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## Comprehensive Review of Accounting: A Case-By-Case Study

Cristina Trefry

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Comprehensive Review of Accounting: A Case-By-Case Study

by

Cristina Ruth Trefry

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

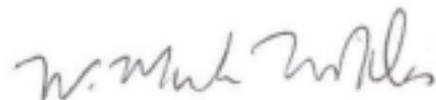
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Spring 2022

Approved by



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## ABSTRACT

This thesis was prepared to investigate a variety of accounting scenarios to further learn and challenge student's notion of accounting. These accounting scenarios were in the form of 11 case studies done over the course of September 2020 to April 2021. These case studies highlighted a wide variety of accounting concepts, and even challenged students to a case competition highlighted in cases 6 through 10. These case studies not only challenged students to think about accounting concepts in a different light, but also to learn more about the field they are going into through personalized cases. These personalized cases allowed students to give their input about accounting concepts, learn more about accounting professionals, and learn more about their role in accounting. The case studies done in this thesis challenges accounting students to learn concepts not standardly taught in the classroom, and sets up success in the accounting professional field.

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## **Case 1: Tale of Two Cities**

### **Summary**

In the Tale of Two Cities case we were tasked with picking two cities we are interested in living in during our first three years out of college and given a series of 17 questions to answer about each city. These 17 questions ranged from population of the city to asking for pictures and prices of different apartments in each city. After our analysis of each city, the final questions ask us to pick our preferred city out of the two.

In this case I was able to get a better understanding of what my life would be like in each city and an understanding of what to look into when I move to a new city during my career. This case was significantly helpful in learning how to look for apartments and learning to make compromises; such as location, space, number of roommates; when choosing an apartment. I had personally never considered looking at the schools in the city I wished to work for right out of college, but thinking that far ahead allows me to plan if I end up staying in that city for a number of years and having a family. This case allowed for me to explore these two cities in ways I never thought of while giving me clarity about which city I want to move to. As well, it taught me questions I should ask whenever I move to a new city and I will continue to use these questions in the future.

1. What is the population?

Denver: The population in Denver is 734,134.

DC: The population in Washington DC is 720,687

2. Describe the climate and seasonal fluctuations. Are you accustomed to living in this weather?

If not, describe some of the challenges from this climate.

Denver: Denver has low humidity summers with highs in the mid 80's and mild winters with about 11.4 inches of snow and lows in the 10's. I am not accustomed to Denver's winters, that include snow that starts in October, due to being original from Florida and having Mississippi winters shock me. I would have to get used to living and driving in more than just a centimeter of snow and ice ("Denver: Geography and Climate," n.d.).

DC: DC has humid and hot summers and fairly cold winters, temperatures get into the 20's, with occasional snow and ice. I am more accustomed to weather in DC due to DC still being a part of the south. I am use to hot and humid summers and while the winter is colder than I am used to it would not be an extremely hard adjustment ("Climate & Weather Averages,"n.d.).

3. Describe the city's topography, scenery, and other geographic or geological features of the area in which the city is located. Include pictures where appropriate.

Denver: Denver sits on the eastern edge of the Rocky Mountains which keeps harsh winters out of Denver. Denver also intersects the South Platte River and many small creeks and lakes are located in the metropolitan area. Denver is also known as "The Mile High City" due to the city sitting a mile, 5,280 feet, above sea level ("Denver: Geography and Climate," n.d.).

DC: DC sits between three rivers: the Potomac River, Anacostia River, and Rock Creek. DC is flat low hills in the north, reaching a peak of 410 feet above sea level, and rolling land in the south.

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

Denver: ("Free Income Tax Calculator," n.d.)

Tax Type	Marginal Tax Rate	Effective Tax Rate	2019 Taxes*
Federal	22.00%	9.59%	\$5,275
FICA	7.65%	7.65%	\$4,208
State	4.63%	3.60%	\$1,982
Local	0.00%	0.00%	\$0
<b>Total Income Taxes</b>		<b>20.84%</b>	<b>\$11,464</b>
Income After Taxes			\$43,536
Retirement Contributions			\$0
<b>Take-Home Pay</b>			<b>\$43,536</b>

Figure 1-1. Denver Tax Table

DC: ("District of Columbia Income Tax," n.d.)

Tax Type	Marginal Tax Rate	Effective Tax Rate	2019 Taxes*
Federal	22.00%	9.59%	\$5,275
FICA	7.65%	7.65%	\$4,208
State	6.50%	4.33%	\$2,382
Local	0.00%	0.00%	\$0
<b>Total Income Taxes</b>		<b>21.57%</b>	<b>\$11,864</b>
Income After Taxes			\$43,136
Retirement Contributions			\$0
<b>Take-Home Pay</b>			<b>\$43,136</b>

Figure 1-2. Washington DC Tax Table

5. What transportation hubs are in the city?

Denver: Denver's public transportation is run by the Regional Transportation District (RTD) and includes buses and trains ("Denver Public Transportation," n.d.).

DC: DC's public transportation is run by the Washington Metropolitan Area Transit Authority (WMATA) and includes an underground metro and a bus system. DC also has number of taxi companies that operate throughout the city ("Trip Planner", n.d.).

6. What are the city's most prevalent industries? What are this city's five largest companies?

Denver: The most prevalent industries in Denver are: energy, aerospace, broadcast & telecommunications, and IT-software ("20 Biggest Companies,"n.d.).

The top five largest companies in Denver are:

1. Pepsi Center
2. RE/Max
3. DaVita
4. Chipotle
5. The Anschutz

DC: The US government is the most well-known industry in DC, but surprisingly only one in six people in DC work for the government ("Washington, D.C.: Economy," n.d.). The government allows for the growth of multiple industries such as: paper products, information and computer firms, and other service firms ("20 Best Companies," n.d.).

The top five largest companies in DC are:

1. US Department of Veterans Affairs
2. Department of Homeland Security
3. US Navy
4. US Postal Service
5. US Department of State

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

Denver: Denver has several top ranked hospitals in the Denver area including a top ranked children's hospital ("Best Hospitals in Denver," n.d.). Denver's public school systems rank #153 in national rankings and #2 in Colorado ("Denver Public Schools," n.d.). Denver has 113 private school and about 51 percent are religiously affiliated, mostly Roman Catholic or Jewish. Tuition for private schools in Denver range from \$10,000-\$13,000 ("Top Denver Private Schools, n.d.). I would most likely send my children to public school in Denver.

DC: DC has several hospitals including some affiliated with Georgetown and George Washington University as well as hospitals in the suburbs in both Virginia and Maryland ("Best Hospitals in Washington, DC," n.d.). The public-school system in DC is ranked nationally as number 49 out of 51. The DC Charter Schools has a better reputation and teaches about 46 percent, or 43,000, of the public-school students. Students are chosen on a lottery basis to attend the charter schools ("DC Charter Schools," 1 July 2020). DC includes a number of top ranked private schools with the average tuition costing \$24,501 ("Top Washington Private Schools," n.d.). If possible, I would

want to send my child to a private school in DC, but if not I would hope to get my child into the DC Charter Schools.

8. What types of crime are common within the city and where are the locations within the city to avoid?

Denver: The types of crime most common in Denver is larceny with 9,919 cases in 2019 followed by theft from motor vehicle with 8,051 cases. The worst neighborhoods to live in are Lincoln Park and Cheeseman Park (“Crime in the City,” n.d.).

DC: The type of crime most common in DC is theft with 10,819 cases in 2019 followed by theft from auto with 7,635 cases. The worst neighborhoods in DC to live in are Brentwood, Deanwood, and Anacostia (“District Crime Data,” n.d.).

9. Based on where you see yourself living for the first three years, how much rent do you expect to pay? Back up this assertion with sample properties from each location (including pictures). Describe the square footage, amenities, need for a roommate, availability of parking, etc.

Denver: In Denver I expect to live in the Capitol Hill neighborhood which is a neighborhood popular with young adults and is located right next to downtown Denver. In this part of Denver rent is between \$1,000-\$2,500 for a one-bedroom apartment and I found two apartments in this price range.

The first is in a building called Poets Row. This apartment is a one-bedroom, one-bath with 650 square feet. The apartment comes with stainless steel kitchen appliances and the floors are

hardwood. The rent is \$1,250 per month and parking is \$150 in an assigned spot. Pictures of the Poet's Row apartment are below.



Figure 1-3. Poet's Row Images

The second is in a building called The Residences at Capitol Hill. This apartment is a one-bedroom, one-bath with 652 square feet. It includes stainless steel kitchen appliances and an on-site parking garage. The rent is \$1,250 per month. Pictures of The Residences are below.





Figure 1-4. The Residences at Capitol Hill Images

DC: For my first three years in DC I see myself living in the Dupont Circle neighborhood which is popular among young professionals and close to downtown DC. I expect to live with a roommate in DC and pay between \$2,500-\$4,000 for an apartment, and anywhere between \$1,500-\$2,500 per person. I have found two apartments in Dupont Circle in this price range.

The first is a building called the Ravenel. This apartment is a two-bedroom, one-bath with 855 square feet. It has parking available and has furnished units available. The rent is \$1,500 per month.

Pictures of Ravenel are below.



Figure 1-5. The Ravenel Building Images

The second building is called the Drake. This apartment is a two-bedroom, one-bath with 673 square feet. It has underground parking available and is only a couple blocks away from the Dupont Circle Metro Station. The rent is \$3,275 for the apartment and \$1,637.50 per person. Pictures of the Drake are below.



Figure 1-6. The Drake Building Images

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

Denver: In Denver most people drive to work. Capitol Hill, where I would hope to live in Denver, is right next to downtown Denver and where the big four firms are located. Commuting times to downtown Denver is less than fifteen minutes and possibly walkable from the apartments I have chosen.

DC: In DC most people take the metro, walk to work, or a combination of both. Dupont Circle is located near Downtown DC where the big four accounting firms have offices in DC. Depending on what firm I work for I could walk or take the metro, but my commute times would not be more than 25 minutes.

11. Where will you do your grocery shopping?

Denver: In Capitol Hill there is a Natural Grocers, a Safeway, and a Trader Joe's.

DC: In DuPont Circle there is a Safeway and a Metro Supermarket. There is also a Whole Foods in the neighborhood over if I'm feeling boujee.

12. How will you do your laundry?

Denver & DC: All the apartments I put down include laundry facilities in the building.

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

Denver: In Denver I hope to be active in the Mother of God Catholic Church which is located in the Capitol Hill Area ("Welcome: Mother of God," n.d.). I also hope to volunteer at the Denver Public Library ("Volunteer Opportunities at the Library," n.d.). I use to volunteer at my local library in my hometown and I hope to pick it up again in Denver. The last organization I wish to volunteer for the Women's Bean Project which is headquarter in Denver. The Women's Bean Project helps women break poverty and unemployment through a job in manufacturing ("WBP Women's Program Overview," 19 Sept 2019).

DC: In DC I also hope to become active in The Cathedral of St. Matthew the Apostle which is located in Dupont Circle ("Cathedral of St. Matthew." n.d.). I also want to become an active volunteer at the DC Public Library. The DC Public Library has a number of roles for volunteers, and I am interested in working as a Special Events Volunteer or a Toddler Explorations Helper. A Special Events Volunteer helps out with author talks, open talks, and other big library events, and a Toddler Explorations Helper that assists with set up and take down along with other duties as

needed (“Volunteer at the Library,” 8 Sept 2020). The final thing I want to become involved in is volunteering at the Homeless Children’s Playtime Project which is an organization that partners with homeless shelters to create safe and fun places in the shelter for the children there (“Homeless Children's Playtime Project,” n.d.).

14. What are the sports, entertainment, or recreational activities that you would be most likely to engage in within the city? Name at least five activities.

Denver: In Denver, I am excited to experience that surrounding nature around Denver as well as their entertainment and sports scene (“Sights in Denver, n.d.). The five activities I want to engage with are:

1. The Pepsi Center and watch the Colorado Avalanche Play
2. Rocky Mountain National Park
3. First Friday Art Walk
4. Red Rocks and Amphitheatre
5. Coors Field

DC: In DC I am excited to experience the different museums and monuments in the nation’s capital (“All Things to Do,” 20 Sep 2020). The five activities I want to engage with are:

1. US National Arboretum
2. Capital One Arena
3. Eastern Market
4. National Museum of Women in the Arts
5. The Kreeger Museum

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

Denver: My modes of travel back to my hometown of Gainesville, FL would be flying or driving, but more than likely I would stick to flying since the drive from Denver to Gainesville is 25 hours. I would most likely go home around Christmas and in the summer. Flights around Christmas are around \$800 and flights in the summer are \$400. Flying from Denver to Gainesville requires a layover due to the Gainesville airport being so small, so flights from Denver to Gainesville can range from five hours to eight hours depending on the layover time ("Airline Tickets & Flights," n.d.).

DC: My modes of travel back to my hometown would be flying or driving. Driving back to my hometown would be about an 11 and a half hour drive which I find doable and consider a strong possibility. The cost of driving would be about 50 to 60 dollars which includes gas, I have a gas efficient car, and meals. Flying is also a possibility from DC to Gainesville and cost of flights in the summer are about \$300 and flights during the winter range from \$400 to \$700 dollars. Flights last from four to seven hours depending on layover time ("Airline Tickets & Flights," n.d.).

16. Based on your findings, develop a model monthly operating budget for each city for Year 2, assuming that with bonuses for being a high performer, your annual salary is \$60,000.

	Denver	DC
Yearly Salary After Taxes	46,822	46,329
Rent	15000	19650
Groceries	3000	3000
Parking	1800	3300
Metro Fare	0	900
Gas	1800	500
Cellphone	960	960
Subscriptions	264	264
Entertainment	6000	6000
Savings	4682.2	4632.9
Car Insurance	1200	1200
Medicine	3000	3,000
Miscellaneous	2000	1000
	7,116	1,922

Figure 1-7. Denver vs. DC Operating Budget

17. Finally, based on your full analysis, determine which one is your preferred city and why? After my analysis my preferred city is Denver. Denver provides the money security I wish to have in case something goes wrong as well as cheaper apartments compared to DC. I personally want to explore more of the western side of the country and the nature in Denver is different than anything I have experienced living in the south, I barley know what a mountain looks like. As someone who always looks towards the future, I could see myself settling down with a family in Denver and continuing to love living in Denver years down the road.

## **Case 2: Asset Concepts**

### **Summary**

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

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

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

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

### **Question I**

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

#### **Viewpoint I:**

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

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

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

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

**Viewpoint II:**

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

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

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

revenues or expenses, therefore, these two subjects should be the main focus of a company and assets should follow instead of being the center of the company like viewpoint one suggests.

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

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

## **Question II**

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

**Viewpoint I:**

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

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

**Anne Elise:** Viewpoint one's asset valuation method makes it easier to trace the value of an asset to how much the individual asset is worth in cash or in exchange for another asset. It takes a more literal, tangible approach to valuing assets. Determining the asset's value becomes easier because the value comes from the asset's cash worth (or equivalent asset worth). However, this viewpoint fails to recognize the going concern assumption. By valuing an asset at the price at which it can currently be exchanged, a company takes a liquidation valuation approach and fails to assume the company will continue operations long enough for the asset to provide real value to the firm. This individualistic

view of assets also fails to acknowledge that assets work in conjunction to make a product or provide a service for the firm.

**Bailey:** While, originally, I sided with viewpoint one because I thought of assets in terms of liquidity, I realized later on after discussing with my group that there are many sides to assets. Assets can be used collectively, individually, periodically, you name it. This viewpoint, though, considers assets to be more of a single isolated item that cannot join or work together with anything else owned by the company. Because of this, viewpoint one believes that assets do little to nothing to increase the value of the company unless they are “exchanged”.

#### **Viewpoint II:**

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

**Cristina:** Viewpoint two focuses on how assets contribute to firms by being consumed either by themselves or in combination with another asset. We can see this in the way assets are used differently for revenues and expenses. In creating revenues, assets such as equipment or supplies are used up and equipment will be used with accumulated

depreciation. In expenses we see cash being used to pay expenses such as salary or insurance.

**Anne Elise:** Viewpoint two maximizes the amount of value an asset can have by looking at assets in conjunction with one another and the incremental value they bring to the table. For example, raw materials inventories work in conjunction with pieces of equipment in a factory to make a final product, which generates revenue and value for a company. This valuation method does prove difficult because there is more of an allocation rather than a direct tracing that must be done in order to properly determine the worth of an asset and how it contributes to a firm. However, I agree with this viewpoint because it takes the going concern assumption into consideration and gives firms more value by accounting for the life and use of the asset, not just when it is purchased and sold.

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

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

### Question III

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

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

For Equipment purchase:

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

For one year's accumulated depreciation:

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

For the sale of the equipment:

6/1/20 Value-In-Use	15,000
Cash	17,000
Equipment	15,000
Accumulated Depreciation	15,000
Gain	2,000

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

For recognizing incremental value:

10/1/20 Building	500
Inventory	500
Value-In-Use	1,000

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

For the issuance of a patent:

1/1/20 Patent	20,000
Cash	20,000

For one year's accumulated amortization:

1/1/21 Accumulated amortization	1,000
Value-In-Use	1,000

For expiration of patent:

1/1/40 Value-In-Use	20,000
Patent	20,000

### **Case 3: Election Case**

#### Summary

The purpose of this case study was to evaluate how the future job market will be affected by the election and to personally reflect on how the election affects me and others. The case consisted of three requirements: the first about what unites our country, the second on the future job market, and third about the future of our country after the election.

The first requirement caused me to have to truly sit down and think about this answer. I asked some of my fellow peers what they thought unites the country in more than just name, and just like me they had a hard time thinking of ideas off of the top of their heads. In thinking about my daily life and current events in the past year, I was able to come up with a number of ideas about what unites us. In the second requirement I used the first presidential debate that occurred on September 29<sup>th</sup>, 2020 as well as unbiased sources. I gained knowledge of what each candidate's plans were for taxes and the economy. I took that and made assumptions about what the future job market would look like and how that would affect possible future clients. Requirement three required me to reflect on my beliefs and those around me, and how we must all come together after the election. Thinking about what the future holds and how I could be a positive change to those around me made me unsure at first, but the more I wrote about it the more enthralled I became with becoming a positive force and being part of a possible change in our country.

This case allowed me to think out of the box about our current country and what will happen after this election. I never thought that I, as an individual, could be influential and helpful to others after the election, but I am hopeful for what the future holds and what I can do.

**Requirement 1:** What is it about our country that “unites” us to warrant naming our country that?

In the United States of America in 2020, a year that has truly tested the world and our country, it seems hard to find ways that unite us in more than just name. I believe that there is nothing that truly unites everyone in the US and that freedom to not share the same opinion is what unites us. In 2020 social justice and coronavirus are the driving points of this year and while in a perfect world everyone would have the same opinion on it, but no one does. The ability to have all these separate opinions about these issues is what makes the United States of America united. With having all these separate opinions, the ability to have arguments about our opinions and issues with this country and the world is the freedom that unites the United States. The freedom of speech, our first amendment, is what shaped our country when it was first formed and is what continues to shape our country today.

As election day continues to loom the call to register to vote is uniting the American people. Everyone realizes the importance of this election year and everyone is making a push to vote. Social media has allowed for this strong united push by putting out hashtags and features that increase voter awareness. This push and realization of how important this election is on the future of America is currently uniting the US.

**Requirement 2:** How will taxes, regulations, employment, wages, outsourcing / manufacturing, and overall financial health (for individuals and companies) differ under each administration?

The business economy under the Trump Administration vs. the Biden Administration is currently hard to distinguish with limited answers coming from both sides, but knowing what Trump is currently doing with his administration and what the democratic party has done in the past will allow for a prediction.

Under the Trump Administration the business economy will likely be similar to what is going on today. We will continue to see tax cuts to big businesses and a continued reopening plan that is done state-by-state. We have already seen Trump cut corporate taxes, but he hopes that if reelected he can cut corporate taxes to 20 percent. Trump has also spoken on reducing taxes on capital gains which would spur economic growth and investment. He has suggested two different ways to proceed with this: first way is to reduce taxes on long-term capital gains and the second is to index capital gains on inflation.

Under the Biden Administration we will see the opposite by seeing more taxes to large businesses, with Biden giving the exact number of 28 percent for corporate taxes. Biden has also announced his plan to increase taxes for individuals making more than \$400,000. During the debate Biden announced that if elected he would focus on fixing COVID before completely reopening the economy, but he does have a plan to create 7 million more jobs and create one trillion worth of economic growth.

In looking at clients there are two main clients likely to be affected by each administration: small businesses and healthcare. With small businesses Biden has already spoken about helping small business if elected. He said during the debate that small businesses need

money to help them during reopening. Trump's plan with small businesses is what we see him doing today which is pushing the reopening of the economy.

The other client that will be greatly affected is healthcare and any client we have in the health field. Since Trump took office in 2017, we have seen his strong push towards getting rid of Obamacare/Affordable Care Act and cutting health care. While on the opposite side of the coin Biden plans to create a public healthcare for those too poor enough to qualify for Medicaid. Not only will this affect healthcare clients who have to possibly figure out new healthcare systems, but it could affect our lives personally with healthcare benefits we get from work or seeing how it affects family and friends in different occupations.

**Requirement 3:** How will the two sides of the country come together harmoniously once the election is over? How do you personally intend to function in the aftermath?

The days building up and following the election will be high emotion. There are many people riding on what happens in this election to determine their future. This country will continue to be split in half after this election, but we will see this split online and on social media compared to our everyday lives and interactions with individuals. Online it is much easier to fight over different opinions, but in real life as we are interacting with others we will see less of that direct fighting. Right after the election you will hear a buzz in any room you enter talking about the future of America, but as the days continue that buzz will die down as the results of the election are accepted.

How I personally interact with individuals will not change for me, but I believe that is mainly because I am not a political person, and being on a college campus, I tend to find more

people with similar beliefs. Right after the election, finals are only weeks away and while I will continue to hear news about the election my focus will be on passing classes and staying up late studying. I believe that I will feel the most tension when I go home for the holidays and interact with family members. Everyone has had experience with family members arguing about politics over Thanksgiving and Christmas dinner and these tensions that occur from that will be increased from this election.

At the end of the day it'll be hard for some to keep a positive attitude about this election. This is truly a stressful time for our nation, but at the end of the day we must remember that we should be grateful that we live in a nation that allows us to have our own opinions. We are not oppressed by the government from having our own opinions and are allowed to have a right to vote for who we as a nation truly want for president. To be an agent of positivity during this time its all about having a positive attitude for the future and being there for those who are worried about their future in this country.

## **Case 4: Corporate Tax Rate**

### Summary

The purpose of this case study was to pick an optimal corporate tax rate for the US and explain why I picked that number and to reflect on whether this case made me more interested or less interested in tax accounting. To learn about corporate tax in the US we read two articles about US corporate tax and watched a documentary about the global tax avoidance done by multiple corporations.

In answering the first question about the optimal corporate tax rate I researched about the pros and cons between a high vs. a low corporate tax. Doing outside research it was harder to find articles about high corporate tax and the benefits of having a high corporate tax. There were many articles supporting a low corporate tax rate and I was able to dig deeper into the good and the bad that comes with low corporate tax.

When I first came into this case, I thought that a high corporate tax was what the US needed, but through my research I saw that a lower corporate tax is what can benefit the US more. The documentary is what really opened my eyes about how the high corporate tax rate is affecting the US and global markets around the world. The documentary has made me much more aware of the tax situation of corporations in the US and is something I will continue to pay attention to in the future.

This case increased my interest in working in the tax service line in public accounting. During this case I researched about what type of work and jobs tax accountants do and the

education needed to continue on in this field. I hope to continue to learn more about this field and to talk to recruiters and tax professionals at upcoming recruiting events to learn more about what the tax field has to offer.

1) What do you think the optimal corporate tax rate should be and why? Explain your answer including information gleaned from the two links and the documentary

Through the research I have done on the pros and cons of high and low corporate tax rates I believe that the optimal corporate tax rate is around 23 percent. The corporate tax rate overall should not exceed 25 percent but also not go lower than the current 21 percent tax rate. Staying within this range allows for more corporations to stop playing the global tax avoidance game, but still allows for companies to be held responsible for paying taxes within the US. Going any higher than 25 percent will cause corporations to flee the US especially since these corporations have now experienced such a low corporate tax rate.

Higher tax rates will not cause a substantial amount of unemployment. Economists say that 65 percent of the reason people are not hired is due to lack of demand, and lack of demand is not caused by high corporate tax rates. Lowering corporate tax rates only increase payout to shareholders and generally does not increase investment or create jobs. More than likely a cut in corporate tax will cause corporation to hold onto the extra profits or distribute more profits to shareholders.

Low corporate tax rates allow for the US to stay competitive on the global market. Before the Tax Cuts and Jobs Act (TCJA) the US saw most of its companies moving headquarters or having multiple field offices in low tax countries. A low corporate tax rate has already seen companies moving back into the US, and while a large substantial increase in income taxes

would cause the global tax avoidance to begin occurring again, a small increase would not see the tax avoidance rise to what it was before.

Corporate tax affects the two driving forces of the economy: labor and capital. Capital is the machines, equipment, factories, etc. used by companies. Capital is highly sensitive to changes in tax due to its ability to be highly mobile. Capital can be moved across the globe much easier than labor can. The cost of capital is driven by tax rates and cost of capital determines where and how much people will invest in capital. The driving force that capital has in the economy is why picking the optimal tax rate is key.

Low cost of capital encourages new investments and low cost of capital is achieved through lower tax rates. New investments in the US cause for an increase in the demand for workers to work with this new and incoming capital. From there a higher productivity, wages, output, and employment are possible. Low corporate tax rates lead to other corporations investing in the US allowing for more opportunities for the economy to grow.

The ones that are truly affected by the corporate tax rate are the American workers. High corporate tax rates divert capital away from the US and into foreign countries. The American workers need capital to become more productive and for their wages to be raised. American workers are the most affected when corporations leave America and put their capital into foreign countries. Keeping the tax rate low is key to improving the position of American workers.

Low corporate taxes provide an incentive for companies to stay in the US and their taxes help provide for our daily lives, so it is no wonder that the US has had a strong push to keep these corporations in the US. Raising it slightly from the 21 percent it currently sits would not cause corporations to go running out the door and back into foreign countries, but raising it any

higher than 25 percent would see an increase in activity in global avoidance and see corporations leave the US once again.

The US must keep the corporate tax rate at a decent percentage because the US needs to be able to really rely on corporations to do their fair share in helping run the country. Corporate tax helps supply schools, build roads, keep public libraries open, and much more. Every American is affected by how much money the taxes from corporations bring in. The US needs to keep these corporations in the US by not raising the tax rate substantially high, especially after it has been at a low rate for several years, but also keep it at a rate that brings in decent enough money to keep the government and the American society running.

Most economists and politicians believe that the US needs to stick with a lower tax rate. The US is already a global power, and keeping a low tax rate will allow for the US to grow on the global market. Keeping the tax rate below 25 percent will allow for the US to keep corporations in the US instead of them starting the global avoidance game once again. The US must hold corporations accountable to pay taxes to keep our nation running by making sure the tax rate does not drop below the current 21 percent. With these reasons I believe that the optimal corporate tax rate is around 23 percent.

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

This case increased my interest in pursuing a career in tax, especially after watching the documentary. I have always had a stronger interest in audit, but after this case I will look more into the tax side of public accounting. I would truly be interested in learning more about what

someone in the tax service line of public accounting does on a daily basis and what type of work they do.

Tax really caught my eye because of the documentary. The documentary had me intrigued about how the history of the global tax avoidance came to be and where it is all headed. I had never realized that taxes could become such a high secrecy avoidance game played by corporations whose products I use every day. If a career in tax involves figuring out where the money is coming and going from and how taxes affect it, I would highly consider tax for the future.

This case caused me to do my own personal research about the role of tax accountants. In my research I found that tax accountants are responsible for companies complying by filling tax returns and offer tax planning advice to business and individuals. Tax accountants must possess a thorough understanding of tax law and must continually keep up with changing tax law and regulations.

Tax accountants have multiple opportunities outside of public accounting. The government employs tax accountants through the IRS who has a dozen different opportunities ranging from representing the US in tax court to interviewing tax filers. The government also hires tax accountants on the federal, state, and local government levels. Outside of the government many tax accountants work for major tax filing companies or any other large multinational company. Tax accountants can find work in smaller or private companies as well.

I would be interested in hearing more about tax accounting from tax professionals who work at the big four. Learning about what tax accountants actually do at a public accounting firm and hearing about their day to day activities would allow me to make a better and more sound

decisions if tax is a career that I want to pursue. In upcoming recruiting events, I hope to speak to the tax professionals and get more of an understanding of tax in the public accounting field.

This case was the stepping stone I needed to look more into tax accounting. Learning that tax is more than just numbers on paper and money taken out of my paycheck has piqued my interest in tax more. I am hopeful and excited to learn more about the tax accounting field and what life is like as a tax accountant.

## **Case 5: Interview Case**

### **Summary**

The purpose of this case was to interview someone from the business community and learn about their career, life, and advice they have to offer. I interviewed Luis Gonzalez who has an established career in investment banking and was also an accounting major in college.

I chose Luis Gonzalez for several reasons, the first being that he is my uncle, and I knew that he had an interesting career path from the times we had spoken about it. Although our conversations about his career had been brief, I was curious to know more. I was interested in learning more about his experiences as an accounting major in college and how he went from public accounting to working in the investment banking industry. Interviewing him allowed for me to get answers to all of these questions and hear about lessons that he learned throughout his career.

In this case, I learned not only about Luis Gonzalez's career and how his current career came to be, but I was given advice that will be beneficial to my future and in the coming weeks as I get ready for recruitment. His advice ranged from making sure to enjoy time in college to the importance of building personal relations in the workplace. Some of his advice served as reinforcement of advice I had heard from parents, teachers, or recruiters; however, some of the advice he gave during the interview, I had not heard before. Whether the advice was new or not, I know that I will take it with me wherever I go both in my personal and work life.

This case allowed for me to form a deeper connection with my uncle and learn more about his life and career. Not only that, but I was able to gain advice from someone who has an established career and a better understanding of what my future employer may be looking for in an employee.

Luis Gonzalez is currently a partner at NMS Capital, an investment banking firm specializing in the healthcare industry. He attended the University of Florida where he graduated with both a Bachelor's and a Master's in Accounting. He began his career at Deloitte in Tampa, FL where he worked for two years before transitioning to Raymond James where he was active in mergers and acquisitions. Luis worked as a director at MBF Healthcare partners in Miami for ten years, and in 2015 he became a partner at NMS Capital. He currently resides in Miami, FL with his wife, two kids, and a brand-new dog.

While interviewing Luis he was able to provide helpful insight that I will use in my career. The one that stood out most to me was about networking. When asked the question about what advice would be most useful to me and my classmates, Luis spoke highly of the importance of networking and hard work. He emphasized that our generation has a hard time putting away phones and truly connecting with those around us. He also stressed the importance of building personal relations in your workplace. Another piece of advice that he gave was to truly just enjoy my time in college and enjoy being in the college environment because there is nothing like it in the working world. In college, you have the easiest ability to meet friends and build on personal relationships with classmates and professors. Overall, Luis emphasized the importance of hard work and a strong work ethic in building your career both overall and in your workplace.

Transcribed version of the interview I recorded between Luis and I:

1. Tell me about your life growing up before you started college or your career.

I was born in Houston, Texas in 1980 and then we moved to Cleveland, Ohio for a couple of years and then we moved to Miami when I was probably, I think six or so and then grew up in Miami went to elementary, middle school, high school all in South Florida and then obviously junior senior year started thinking about college and then applied to a couple of schools then ultimately decide to go to University of Florida.

2. What were your college years like?

Well I did the undergrad and grad at Florida started undergrad in accounting and I also took all the finance classes although you can't double major in the same school and then I did that like what's called a three two program which lets you get the masters in five years straight through and I mean I think overall it's a good experience I mean that's a good combination of good academics and then sports programs and sort of I suppose the social aspect of it which is important also and then I did a couple of internships. The last one in between I think it was junior senior year was with Arthur Andersen. Which at the time was one of the Big 5 accounting firms I don't even know if that rings a bell, but back in the day okay was similar to the door to PwC and I did an internship and I was offered a full-time job to go to work there and then during the period of time when I went back to school at school the accounting of Arthur Anderson basically like an imploded because they had a massive accounting fraud scandal with a company called Enron and so then I scrambled and got a couple of other offers including one from the Deloitte which I took and then that was my first job out of school.

3. Did you know that you want to do accounting when you went to college? If not, how did you decide to pursue accounting?

No I knew wanted to be a business major and I think within business I like accounting and finance the most and then I thought what I originally wanted to do was get into something called investment banking and that's very difficult to do coming out of a non-Ivy League school and so I thought that was a kind of we have a little bit more sort of optionality and flexibility in terms of different things that you could do and I did good and you know for example accounting classes and so I decided to pursue the accounting major that I took all the finance classes. When I did the grad school program it was a bunch of options you can in terms of classes you could take it so I took a bunch of finance classes during grad school as well

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

So first job out of school was with Deloitte which I was there for right around two years and you learn to sort of you know the application of the basic fundamentals of accounting I was in the assurance and advisory group which I think is effectively the audit group. And then I had a couple of like fortune 500 companies that were clients of Deloitte's and I got on those accounts. And I learned a lot of the more public some of them most of them are public and there's a couple of private companies that were pretty active some of them in like a merger acquisition standpoint a lot of public equity and debt offerings and I got to work with within the Deloitte to have a transaction advisory services group. Works hand in hand with them on some of those more interesting type of transactions and then one of Deloitte's clients was a large private equity fund called ABG and I was on that account and then I got to learn a little bit about sort of the whole private equity world and kind of what they did and saw how interesting that was and how successful how much money some of those individuals made at work and so I started looking at a lot of their like bios and figured out how you get into private equity which at

the time was not as well-known as it is today and all those guys the girls had like background sand working in investment banking or strategy consulting. And so you have to do that for a few years before you get into the working for private equity firm or a hedge fund and so I know you've got a lesson making because when I was coming out of UF that is that was something that I had read about or heard about it was interesting it was difficult to sort of get into that field coming out of a non-Ivy League school and so I sort of with a little bit of work experience and some connections I had I got an interview at this firm called Raymond James which is a financial services company that's publicly traded and they have a bunch of different divisions including and an investment banking division and a friend mine from UF was working there at the time and got me interview and I applied and ultimately got the job and so I did the investement banking analyst program for a little over two years and was ultimately the sort of springboard which most people used to get like I said either a hedge fund or private equity job and so I remained James for a little over two years.

Then I got a job with a private equity fund in Miami called MBF Healthcare Partners which was a health care dedicated private equity fund and I was there for close to 10 years and I start off as an associate, I became a director and partner after eight years and then I had worked with a couple of guys that were at Goldman Sachs at the time and were in the merchant bank within Goldman Sachs and they had a group that was called the U. I. G. group and they specialize in a buyout and growth equity investments in lower middle market companies and healthcare business services and they bought a company together and I got to know a couple of those individuals at then in 2010 they spun off from Goldman and created their own fund called you New Mainstream Capital and they wanted to bring somebody in to help sort of lead their healthcare efforts and so I know these guys for a while and got along with him really well and

decided to go there and I've been there now for five years. I'm a partner and lead their health care efforts and which is where spend all my time in terms of sourcing execution on a portfolio monitoring.

5. What has your life been like outside of your work?

Let's see well I mean I've been working for close to 20 years now and so in addition to work I have a family. I'm married and as you know I have two boys that are eight and five. I mean that's pretty much where I spend most my time between a combination of work and building my business and then spending time with the family and then try to find some time to pick up a hobby here and there but that's you know that's been the focus for the last 15/17 years and over the last couple of years you know now that I've matured more within like you know my career and more successful and I try to do things outside of you know work to help the community and people that are you less fortunate and I've been involved with the non-profit organizations and try to get a little bit more involved in that front as well.

6. What has been the best vacation you've ever taken?

The best vacation let's see well my name is pretty good we went all over France including Paris, Nice, and a couple of other areas and so it was definitely a good trip and a memorable because it was obviously our honeymoon. Then more recently my wife and I did a trip for the first time away from my kids to St. Barts which is in the Caribbean which was also a fantastic experience a lot of fun.

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

I think maybe like if I had I think my career path would have been a little bit easier if I had pushed myself a little bit harder in high school to apply and get into like an Ivy League school or

a top ten academic institution. I think what would have been a little bit more of a straight forward kind of route into what I ultimately wanted to do I never sort of kind of pushed myself to do that or got good advice on what path to go down.

The second thing hopefully the door hasn't shut but I think doing something more entrepreneurial would be interesting. I buy companies from a lot of entrepreneurs that start and build their companies and become very successful but it's different than you know investing in buying versus building a company from scratch so I think having the opportunity at some point in my career to do something more entrepreneurial I think would be interesting and hopefully it's I will be able to eventually.

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

I mean you know it's I mean one is to enjoy it like a situation you guys are right now I mean not not the whole sort of COVID issue but in terms of being in school I think that that's an important part of life and building relationships and at least from right you know from my perspective probably some of the most memorable years that I have because you know once you start your career depending on what you want to do it but if you want to evolve throughout your career than that just takes up a lot of time and much different than you know when you're going to school and with friends and family so I think and enjoying the time that you're in school and taking advantage of every moment they don't doing as many different types of activities and try to make as many friends and develop as many relationships as possible I think this is important and then ultimately trying to figure out where you want to end up well then sort of in the next you know 15/20/25 years towards the middle end of your career and then sort of work backwards in terms

of ultimately how do you get to that you know from those two endpoints and then just kind of developing your path and your track to ultimately get to that place

9. What are you most proud of?

From a work standpoint to become a private equity fund of a I'm sorry a partner at a private equity fund that manages about a million and a half dollars to come from you know from again a non-Ivy League school and a less traditional route I think is a pretty interesting accomplishment from a work perspective. Then you know personally raising a family with you know wife and 2 kids is in of itself a pretty good accomplishment.

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

In terms of that the 2 most challenging parts of my career: one was in 2008-2009 which was the financial crisis and collapse and having it work in the financial services industry and having to go through that I think was difficult and set people back. Going through COVID and I think now in the last 12 months going through COVID is another significant event and has created a lot of chaos and I think difficulty. I think hopefully in the next you know 10 to 15 years when a come towards the end of my career and you look back at my guess is that those will be the two most sort of challenging parts of my career.

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

I work with a lot of millennials. I think it's somewhat applicable to Gen Z right I think it's probably pretty similar but I think the focus the focus on technology versus developing personal relationships I think it's is something that's underdeveloped in your generation and the millennial generation and I think expectations around clear progression and promotion and you know responsibility and that kind of stuff I think is sometimes I find it as like there's an expectation

that you know early on in your career you deserve more than you actually do I think you know people in that generation that have a much stronger work ethic and our significantly focused on you know building their career and doing all the hard work and dirty work that's a involved in being successful I think that's something that people lose sight in that sort of next generation so those would be the two things I'd recommend for you.

## **Case 6: Pfizer Case Competition – Introduction**

This week our group was tasked with picking out a company to study and research. The company chosen would then be the subject of a deep investigation to the ends of a group presentation in the coming weeks. The research and subsequent presentation is taking the place of the case competition traditionally completed in this course. Our group chose Pfizer to present for our case study and began researching using the suggested websites.

Pfizer is one of the world's leading pharmaceutical companies. Based in Manhattan, they annually report sales of over \$50 billion dollars and spend close to 20 percent of their sales on new research and development costs. Their products span across healthcare fields from immunotherapy drugs, to cancer treatments, to generic, over-the-counter medications.

Pfizer has grown largely through acquisitions. They have grown organically, of course, through their own generation of medical products; Worldwide Research Development Medical (WRDM) is their research and development branch, and they have over ninety new products and improvements currently in the works. Mergers do, however, account for a large portion of their increasing size, especially in the 2000's. The largest of these combinations occurred in 2015 when Pfizer acquired Hospira for over \$15 billion; the synthesis of the two companies made Pfizer the largest producer of injectable pharmaceuticals in the world. Although not all of their proposed mergers have been successful, as demonstrated by their Allergan acquisition attempt, they have had recent success through one of their subsidiaries, Upjohn. Upjohn has recently begun managing Pfizer's Meridian subsidiary which specializes in auto-injectors, the most well

known of which would be EpiPen. Shortly after the change in management, Upjohn combined with Mylan to form a new company, Viatris, which will continue to operate both Mylan and Upjohn business under new ownership. While Viatris is their most recent development, the acquisition of Array for over \$11 billion in June of 2019 marks another milestone in their growth.

Pfizer is using many of these mergers to help to expand to new markets. They are putting forth a concerted effort to develop market share in emerging markets such as Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Africa, the Middle East, Central Europe and Turkey. This diversity in markets does expose Pfizer to risk from the fluctuations in foreign exchange rates, but they hold a number of securities contracts to hedge this risk. The SEC has taken notice of Pfizer's growth in many of these markets and has fined them for bribing foreign officials to pass their drugs through inspections.

Alongside the SEC's watchful eye, Pfizer is under several minor investigations, although none of them seem to be crippling in nature. Investigations include subpoenas and inquiries from the United States government surrounding operations in India, China, and Russia. Pfizer is also handling several class action or multi-district lawsuits surrounding their products; pricing of their Epi-pen and a couple of their other products constitute most of these civil suits. Some malignant effects of Viagra and Docetaxel, a cancer drug, are also on trial in a number of states. They have entered settlements on all environmental related issues, which have now been a multi-decade set of processes. In March 2020, another long lasting suit was settled surrounding hormone therapy drugs sold under a subsidiary, Wyeth. Conversely, Pfizer is also the plaintiff in a number of patent-related suits against other pharmaceutical companies regarding the nature of a number of similar drugs.

Beginning in 2018, Pfizer had a five year plan to invest approximately \$5.0 billion dollars back into the United States. As part of this plan, the company announced in mid-2018 that they would be investing \$465 million into a state-of-the-art injectable pharmaceutical production facility in Portage, Michigan. This boost to the facility has been instrumental in the production effort for the Covid-19 vaccination. Additionally, the company stated plans to invest close to half a billion dollars to construct a new gene therapy production facility to boost their research and development capabilities. To give back to their employees, Pfizer voluntarily contributed \$500 million to their pension plan and gave out one-time bonuses to their employees totalling \$119 million in early 2018.

Pfizer's 2020 plan was thrown aside due to the worldwide pandemic. The coronavirus has caused Pfizer to shift gears to developing a vaccine. The vaccine was declared to be 90 percent effective nearly a week after Election Day. This caused a great jump for Pfizer's stock price. Since millions of vaccines would be needed by the US Government, as well as others, focus has shifted to producing those vaccines in a timely manner since the main competition, Moderna, produces a vaccine with similar efficacy rates (within one percent) that is easier to store and lasts longer. Availability is the key to making this pandemic as profitable as possible for Pfizer since they are fighting with a more agile competitor. Pfizer's chairman and CEO, Dr. Albert Bourla, was looking to continue regular research and development processes throughout 2020 according to his letter included in Pfizer's proxy statement. To be one of the companies developing a vaccine for the COVID-19 pandemic was not expected, but they have adapted to the situation and have been able to turn in a profitable and productive year.

In this case, our group gained an understanding of how Pfizer operates and the way it has developed in the last five years. A particular focus was on the mergers of Pfizer and the

coronavirus vaccine they developed. This baseline of knowledge will allow our group to provide a more insightful analysis of Pfizer as we continue in this case study.

### **Case 7: Pfizer Case Competition – Audit**

For the second week in preparation of the case presentation, our group has been given a brief introduction to the process and goals of auditing since none of our members have taken the audit-specific class at this time. With this new information, we searched through the income statement and balance sheet of Pfizer looking for potential signs of a material misstatement of six accounts. In addition to the risk of misstatement, we have been tasked with assessing the risk associated with the misstatement, and as identifying a problem without a suggestion is just complaining, we were asked to provide suggestions for internal controls to prevent inaccurate reporting. These solutions should be applied using data analytics to test balances and transactions.

Revenue marks the beginning of the income statement. Misstating revenue then, has the potential to distort earnings reports and, depending on the magnitude and direction of the error, a misstatement could drastically under or over state Pfizer's performance for the year. Revenue is an audit risk because of the magnitude of transactions that are aggregated in the account, and revenue's significant size makes it especially important to accurately report the account. Pfizer is one of the forerunners in pharmaceuticals in terms of digital supply chain management and cloud-based information controls. The massive scale of their selling process, however, means that simply looking at a log of transactions would not rectify the risk of misstatement. A randomized sample of transactions from each geographic region should be taken, and the money in the account should be traced from the purchaser of the inventory to the deposit in Pfizer's balance.

A non-logistical, but significant reason for pause in the revenue account is the magnitude of revenue deductions that are not on the face of the income statement. Gross sales would have been 40 percent higher than reported revenue if these deductions were included in the initial report. Ten of this 40 percent comes largely from chargebacks from U.S. wholesalers who make up over thirty five percent of Pfizer's global, annual revenue as reported in the income statement. While there may not be a data analytics solution to these numbers, a closer look at the contracts would be insightful.

Another risky account our group chose was long-term debt. Long-term debt makes up approximately 35 percent of Pfizer's total liabilities. Misstatement of long-term debt could have major effects on a company's balance sheet. There are great risks valuing long-term debt, and it is important to conduct internal controls when doing so. Two internal controls that could be especially useful in creating an accurate representation on long-term debt are segregation of duties and routine market tests. Segregation of duties allows for more than one person to evaluate portions of long-term debt. Another internal control that could be useful for long-term debt would be conducting routine market tests. Updating present values on long-term debt is important to make sure the values are accurate.

Goodwill represents 35 percent of Pfizer's total assets. A third of any company's assets deserves a closer look. Pfizer looks to acquire and merge with other companies in an effort to capture new markets, ideas, and products constantly. This consistent behavior will inevitably lead to a large balance in goodwill. Many times, in corporate acquisitions and mergers, companies are bought out at inflated amounts in an effort to "dump" cash while keeping assets, in the form of goodwill, on the balance sheet. This is written off through tax deductions while keeping overall book values higher than if the cash were taxed. Behaviors like this keep taxes

lower while expanding revenues which keeps stock prices soaring. As well as stockpiling goodwill, Pfizer also writes off very little goodwill due to impairment. In fact, during 2019, no goodwill was written off as impairment during their goodwill impairment review and none was determined at risk of being impaired in the near future. Pfizer does organize a regular goodwill impairment review which greatly lessens the risk of this practice. An official audit would surely check into the processes and notes of these meetings to ensure that honest appraisals were given of all material acquisitions. Testing these transactions would require an analysis of the companies that were acquired and the book values at which they were acquired. Streamlining this process would require impairment tests to be automated. Keeping separate records of the acquired companies would allow for their book values to be tested regularly, and the resulting impairments (or nonexistent impairments) would be entirely automated. This would be a great use of data analytics because of the large number of mergers and acquisitions that Pfizer engages in.

Accumulated other comprehensive loss represents over 11 billion in losses on the balance sheet, which is always a cause for concern. One reason that this is concerning is because over half of this balance comes from a loss on foreign currency adjustments which is a loss that is hard to control due to the volatile nature of some foreign currencies. Another cause for concern is that these losses on foreign currency adjustments are carried over year-to-year, and the statement gives no indication if the values are adjusted for inflation or even the current value of the other currency. Finally, the report shows that there has recently been a change in the accounting practices related to this account. This calls into question whether carried over amounts from the previous years are accurate and whether more research should be conducted to verify that these numbers are in fact correct. Another large portion of the loss from this account

is attributable to actuarial losses from the company's benefit plan. This amount should also be verified because it isn't clear if this financial risk is adjusted either. There are certainly ways that technology could help with certifying these numbers. One way is making sure the most up-to-date valuation of currency is used and keeping track of currency values to help reduce the risk of these losses in the future. Another is using processes to ensure that the people responsible for assessing the risk of the benefit plan have all of the relevant and current data to make their decisions. The good news is that the company is reclassifying some of both of these values, meaning that it at least acknowledges the importance of verifying and adjusting these values.

Pfizer's research and development expenses mainly come from collaborations or licenses with other companies. Pfizer collaborates with both partners and third parties, but only lists partners in the notes of the income statement. R&D is also funded by licensing agreements, with Pfizer currently in three major license deals. R&D within Pfizer runs several risks a large one dealing with external factors. Most of Pfizer's R&D comes from collaborations and licenses with other companies and these partnerships come in the form of multi-million-dollar deals. A potential deal going sour runs the risk of large portions of funding that are in R&D being forcefully retired or removed. The other main issue with R&D is regulatory. Pfizer can allocate a large fund of money to a product and have the product rejected based on regulations. This recently happened to Pfizer with their autoimmune disease drug Xeljanz which failed regulatory FDA drug tests earlier this week. As stated earlier, Pfizer only releases a list of funding they get from large partners, which makes up a small portion of their R&D expense. Creating a list that includes the funding from third party transactions will allow for Pfizer to run less of a risk. The use of data analytics would allow auditors to possibly see the greater breakdown of the R&D account. Data analytics could allow for the possibility to see where the funding for R&D is

coming from and how R&D is expensed over the company. Data analytics would add an extra layer of protection over R&D and allow transparency.

This case was a learning experience for our entire group. We were able to learn a basic understanding of what auditors do and apply that to our company. While the process took time and patience from our group to gain these basic understandings of audit, our group managed to successfully find what we believe to be the six riskiest accounts under Pfizer. This case helped our group gain both an overall understanding of audit and of Pfizer's financial transactions that will hopefully be useful as we transition to tax.

## **Case 8: Pfizer Case Competition – Tax**

For the third week of case competition preparation, our group's assignment was to formulate strategies to elicit tax savings for Pfizer. With minimal experience, the group was given a set of recently-implemented tax regimes as a starting point for our analysis. The plans for savings can come from restructuring, expansion, or divestiture, but should be accompanied by supporting figures that specify the magnitude of the savings and an outline of the process by which Pfizer will change its current strategy. Because of the confidential nature of taxes in general, a degree of uncertainty exists regarding what Pfizer's current strategies are, and so our suggestions may reflect strategies already being considered or implemented by Pfizer they may also miss the mark by as much as the assumptions we make about their current position may be separate from reality. As a pharmaceutical company, Pfizer has two potential areas within which to improve their already impressive 7.8 percent tax rate from 2019: intellectual property and research and development.

The GILTI tax updated in the Tax Cuts and Jobs Act may pose a hurdle for Pfizer, who has substantial positions in pharmaceutical patents which produce royalty income from allied sales. Although not disclosed in their financial statements, it is common practice for large companies with significant intellectual property to house their revenues generated from these assets in foreign subsidiaries. Since Pfizer has considered moving its entire operation to be headquartered in Ireland through the purchase of Allergan, and Ireland has friendly, globally renowned tax practices, we will assume that they house a significant amount of their intellectual property there. The amount of GILTI tax is dependent on the amount of depreciable, tangible

assets the foreign subsidiary holds. Any income over a 10 percent return on these tangible assets is considered to be taxable under GILTI. So, increasing tangible assets decreases the amount of GILTI tax by 10 cents on the dollars. The pharmaceutical industry is facing changes in the near future because of their current dependence on patents to be able to control the distribution of new medicines. In having to implement more service-oriented infrastructure, this reduction in GILTI tax would provide an incentive to move forward with investment in tangible infrastructure in the health service industry. Pfizer has consistently received \$500 million in royalty revenues.

Assuming that \$400 million is taxable under GILTI at a rate of 10.5 percent, investment of the full amount in new infrastructure would provide a tax saving of \$42 million. Of course, Pfizer would not spend \$400 million to decrease their taxes by \$42 million, so the project in question would need to be profitable in itself to validate the spending.

Our second strategy would be to reduce research and development conducted in Sandwich, UK by half and then relocate that portion of the R&D to facilities inside of the US. This move would allow Pfizer to take advantage of the 10 percent tax credit proposed by President Joe Biden that is given to corporations that bring foreign jobs back to the United States. Pfizer spends \$374,544,000 on R&D at their UK facility, so half of this amount, \$187,272,000, would be rehomed to the seven US research facilities in order to create jobs and qualify for the tax credit. Based on the tax rates of the two countries and the new tax credit, Pfizer could save nearly \$200,000 on this move alone and create large amounts of goodwill with the American public and the current administration. On the other hand, the value added by this facility -- owed to its connection with the UK government and important Asian partners -- means that it is unwise to move all of this production back to the US. Additionally, this strategy relies

heavily on the tax credit being implemented, so Pfizer should monitor the political climate to make sure this is being enacted.

Pursuing the expansion in the amount of depreciable, tangible assets is a method that will simultaneously increase the amount of future revenues while decreasing the GILTI taxes that accompany such increases. This is a strategy that will allow for Pfizer to continue to take advantage of Ireland's favorable tax policies even with the stricter GILTI tax. The second tax strategy of moving half of the Sandwich, UK research and development (R&D) operations to the United States to take advantage of President Biden's recent 10 percent tax credit for creating new US jobs will allow Pfizer to decrease taxes while maintaining the same level of research and development. Moving half of the R&D operations will enable Pfizer to take advantage of the tax credit while also maintaining their multinational relationships. While tax savings of the move are not substantial, they would provide considerable amounts of goodwill that will be worth significantly more than the tax savings. Overall, Pfizer already has an impeccable track record for reducing taxes, but they would be able to further improve upon their taxes by taking advantage of new tax laws that have been put in place by the Biden administration.

### **Case 9: Pfizer Case Competition – Advisory**

During the third week of preparation for the case competition, our group acted as an advisory team. Our task was to identify and develop two strategies that Pfizer could undertake to improve its performance. In building these plans, our group investigated Pfizer's current practices to avoid repetition, but searched across industries to potentially find a suitable application to Pfizer. Of our two strategies, one models itself off of the success that delivery services bring by increasing revenues and the other offers a suggestion for an acquisition that would allow Pfizer to capitalize on a fresh market opportunity.

Pfizer faces competition from its generic competitors that undercut them on prices of their over-the-counter medicines such as Aleve and Robitussin, among others. This low cost competition takes away from the ability Pfizer has to raise prices as the normal costs of doing business increase due to inflation and contractual raises. This is a problem that Pfizer has combated with online marketing and two-day shipping guarantees for many products, but this is not enough in today's fast-paced world. Every industry from restaurants to grocery stores to car dealerships is moving towards same day delivery, and in many industries, even shorter windows of time. It is time for Pfizer to throw its proverbial hat into the ring to pursue same day delivery in big cities. Companies such as Walmart and Amazon have made great headway into creating an infrastructure for the next step in customer innovation. Walmart has the ability to have a warehouse attached to each store that provides the inventory to meet the same day delivery needs. Amazon has distribution centers in several large cities around the United States including Seattle, Washington, New York City, New York, and Dallas, Texas. Totaling 27 cities that offer

same day delivery, Amazon has built an excellent model to evaluate. Pfizer does not offer nearly as many products as Amazon and Walmart do, but they can lease warehouse space that is unused to house their more limited products. Creating an efficient delivery structure is obviously the biggest challenge to this issue, but there is a model to follow. A now defunct company called HomeGrocer (later bought out by Webvan, also defunct) maintained a warehouse that contained many more items than Pfizer would be storing that required different temperature storage units and a delivery system that handled up to one million dollars in sales each day at its peak.

Operating a same day delivery system would come with costs from warehouse space to dispatchers to web-hosting and delivery drivers and vehicles. At first, this may seem to accomplish the exact opposite of what it was meant to do since the price would have to be raised to afford these new expenditures or less would be made which defeats the purpose (unless volume picked up unexpectedly), but the delivery movement presents the opposite. People are more than willing to pay a premium to receive things as soon as humanly possible. DoorDash delivery can cost as much as 30-40 percent more than an in-person pickup in many cases. HomeGrocer charged a hefty fee to have things delivered on the same day, and though it reached its peak in 2001, it was the largest grocery delivery service in terms of daily sales revenue until the British firm Ocado surpassed them in 2010. Amazon and Walmart's approach to the system is low-cost leadership which would not be the angle that Pfizer needs to approach this venture at. Medicine, such as Advil and Robitussin, are items that consumers would pay greater fees for if they were able to continue resting in the comfort of their homes. As Pfizer understands, when people are not feeling at their best, they are willing to pay to jumpstart the road to recovery. The entire premise of this idea is that customers are willing to stay at home and pay more instead of going to the local convenience store to guarantee lower prices. This concept has been proved

time and time again by different industries branching out into delivery that at first were skeptical. Pfizer can realize great potential that its competitors have not seized upon yet. In fact, a similar venture by CVS correlated to a three percent increase in revenues. Applied to Pfizer's over the counter drugs, which account for around six percent of their \$51.75 billion in revenue, this could represent an increase in revenue of over \$93 million in the first year alone. This increase along with the three percent growth rate that the firm has been realizing, means they stand to increase revenues by approximately \$495 million over the next five years from this deal.

Mental health is not new. The attention that the public has given mental health in recent years, however, has increased significantly. Pfizer has already capitalized on the pharmaceutical side of medication for depression and anxiety through Zoloft, Xanax, and Effexor. A new market surrounding mental health is in its early inception: psychedelics. There are several companies in the process of developing potentially hugely valuable intellectual property related to psychedelic pharmaceuticals. Many of these companies, however, do not have the infrastructure to maximize their market share in the pharmaceutical world.

An example of one such company is MindMed. They have clinical trials for several drugs using LSD and MDMA, two psychedelic compounds. Their drugs are marketed for anxiety, historically untreatable depression, and, potentially most importantly, addiction. The addiction drugs related to the opioid crisis in the United States alone had a market value of over \$3 billion in 2020. MindMed also recently acquired a leading AI telehealth company, HealthMode, which would allow them to administer the accompanied mental health counseling. MindMed's total assets and debt, however, is only \$28 million. Pfizer should buy MindMed. Pfizer could easily purchase MMEDF with cash. MindMed currently has no revenues; they are purely research and

development. They do have a high market capitalization since their stock price has rocketed in the last six months; it went from a penny stock to over the \$4-mark, so the market capitalization is a fickle metric. Even a generous multiple of five would only cost \$140 million; Pfizer had over \$1 billion in cash on hand in 2019 that they could use to finance the acquisition.

Once they acquire MindMed, they're projected to have drugs ready for market by the end of 2023 with both of their top developments finished by the middle of 2024. Operating MindMed has historically cost \$20 million a year. So, over three years, the project would cost \$200 million in total. Pfizer sold over \$800 million in anxiety and depression medications in 2019 alone from just three drugs. According to predictions based on the current market for depression, anxiety, and addiction medications, and Pfizer's manufacturing and marketing capabilities, Pfizer can make a return on its investment within the first couple of years with hundreds of millions in revenue being added to their books. The chart below shows potential revenues resulting from the MindMed acquisition in millions of dollars.

Revenues \$ in millions	2024	2025	2026	2027	2028
LSD Therapy	75	82.5	90.75	99.83	109.81
18-MC	0	300	300	300	300
Total	75	382.5	390.75	399.83	409.81
Expenses	71.75	283.925	289.6175	295.8793	302.7672
Profits	3.25	98.575	101.1325	103.9458	107.0403

Assuming that each LSD therapy costs \$250 dollars and 300,000 people try it the first year (0.1%) of America and that it grows 10% each year

The 18-MC is much more scalable as an addiction pharmaceutical. At 10% of the market for opioid addiction alone, that would be \$300 million with room to grow in the \$3 billion market

Expenses will be \$20 million to operate MindMed in addition to an operational percentage of 69% of revenues; their operating income for 2019 was 31%.

Figure 9-1. Revenues from implementing MindMed

Pfizer has long been one of the largest pharmaceutical companies in the world, but every company must continue to expand their horizons to be able to compete long-term. Pursuing an acquisition of MindMed and same day delivery infrastructure in large US cities can be the ideas that keep them at the top for years to come. These two potential paths have the ability to positively impact Pfizer's balance sheet and income statement for years to come. Risks are a given, but these two areas of expansion are looking to the future based upon what direction consumer trends are going. Holistic healing is becoming increasingly popular while delivery is seeping into every industry in the world, so Pfizer has a chance to lead their competitors into the future of pharmaceuticals.

## Case 10: Pfizer Case Competition – Stock Analysis

For the fifth week of preparing for the case competition, our group worked through a financial analysis of Pfizer. Stock pricing, while not always a perfect indicator of the value of a company, is generally considered to be a fair method of valuation, especially when considered over a number of fiscal periods. Our analysis involved working with the stock price and outstanding share numbers to find the price-to-earnings ratio. In a bit of a circular problem, we then used this ratio to predict Pfizer's growth given an increase in earnings per share. These increases in earnings come from the enactment of the advisory portion of the case competition. Week four represents a more thorough quantitative, financial analysis of Pfizer and how our suggestions will improve the company.

Pfizer's stock's closing price on the last day of the fiscal year was \$36.41. Pfizer's EPS was \$1.73. Pfizer's Price-to-Earnings ratio on the last day of the fiscal year was 21.05. This was computed by dividing \$36.41 by \$1.73. On February 24, 2021, Pfizer's stock's closing price was \$33.75.

Beta allows for a company to compare how their stock moves in relation to all other stocks in the market. Beta can be interpreted in three ways: one, below one, and above one. A beta of one means that the stock's price moves with the market, and generally only the market has a beta of one. A beta of below one means a stock is less volatile and more stable than the markets, and a beta above one means that stock is more volatile than the market. Many say that beta is an indicator of short-term risk rather than long-term risk. Pfizer's beta is 0.63 which

means that Pfizer's stock is more stable and less volatile than the market. Pfizer has a total of 16 analysts who watch their company on a daily basis. The forecasted growth rate for Pfizer in the current year is 49.10% with the following year having a growth rate of -7.6%. Pfizer's five year growth rate is 3.6%. Pfizer's buy and sell recommendation consists largely of the recommendation to hold and occasionally the recommendation of buying.

To model the growth of Pfizer's stock, our group implemented a basic earnings multiplier valuation approach. Using the basic earnings per share and the actual stock price from 2020 gave our group insight into a realistic price-to-earnings ratio for Pfizer. Holding this valuation constant then, our stock price was exclusively contingent on our projected earnings. Earnings are a function of net income and outstanding shares; we assumed shares outstanding would remain constant, so earnings are only dependent on net income. Pfizer recently discontinued a large part of their operations in a joint venture with Japanese, pharmaceutical company Mylan. The discontinuation makes historical data less relatable, but our group had enough information to make defensible assumptions about the ratio of revenues to income. From these assumptions, an increase in revenue would increase net income. To increase revenue, we modeled both dynamic efficiency increases, as well as new sales to reach a projected stock price increase of over fifteen percent in five years as seen in Figure 1 - Week 5 Case Competition. Additionally, we modeled the cost of goods sold and other expenses that decrease the net income in a similar manner by taking into account both the companies expected growth and the costs associated with our recommendations. Taking our expected strategies into account we project the company to experience a 14.6 percent increase in net income over the next five years with no expected growth in common shares outstanding.

Based on the calculations done in the preceding, we believe that our recommendations for Pfizer's business and tax strategy are both valid and profitable. First, we see a modest but respectable two percent increase in our expected return on assets over the next five years. This means that the company will become stronger and more profitable based on our suggested action. Also, we expect Pfizer to experience a 15.7 percent increase in stock price over the same time horizon. This is greater than the 12.2 percent increase they have realized over the past five years, and we believe this is attributable to the large increase in net income related to our suggested actions. Consequently, Pfizer will encounter some risks associated with our suggestion, but these risks should be minimal. Since Pfizer is such a large and diversified company, the beta is not expected to increase in any significant way meaning Pfizer's stock will remain less volatile than the market as a whole.

This case allowed for our group to gain an overall better understanding of Pfizer's place in the market and we were pleased, but not surprised to find that Pfizer has a solid place in the market. Our group faced challenges in trying to project future stock with only data from 2019. We were able to find a consistent growing stock, when Pfizer's 2020 10k was published last week. This allowed for our group to find a stronger prediction for the next five years and one that grew as well. Many of us just finished learning EPS in intermediate, so the experience of learning how to apply EPS in a more real-life setting has been beneficial. This portion of the case also allowed to us to gain another layer of understanding of how our strategies we will be presenting will possibly affect Pfizer. This case allowed for our group to gain a better understanding of the market, Pfizer's said place in market, and how our solutions will turn into a positive for Pfizer's stock.

## **Case 11: Financial Case**

### **Summary**

In this case, we were instructed to read and watch a series of materials relating to the 2008 financial crisis. These materials consisted of YouTube videos, the movie *Inside Job*, and articles. We were instructed to watch/read the materials and take a day to think and digest what we learned and then answer three questions.

The first question asked about how the materials affected my trust in institutions and the government. I knew that corruption was common, but the amount of corruption that caused the 2008 financial crisis still shocked me. I already knew there was corruption in the government, but the large amounts in the institutions in these materials made me wonder about the places I could potentially work as an accountant.

The second question asked how the materials affected the view of myself in society. These materials caused me to want to put a stop to it all and advocate for a change. I want to be able to advocate that change in my professional life, either as a public accountant or working for the government, as well as my personal life.

The final question asked about the similarities in the current political landscape and the political landscape back in 2008. For this question, I did some research on current leaders of the federal reserve and the Secretary of the Treasury. I was pleasantly surprised to find out the current leaders in these positions do not come from the big banks. The second part of this

question asked what have we learned that will stop another crisis. The main takeaway from the crisis is a stricter regulation, both on the institutions and within the government.

This case caused me to learn more about a large part of our current history, and in learning about this history has made me disgusted and hungry for change.

**1. How did these materials affect your trust in institutions and the government?**

I always knew that large companies backed and paid politicians. You hear in the news about how Chick-Fil-A is always giving money to politicians that will support anti-LGBT policies, and a large part of Trump's presidency was that he was constantly being paid by large corporations. Most people are semi-aware of the corruption of politicians, and it is to be expected that politicians can and will be bought off by companies. The more surprising thing that I learned was how much the institutions and government were the cause of the 2008 financial crisis.

I really do not remember much about the 2008 financial crisis and as I got older, I knew it had to do with the housing market, but that was the limit of my knowledge. Reading and watching all of this material was a shock and caused me to sit back and really think about what I knew about the world. The way the big banks played with regular American's money was shocking and is the main factor that has increased my distrust in institutions.

It's amazing the way that these banks toss away people's money like it is nothing. The financial crisis caused millions of people to lose their homes and life savings. The carelessness of the whole situation by the institutions is another big factor that causes distrust. Neither the government nor the institutions paid enough attention or cared enough to see the writing on the walls that warned of the financial crisis looming over the horizon.

Another event that happened during the crisis that caused distrust in both the government and institutions was the lack of punishment for these firms. They were all bailed out by the government, and all the board members continued to rack in millions of dollars during the crisis. They never faced what they caused, and the crisis never affected their businesses. The reason why they did not face any consequences is because the government is stacked with those who have previously worked for the big banks.

Financial services in government such as the treasury department and the federal reserve are stacked with former big bank workers. The government is supposed to regulate these big banks, but having former workers who were in leadership positions in these organizations is a large conflict of interest. These former workers are more likely to be lenient with regulations to these companies and, like in 2008, save them. This conflict of interest makes it hard to trust the government because we cannot trust them to make the tough decisions when it comes to cracking down on institutions.

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

The main takeaway that the materials gave me about my role in my professional life is that I must hold myself and those around me to a higher standard. I am going into a field in the financial sector and I do not want something like the financial crisis to occur again because of this field. I want to go into forensic accounting one day, so this material helped confirm that this would be a possible career path I would enjoy, because I want to stop the spread of the corruption in this world, starting with the financial sector. This material gave my career a purpose, because I do not wish for the world to continue to be as corrupt as it is.

These materials changed my belief about what is possible for accountants to do. In the beginning of the film when they spoke about the banks in Iceland, KPMG was mentioned on not noticing anything wrong with the books of these banks. It is possible that I might audit a client that could be committing the type of fraud we saw in this material, and it is my duty to catch and report it. I have a strong interest to work for the FBI as a forensic accountant, and I already knew that I wanted to find and stop corruption of companies and people, but seeing these materials and gaining a better understanding of how the financial crisis occurred sealed my desire to do this type of work someday.

This changed my beliefs on a personal level of knowing that I need to be careful about taking out loans or lending money to a bank. This will become more relevant as I graduate and begin looking into one day buying a house, a car, or some other large purchase. The material has changed all my thoughts about these processes and how myself and my loved ones need to conduct these types of transactions. As someone who will be working in the finance sector and might have more experience with large transactions, such as mortgages and loans, I feel the need to protect my loved ones and make sure that they are not entering into transactions that will cause them to lose their money.

This has also caused me to personally think about what I can do to make sure the government stops this type of corruption in both themselves and the financial sector. I want to see if there's a group that advocates for these types of changes and calls for regulations within the government and the financial sector. I also hope to look for groups like this in the companies that I will be working for in my career. I feel a strong desire to call and fight for change on these issues.

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

One of the main parallels between the two political landscapes is the continued corruption of political leaders and their willingness to be bought off. The first video that spoke of crony capitalism was published in 2016, eight years after the start of the financial crisis, and while that video was made five years ago, it is still relevant to the current political landscape. Every once in a while, a politician will be caught taking money from a company, and while they are shamed, it still occurs behind the scenes on both sides.

There has been less corruption among the leaders in charge of the financial sector of the government. The new Secretary of the Treasury is a woman named Janet Yellen who does not have a background in the investment banking industry, but instead comes from the realm of teaching. Former Secretary of the Treasury under former President Trump was Steven Mnuchin, who has ties to Goldman Sachs; this is an example of the conflict of interest among the Secretary of Treasury that was a cause of the financial crisis. If we continue to appoint leaders that do not have strong ties to the big banks and will more than likely not favor lenience towards them, there is a likely possibility that we could prevent another financial crisis.

We can learn from the crisis that there must be regulation. We cannot allow for large sectors of the economy to continually go unchecked. This must be done by implementing stronger regulations on institutions. The government gave wall street an inch and they took a mile, so the government must reel the institutions back in and continue stronger regulations and heavier monitorization. We have to make sure that American's money is not being thrown away like it was before the crisis. We are in a global economy in which anything that happens in our country

has an impact all over the world, and we must continue to be aware of that as we set regulations to stop another crisis from occurring.

We also must continue to push for our government to stop being corrupted. One possible way to do this is to figure out why politicians began taking money from corporations in the first place and how we can stop them. Our government has internal checks in the form of checks and balances between the three branches, and we must make sure that this process is performing to the best of its ability. We cannot live without a government, so we must make do with improving it and creating it so that it continues its original goal of representing the wants and needs of the American people.