersecurity failures (Threat Wave).

Unlike other major retailers like Target and Neiman Marcus Group, Macy’s has done well in terms of minimal data breaches in the last 10 years. In July of 2018, Macy’s online payment systems were breached. This breach was similar to one affecting retail companies across the industry. However, the following year, Macy’s suffered another data breach in October 2019. Caleb Townsend with US Cybersecurity Magazine said, “The website was hacked by implementing malicious scripts, with the intent of stealing customer’s payment information” (Townsend). This breach only affected a few customers, and Macy’s has not experienced another data breach like this since then.

There is a variety in the types of cyber criminals and their motivations. According to Norwich University, “Cyber criminals, also known as hackers, often use computer systems to gain access to business trade secrets and personal information for malicious and exploitative purposes" (Norwich University). Common types of cyber criminals are identity thieves, internet stalkers, phishing scammers, and cyber terrorists. Specifically in the retail industry, people likely to commit cybersecurity breaches are those trying to obtain credit/debit card information to steal money or personal information to sell on the dark web. According to Cybercrime statistics, in 2019, 72 percent of cybersecurity breaches were financially motivated (Lazic). The retail industry, specifically Macy’s, is a high target for cybersecurity breaches.

Macy's Inc

For a retail company like Macy's, perhaps the most important asset hackers attempt to gain access to is information concerning their consumer base. Credit card data, personal information (such as a Social Security number), and healthcare information are most sought after (Macy's 10-K). As a retailer, Macy's risk of cyberattacks spikes toward the end of the calendar year. Predictably, much of Macy's revenue comes from the holiday season, as shopping frequency increases at that time of the year. Macy's annual report even lists this holiday trend as a risk factor for many reasons, some of which are an overreliance on fourth-quarter revenues and increased operating costs for those periods. Surprisingly, Macy's does not list cybersecurity as a part of the seasonal revenue concerns within this risk factor subsection of the report, even though there was a recent cyberattack on company operations during the holiday period, as stated previously.

On October 15th, 2019, Macy's Inc reported a breach in their system that occurred on October 7th (Greig, Jonathan). The breach was committed through "card-skimming JavaScript" being placed into sensitive areas of Macy's system, like the "Checkout" and "My Wallet" pages. From here, the hackers could obtain credit card information, addresses, and names for an entire week before being spotted. This revelation heavily impacted both Macy's financials and reputation. Immediately when the public became aware of the hack, Macy's stock price dropped 11 percent, highlighting investor and consumer worry over Macy's cybersecurity controls. Cyberattacks such as this affect customers the most, primarily because consumer data is being leaked and sold on the dark web.

Furthermore, cybersecurity is a difficult issue because, in some cases, the threat is out of the central company's hands. Third-party businesses who routinely interact with Macy's could

fall victim to an attack, leaving Macy's exposed. This threat is outlined in the annual report, showing how numerous cybersecurity safeguards, like encryption, firewalls, and antivirus software, could be undermined if a third party or contractor is breached. Of course, business interruption or loss resulting from third-party failures makes cybersecurity an ever-present issue for companies.

Are the Measures Adequate?

The pandemic made online transactions considerably more critical to a company's operating procedure. Although there are possible advantages in efficiency and transaction records that come with online sales, cybersecurity concerns have become much more prevalent. Employees working remotely and continuous interactions with third parties have only exacerbated these risks. Fortunately, Macy's has outlined detailed steps to mitigate risk, including raising employee awareness and working with partner businesses to maximize system security alongside other policies.

However, throughout our research, we could not find specific policies from Macy's to address the increased risk during the holiday period, even though those months present the ideal time for hackers to initiate attacks (Brownfield, Andy). Perhaps Macy's already does this and does not release specifics, but one should expect a retailer with an obvious seasonal revenue cycle like Macy's to increase cybersecurity investment during the holiday season. An attack like the one they suffered in 2019 was a general method specifically altered to attack Macy's Inc. As online operations grow and criminal hacking activities grow alongside, one would expect Macy's to maximize authentication procedures and antivirus or anti-malware software during its busiest

season. The costs would likely rise, but if increased measures prevent a situation like the 2019 October hack, the company would save capital and maintain its reputation and consumer base.

CASE STUDY FOUR: TAX PLANNING

Macy’s Inc.

Overview

This week, our group found appropriate tax planning recommendations for Macy's Inc. (stock ticker M). To do this, we first researched and identified plausible tax credits or options Macy's could employ to mitigate their tax liability. At this stage in the process, we had to navigate around many moving parts, including probable political results that may affect future tax policy and adjusting tax recommendations to fit the future direction of Macy's business model. Upon uncovering ways to reduce this liability, we then mapped out projections of how the proposed strategy would benefit Macy's in future periods. Of course, much of this paper remains speculative, as the mentioned strategies may hinge on the occurrence of probable future events. Nevertheless, planning for estimated likely outcomes is necessary for companies who attempt to minimize their tax liability.

From this case, our group has learned new information and skills that will improve both our end-of-semester case performance and our professional performance. First, at a base level, analyzing how companies handle tax developments gives us another perspective as future accountants. Much of our accounting work thus far in prior classes has been related to recording transactions and ensuring account balances remain correct throughout a given process. Here, we are observing our company's environment, applying tax advisory services a step further than reviewing transactions. This case is our first attempt to apply numerical projections to our data. Shifting our solutions from qualitative to quantitative observations is key to proving your points in the professional and academic worlds.

Political Developments

To provide background for the case, midterm elections will shift the ideological makeup of Congress in a few weeks. Over the past few years, there has been a progressive majority in government, containing a liberal House of Representatives and a split Senate. In those years, it might have been easier to predict possible changes to tax policy, as democratic policy would be more likely to be enacted than more conservative policy. However, due to the upcoming midterm elections, tax planning for the next year may be more difficult to determine readily.

It appears increasingly likely the conservative party will win back the House of Representatives in the midterms. The Senate, however, remains contested, as there is no prevailing opinion on who might consolidate control. Thus, cumulatively, conservatives will likely gain more than they lose, which, historically, is not an anomaly. In recent midterm elections, the party with the sitting President in power typically loses congressional seats. This is not expected to change, as the Biden presidency has struggled to garner high approval ratings among Americans. Regarding tax planning for Macy's, it is difficult to assess whether there will be tax code changes as a result of the elections. Even with conservatives favored to hold a majority in the House of Representatives and maybe the Senate, the Executive Branch's veto power will likely prevent sweeping conservative changes. This effect goes both ways, as the Biden presidency will likely face stiffer resistance to accomplish progressive goals with a conservative Congress.

As a result, it is difficult to determine whether there might be any major change in tax policy over the next few years. For additional context, the last major change in tax policy came in 2017 with the Tax Cuts and Jobs Act (TCJA). This change occurred during an overwhelmingly conservative majority, with all three branches of government leaning right.

Most recently, the Biden administration could not pass the Build Back Better Act, which contained many tax changes, including an increase in the corporate tax rate, even with a mainly democratic Congress. Although some tax changes were implemented later in the Inflation Reduction Act, like an excise tax on stock buybacks and a 15 percent minimum tax on corporations earning more than 1 billion dollars in income (kiplinger), a likely split government over the next two years makes it difficult to predict how future tax changes will occur.

Notable Tax Credits

Work Opportunity Tax Credit

Overview

A notable tax credit Macy's should implement is the Work Opportunity Tax Credit (WOTC). According to the Department of Labor, WOTC is "a federal tax credit available to employers who invest in American job seekers who have consistently faced barriers to employment" (DOL). Retail employers who hire an individual in a WOTC-targeted group can claim a tax credit. There is a certification process that Macy's would have to go through with the new hire verifying that they are a member of the targeted group. Once this certification is complete, Macy's can claim the tax credit. This would show up as a general business credit against income taxes for Macy's.

A large number of people can be considered a part of the WOTC target group. For example, ex-felons are qualified to be a part of this program so long as it is within a year of them being convicted of a felon and being released from prison. Another example is a long-term unemployment recipient. These are people who have been unemployed longer than 27 consecutive weeks.

According to Corporate Tax Incentives, a typical clothing business like Macy's can have an annual WOTC benefit of $4,604,268 with 35,692 hires at $129/hire (CTI). The program is only authorized until December 31, 2025, so Macy's must utilize this tax credit before then.

So, to specifically tailor the WOTC to Macy's, what aspects of the WOTC most align with Macy's business and simultaneously minimize tax liability? To start, Macy's experiences employee turnover more than the industry average, meaning Macy's constantly has to address the challenge of finding new employees to fill positions (UKEssays). Of course, rehiring and training costs affiliated with the turnover harm Macy's, but Macy's can take advantage of this challenge for tax purposes. The maximum tax credit to be vested per employee is $2,400 (irs.gov). This credit depends on various factors, including the length of time the employee worked, the amount of pay the employee receives, and, obviously, whether the employee is a member of a qualified group for the credit. In addition, this employee must be a completely new hire for the company: Macy's cannot rehire employees from a qualified group and expect a credit.

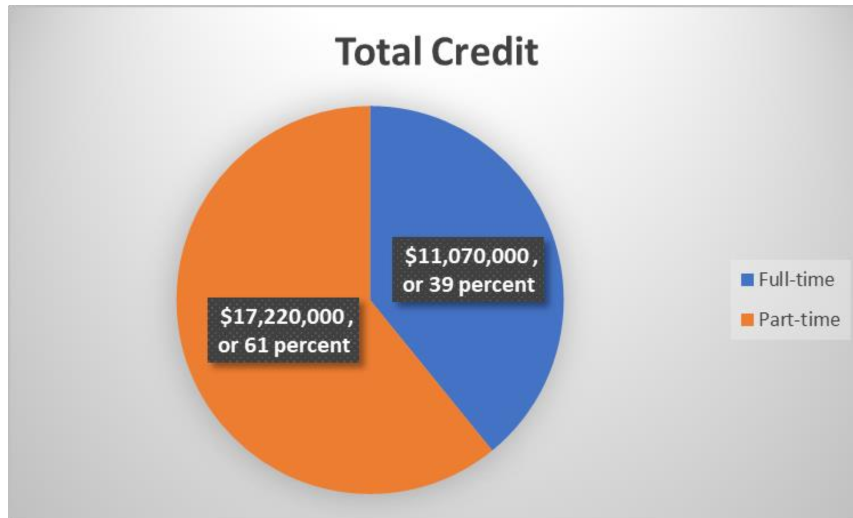
Credit Computation Analysis

This analysis aims to assess how much this credit may benefit Macy's. Of course, there must be assumptions made as to how many employees are hired in a given year, what proportion of these hired employees fit the WOTC, and what the expected credit outcome may be for each employee on average, as it is unreasonable to expect each employee would reach the maximum benefit of the credit.

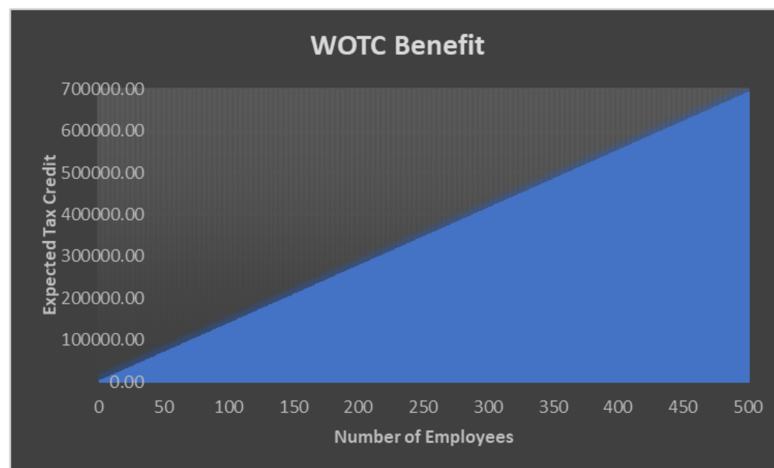
To start our list of assumptions, we must first find a number of newly hired employees to base our analysis on. For this holiday season, Macy's plans to hire more than 41,000 full and part-time employees (macysinc). And, to limit our analysis from getting too broad, we will just take this 41,000 as our employee base for computing the tax credit and assume they are all completely new hires. We will also assume that roughly half of these employees qualify for the WOTC. Realistically, this proportion will depend on Macy's willingness to maximize this credit, although it is understandable if the company fails to find employees that fit the various qualified groups or if there are simply higher-performing employees available. Nevertheless, this reduces our employee credit base to 20,500.

From here, we must now fill in the assumption of how much of the WOTC applies to each employee. Given these new hires were hired during the holiday season, it is reasonable to assume most are part-time employees. For this exercise, we will assume 70 percent or 14,350 employees are part-time, with the remaining 6,150 employees being full-time. Fortunately for Macy's, the WOTC does not specify whether the employee has to be a full-time worker, so the part-time employees are included in the credit computation.

Finally, we must now dictate the average credit based on the employee groups. Since part-time employees would log fewer hours and be paid less, the WOTC would be less. For this experiment, we can assume the average part-time credit would be $1,200 and the average full-time credit would be $1,800. From here, we can perform our basic analysis.



The overall tax credit would be a little over $28 million. However, in reviewing Macy's annual report, its combined federal tax credit over the last three reportable periods was only $11 million, making the aforementioned projection look unrealistic, even with the seasonal employee base used. However, looking at the data another way, we might be able to contrive a more realistic outlook of the benefits this credit may provide Macy's. If 70 percent of employees receive a $1,200 credit, and 30 percent receive a $1,800 credit (from credit assumptions per employee type listed above), we can provide another visualization of the data.



Here, we have a linear graph of the expected tax benefit based on the amount of employees hired. From the average tax credit from each type of employee previously listed, we

calculated a weighted average of $1,380 WOTC per employee hired who qualifies under the WOTC. As seen in the graph, this credit quickly accumulated based on these parameters, and if Macy's is able to hire 250 employees who qualify, the expected tax credit would be $345,000. It is clear that given the employee turnover Macy's is facing, combined with its seasonal hiring nature, the Work Opportunity Tax Credit would help mitigate Macy's tax liability moving forward until its expiry in December 2025.

Qualified Opportunity Zones

Another tax credit that could be used involves investments is Qualified Opportunity Zones (QOZs). This tax incentive was designed to bring investors to distressed communities, with the thought their investments would bring economic benefits. These areas are nominated by their state and approved by the U.S. Treasury. The IRS goes on to further explain QOZs and their tax benefits by stating, "Opportunity Zones offer tax benefits to investors who elect to temporarily defer tax on capital gains if they timely invest those gain amounts in a Qualified Opportunity Fund (QOF)" (Opportunity Zones.) This Qualified Opportunity Fund helps investors defer taxes on their investments until there is an event that terminates the QOF or December 31, 2026, whichever comes first.

These Opportunities Zones could greatly benefit Macy's if they are looking to expand and build more brick-and-mortar stores. There are currently over 8,700 opportunity zones located in the United States and Puerto Rico and more than 137 regional and super-regional malls located within these opportunity zones. So, Macy's would also have the option to repurpose a storefront instead of having to build its own if it so chooses (Campbell, Kyle). This includes distressed communities in almost every city and area. Macy's would also need to hold this

property for at least five years to start acquiring the benefits. After five years, ten percent of the tax on existing capital gain is canceled. After seven years, the payment of existing capital gain is deferred until December 31, 2022, and 15 percent of the tax on existing capital gains is canceled. Also, after ten years, investors pay no capital gains tax on Opportunity Fund investments (Willens, Jessica).

This could be an interesting move for Macy's, but it would require them to start investing in areas that they may have overlooked or purposely passed over in the past. There are a lot of factors that play into this, such as why the area is so undesirable. Is this investment going to be profitable for Macy's? Would any segment of Macy's have clientele in this area? Craig Bernstein, the principal and chief investment officer of OPZ, said, "The opportunity zones program can make a good deal great, but it won't make a bad deal good. At the end of the day, the deal still needs to stand, irrespective of the tax benefits. You can't, under any circumstances, let the tail wag the dog (Campbell)". Basically, this program should be looked upon as an added incentive and not a cure-all. Utilizing opportunity zones could benefit Macy's, but it would have to go through lots of deliberation and consideration by a potential Qualified Opportunity team.

Bonus Depreciation

Although not a tax credit, another tax element that Macy's should consider leveraging is the bonus depreciation advantage for the remainder of 2022 and moving forward. Simply put, bonus depreciation is the ability to immediately depreciate certain qualified assets a business uses. This provision was implemented in the Tax Cuts and Jobs Act (TCJA) in 2017. Up until the end of 2022, businesses can fully depreciate any of these qualified assets (up to 100 percent).

Unfortunately, starting in 2023, bonus depreciation will drop to 80 percent, 60 percent in 2024, 40 percent in 2025, and so on until it is no longer available in 2027 (thelangelfirm).

The qualified assets that are available for bonus depreciation are equipment, furniture, fixtures, machinery, and computer software, to name a few. And, perhaps most importantly, with respect to Macy's, another depreciable qualified asset is "qualified improvement property," which are improvements made to commercial buildings (thelangelfirm). For a brick-and-mortar company like Macy's, taking advantage of bonus depreciation may be instrumental in reducing their taxable income. From Macy's prior annual report, property and equipment represented the largest asset on their balance sheet. If Macy's could fully or majorly deduct portions of new transactions for the remainder of this year and next year through bonus depreciation, Macy's would certainly limit their tax liability.

CASE STUDY FIVE: RECENT BANK FAILURES AND THEIR EFFECTS ON THE ACCOUNTING PROFESSION

Overview

In this week's case study, we discussed the current state of the financial crisis, Silicon Valley Bank, Signature Bank, and what this means to the accounting profession. We first discussed held-to-maturity bonds and how they flow through financial statements. Following this discussion, we looked at an article discussing the United States' spending and how it compares to previous years. We also discussed how interest rates and the Federal Reserve have a part to play in the situation we are currently in. We watched a clip of Milton Friedman and learned his thoughts on inflation. To finish the evening, we discussed the bank failures of Silicon Valley Bank and Signature Bank and the subsequent impacts from both an economic and accounting perspective.

I found this case particularly interesting for a couple of reasons. The first reason is that I am going into auditing, and there are some misconceptions that the general public has about these bank runs and why auditors did not catch or stop them from happening. The second reason is my family's background in the financial market and how everyday Americans are being affected by these bank runs.

I worked for my mom on the Monday and Tuesday of spring break, March 13th and 14th, and it is safe to say that it might be one of the craziest times I have ever worked for Edward Jones. The phones were ringing off the hook, with clients calling to check on their CDs at Silicon Valley Bank and Signature Bank and the recovery plan for their assets. As unfair as it seems, hearing how Edward Jones was educating their employees and clients on this matter has proven extremely helpful in the case study.

Effect on the Economy

One of the biggest questions is how these banks run and the consequential domino effect of bank runs on the economy. Unfortunately, there is no definite answer as to what exactly this will be due to the economy, but the outlook does not appear positive. Our economy's fate appears to be at the mercy of the Federal Reserve, which had its own problems before the most recent series of bank failures. The Federal Reserve is already working on what to do with the United States debt, as we are projected to default on payments if a vote to raise the debt ceiling does not pass. Another part of the issue that the Federal Reserve is having difficulty with is the high level of inflation we are experiencing. In short, the Federal Reserve did not need another problem to add to its to-do list.

The culmination of all these things will likely result in a small recession. Many economists believe these events make a recession more probable (Wall Street Journal). As for the monetary response to these events, interest rates will likely continue to rise until hitting their peak. Then the Federal Reserve will step in and make efforts to lower the interest rates to promote more spending and borrowing in an attempt to begin the healing process, much like we saw after the COVID-19 recession. As for fiscal policy, a lot of individuals are calling for federal budget cuts and are unhappy with the budget proposals being presented. This leads to another issue that America is currently facing: Congress cannot come to a compromise on the federal budget. We are still in a public health emergency, meaning that it is unlikely that COVID-19-related funding will be cut. It is unlikely that funding to Ukraine will be cut, but will be increased and is anticipated to be much longer engagement than COVID-19. The fiscal response will continue to worsen until there is a set plan in place, and with no estimated timeline for this, it is difficult to imagine when these problems will be solved.

How These Events Will Affect My Career

Honestly, it is scary to think that I will be doing my internship in a recession and hopefully entering the workforce as a full-time CPA at the beginning of the recovery stages of a recession. These events have been eye-opening in a lot of ways, such as housing plans for both my internship and full-time position, the timeline at which I should begin to start saving, and in what ways I should be saving and investing. Fortunately, I was blessed with a family of business-savvy individuals, but not everyone has that privilege.

I have been thinking about all this past week about what Dr. Dickinson mentioned about Credit Suisse and how a situation like that might arise as an auditor. There are many things about the audit of Signature Bank, especially that make me wonder why they were not looked into more, as a student with no formal audit education. For example, the relation between FTX and Signature Bank and the arrest of the FTX frontman, Sam Bankman-Fried, on December 12 for multiple different kinds of fraud (New York Times) did not raise any suspicion among the auditors. Now, this may be something that I learn next semester in Audit, but I cannot wrap my head around how something as large as this, which happened in the fiscal year that was submitted just a few weeks ago, was not a waving red flag.

Effect on the Accounting Profession

I think it will be very interesting to see how the accounting profession adapts to these bank failures as the auditing firm, KPMG, is facing a lot of scrutiny for issuing a sound audit opinion. In the case of Silicon Valley Bank, most of their problems did not arise until February of 2023, after the end of the 2022 fiscal year. As for Signature Bank, I previously mentioned my

thoughts on this, which are similar to others. If we continue to see more bank runs in the next couple of weeks like expected, it will be interesting to see how auditors will face this scrutiny.

CASE STUDY SIX: HISTORY OF FINANCIAL CRISIS

AN ANALYSIS OF THE 2008 FINANCIAL CRISIS IN COMPARISON TO THE CURRENT ECONOMIC STATE, AS OF APRIL 2023

Introduction

For our case this week, our class was instructed to watch the documentary *Inside Job* as well as read an article from the Rolling Stones, *The Great American Bubble Machine*. Through both the documentary and the article, I was educated on the 2008 financial crisis and some of the factors, institutions, and decisions that became catalysts. While the documentary had a more holistic view of all of the individuals and organizations that played into the 2008 financial crisis, *The Great American Bubble Machine* focused specifically on Goldman Sachs and their influence on five bubbles in the history of the United States economy.

While I found both of these works educational and eye-opening, they were definitely opinion pieces. Throughout this case study, it was very disturbing for me to realize just how corrupt not only our government is, but how most of our financial institutions, well-educated and respected leaders, and other prominent companies, organizations, and figures are just as corrupt. The organizations and companies that have spent decades building a reputation were destroyed by individuals who let greed overcome them and their ability to care for society and others.

Throughout this case, I will discuss how these works have changed my views and opinions of the government and governing institutions, my role in society both professionally and personally, and the parallels between the events that occurred in 2008 and the events that are occurring in today's economic climate.

Trust in Institutions

While I am a naturally skeptic person, these works increased my skepticism. This piece reminded me of Thomas Sowell's quote from the documentary that we watched through our first case, where he states that his distrust of the government came from working for the government.

After all, it is human nature to be selfish and put the individual before the collective. I believe that "I" is one of the most commonly used words in today's society. That is exactly what these individuals were: the heads of Goldman Sachs, Lehman Brothers, AIG, Fannie Mae, and every other organization or company that was mentioned in the documentary. These institutions were purposefully misleading their investors for their own personal monetary gain and showed no remorse. Most of the individuals who were interviewed in the documentary were actively gaslighting the interviewer, and maybe more so themselves, that they had no part in creating the 2008 recession. And while these companies were knowingly deceitful, the government was aware of their motives and wrongdoings while sweeping them under the rug.

How My Thoughts Have Changed

Throughout this documentary, I had lots of thoughts of disdain for the individuals who were interviewed and how apathetic they appeared. These individuals are single-handedly responsible for a global recession resulting in the loss of 30 million jobs across the world. All the while, a good amount of these individuals were able to keep the money they had awarded themselves while their investors were most likely being kicked out of their homes due to foreclosure. I do not understand how these individuals were able to commit these actions that

multiple people argue to be criminal, just to fund their fourth or fifth house, private jet, or any of their illegal activities.

Fortunately, I was both blessed and cursed with a very guilty mind, meaning that I do not think I could ever knowingly trick someone else for my own personal monetary gain. To pair with that, I have always been very empathetic, sometimes against my own good. One of the things that I was most surprised to learn was the government's quick salvation of these institutions, while they were less quick to ensure that the investors, some of whom their American constituents, would be paid back. In summary, this case made me realize that even the most prestigious and reputable companies in the world of finance cannot be trusted. The people who have it all are the perfect example of "one is never enough".

One of the biggest topics that I took away from this case was to research who is putting out the research and opinion articles and more specifically, who these individuals answer to. I had never really thought of financial conflicts of interest in that sense before, but it was very eye-opening.

Parallels Between 2008 and 2023

While the nature of the businesses destroying today's economy is not the same as it was in 2008, there are similarities. If we do not change our actions and create regulations for things like crypto, I fear that we will be in a similar recession. Another way that we can avoid a similar recession is to force politicians to be more honest about who they really answer to rather than their constituents.

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