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A SERIES OF ACCOUNTING CASE STUDIES

by
Grace Anne Jones


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

Oxford
May 2022

Approved by



Advisor: Dr. Victoria Dickinson



Reader: Dean Mark Wilder

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ABSTRACT
GRACE ANNE JONES: A Series of Accounting Case Studies
(Under the direction of Victoria Dickinson)

The following thesis consists of a variety of case studies surrounding accounting and related topics. Each case contains an introduction to the case and key takeaways from completing the case. Through completing these cases, I gained valuable knowledge regarding current accounting issues and developed a more robust understanding of the profession. The case studies were completed during the 2020-2021 academic year under the direction of Dr. Victoria Dickinson in fulfillment of the requirements for the Sally McDonnell Barksdale Honors College.

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Case 1: A Tale of Two Cities

Introduction

For this case, I researched two cities where I would potentially begin my professional career. Choosing a location is an important decision to make as we are recruited by accounting firms based on our location preferences, and we will likely be living and working in this initial city for at least a few years. The purpose of this case was to explore numerous aspects of each city, including population, climate, tax rates, potential housing arrangements, that would help us determine which city would be the best fit for us to start our careers. Selecting a place to live is a decision that should not be taken lightly, and this case forced us to dive deeply into these various significant aspects that we otherwise may not have considered before choosing a location. I conducted research on Dallas and Nashville, which are my top two location preferences.

Because deciding where to live after graduating college is such a significant decision to make, many factors should go into this decision other than simply what sounds fun or exciting. Factors such as weather, safety, cost of living, and numerous others play an important role in choosing a location. The more exciting aspects are certainly nice to consider, but there should also be a logistical and mature approach to this decision. For example, a city may seem exhilarating on the surface, but if the cost of living is extremely high, it may not be so fun to live there if you do not have enough money to enjoy the fun things the city has to offer. This case taught me the importance of considering and researching a multitude of factors before making a choice that will affect the next several years of my life. Without pondering such factors, I could easily make a lasting decision that I would ultimately regret. Through this case, I also realized the various characteristics of cities that are most important to me when selecting a location to start my career. Ironically, I did not end up choosing either Dallas or Nashville.

Population

The population of Dallas is 1.345 million, making it the eighth largest city in the United States. This is quite large compared to my hometown's population of 24,000. However, having lived in a small town my whole life, I am ready to live in a big city, so Dallas's large population is exciting to me.

The population of Nashville is around 670,000, and it has been one of the fastest growing cities in the country in recent years. Nashville has a smaller population than Dallas, but it is still a lot larger compared to my hometown.

Climate

Located approximately 250 miles north of the Gulf of Mexico, Dallas has a humid subtropical climate, and there is a wide annual temperature range. Summers are hot with occasional heat waves. Winters in Dallas are mild, and any period of extreme cold typically does not last very long. Spring and autumn have tolerable weather with pleasant temperatures. The amount of precipitation varies, but most precipitation comes in the form of rain. There is an average of only one inch of snow per year. Dallas also is prone to experiencing tornadoes, particularly in the spring. The weather in Dallas is comparable to the weather in my hometown; it is just a bit warmer in Dallas. I would enjoy this because I prefer warm weather.

Like Dallas, Nashville also has a humid subtropical climate. With the same type of climate, the weather in Nashville is similar to Dallas. The summers are hot and humid, and the winters are fairly mild. On average, the temperatures in Nashville are several degrees cooler than the temperatures in Dallas. The average snowfall in Nashville is around six inches per year. The cooler weather in Nashville and larger amount of snow makes the city not as attractive to me as Dallas.

Topography, Scenery, and Geographic Features

Located in north-central Texas, Dallas consists of mostly flat land, and its elevations range from 450 to 550 feet above sea level. The city was founded along the Trinity River, which is the major waterway through the city. There are many lakes and parks in Dallas, including Lake Ray Hubbard, White Rock Lake, and Klyde Warren Park.

Nashville lies in the center of middle Tennessee along the Cumberland River in the Central Basin. The city's elevation ranges from 385 to 1,163 feet above sea level. It is also situated at the beginning of the Highland Rim, the hilly area in Tennessee that surrounds the Central Basin. Other than the Cumberland River, there are not many rivers and lakes in Nashville, but there are some in surrounding areas. Nashville is home to 99 parks and greenways, including the popular Centennial Park and Cumberland Park.

Taxes

Texas is one of the nine states that does not have a state income tax, and Dallas also does not have a local income tax. Assuming a starting salary of approximately \$55,000 per year, a federal income tax would apply at a marginal rate of 22 percent and an effective rate of 9.39 percent, so \$5,162 of federal income tax would come out of my paycheck. I also would be liable for \$4,208 in FICA taxes, making my take-home pay equate to \$45,630 per year. Dallas attempts to make up for the lack of state and local income taxes through higher property tax rates; however, this would not apply to me because I would be renting an apartment. Dallas imposes a sales tax rate of 8.25 percent.

Like Texas, Tennessee also does not have a state income tax, and there are no local income taxes in Nashville. The same federal income tax rate and FICA taxes would apply. I also

would be renting an apartment in Nashville, so I would not pay any property taxes. The sales tax rate in Nashville is 9.25 percent.

Transportation

The downtown area of Dallas is extremely walkable, but the rest of the city generally is not. Driving a car is the easiest mode of transportation when not downtown, but there are public transportation options as well. Dallas Area Rapid Transit is the public transportation authority in the city, and it provides both rail and bus transportation. The rail system features four lines that connect downtown to other areas in Dallas, and the bus system operates similarly to the rail system. There are two commercial airports in Dallas: Dallas/Fort Worth International Airport and Dallas Love Field. DFW Airport is the largest airport in the state and the second largest in the country.

Driving is the most common form of transportation for getting around Nashville. Public transportation is limited, but the Metropolitan Transit Authority offers bus transit within the city as well as to and from the airport. Uber and Lyft are both active in the city, so those are transportation options as well. Nashville International Airport is the only commercial airport, and it is ranked the fastest growing airport among the top 50 in the country.

Prevalent Industries and Companies

Dallas contains a wide variety of industries. Technology is the leading industry, and other major industries include defense, financial services, information technology, telecommunications, and transportation. The five largest companies are Exxon Mobil, McKesson Corporation, AT&T, Energy Transfer LP, and American Airlines.

The most prevalent industry in Nashville is the healthcare industry. Other major industries include finance, higher education, music production, technology manufacturing, and

printing and publishing. The five largest companies are HCA Healthcare, Dollar General, Community Health Systems, Delek US Holdings, and Tractor Supply Company.

Healthcare and Schools

With several high-quality hospitals, Dallas has been rated one of the best cities in the United States for overall healthcare. Dallas has many hospitals and medical research facilities, including the University of Texas Southwestern Medical Center and the Baylor University Medical Center. Although Dallas has highly ranked hospitals, patient satisfaction ratings have been low. The Dallas-Fort Worth area has over 100 school districts, and the quality of each district depends on where it is located. If I lived in an area with a good school district, my future children would likely attend public school, but there are also many private schools in Dallas.

With healthcare as the leading industry in the city, it is no surprise that residents of Nashville have access to some of the best healthcare. Hospitals include the prestigious Vanderbilt University Hospital, Saint Thomas Hospital, and the Children's Hospital at TriStar Centennial. Like most bigger cities, the quality of public schools is largely dependent upon location, and many of the better school districts are located in the suburbs. Again, my future children would likely attend public school if we had access to a good school district, but if not, there are private school options as well.

Crime

In Dallas, the rate of property crimes is higher than the national average, but the violent crime rate, including assault, is lower than the national average. Dallas also has a lower overall crime rate than cities that are similar in size. There are plenty of safe neighborhoods and suburbs in the Dallas area, but there are also more dangerous parts that should be avoided. Some of the

dangerous areas of Dallas to avoid are South Dallas, West Dallas, and certain areas of East Dallas.

One negative effect of Nashville's growth is the increase in crime rates. Both the violent crime rate and property crime rate are higher than the national rates. Theft, assault, and robbery are some of the most common types of crime in Nashville. The most dangerous areas include Opry Mills, East Thompson Lane, and Murfreesboro Pike.

Rent and Housing

When starting my career, I would prefer to live with a roommate. I think it would be better to live in a new city with someone, and it would also allow my rent to be lower. I would like to live in an area with a high concentration of young professionals; this would include neighborhoods like Uptown, Lower Greenville, and Deep Ellum. I could rent an apartment in Uptown for around \$1,250 per month living with one roommate. A sample apartment is 1,104 square feet, and amenities include a hotel-inspired pool, a fitness center with complimentary fitness classes, a yoga and Pilates studio, and a sky terrace with stunning city views. The complex also has green living initiatives, including complimentary recycling. There is garage parking with reserved parking available.

Some of the top neighborhoods in Nashville for young professionals are the Gulch, Midtown, Downtown, and Germantown. I would be satisfied with any of these areas, but my preferred location would be the Gulch. I could rent an apartment with one roommate in the Gulch for around \$1,300 per month. A sample apartment is 1,070 square feet and includes a pool, a fitness and aerobic studio, and covered parking.

Commuting

All of the Big Four public accounting firms in Dallas are in the Uptown area, so my commute time would be very short. The apartment I researched was less than two miles from each of the firms. I would likely commute to work by driving my own vehicle, but there is a possibility I could even occasionally walk. Because the firms are so close to the apartments, even with traffic, it should take no more than 15 minutes to commute by car.

The Big Four firms in Nashville are located in the Gulch neighborhood. If I were to live in an apartment in the Gulch, I would have an easy commute. Apartments in the area are less than one mile from the firms. Specifically, Deloitte and KPMG are less than half a mile away from the apartment I researched. Therefore, I could easily walk to my office, which is what I would most likely do, and walking would be convenient because I would not have to deal with parking at the office.

Grocery Shopping

There are plenty of options for grocery shopping in the Uptown area of Dallas, including Trader Joe's, Whole Foods, Kroger, Walmart Neighborhood Market, and Tom Thumb. I would do most of my grocery shopping at Kroger and Walmart Neighborhood Market because they are the most economical places. However, I would also shop at Whole Foods and Trader Joe's for some specialty items and fresh produce.

Grocery stores in the Gulch include Whole Foods and Publix as well as the Turnip Truck and H.G. Hill Urban Market, which are local to Nashville. Walmart is located several miles away from the Gulch, but I would still likely go there to get the bulk of my groceries as it is the most economical option. I do like to support local business though, so I would also shop at the local stores in the Gulch for some of my groceries.

Laundry

The apartments in both Dallas and Nashville have a washer and dryer in the individual units, so I would be able to do my laundry in my own apartment, which would be very convenient and easy.

Civic, Religious, and Charitable Organizations

I will get involved in a church wherever I choose to live. In Dallas, I would like to attend Watermark Community Church, and this church has many opportunities to serve the local community. I also would like to volunteer at the North Texas Food Bank, which is located right outside of Dallas. I certainly would enjoy this because I am a volunteer at the Ole Miss Food Bank and am passionate about helping those in need of food. Finally, I would like to serve with the Dallas Life Foundation, a homeless shelter in Dallas that provides meals and a safe environment for those in need.

In Nashville, I would like to become an active member of The Belonging Co, a nondenominational church, and I would want to help with their guest services. Additionally, I would like to be involved with People Serving Nashville. This is an organization that helps with some of the basic needs of the poor, including serving warm meals, distributing clothing, and handing out hygiene products. Lastly, I would like to be a part of the Nashville Food Project. One in seven people in Nashville do not have access to necessary food, and the Nashville Food Project works to change that by bringing people together to grow, cook, and share nourishing food.

Recreational Activities

Dallas and the surrounding area are home to teams in six major sports, and I would certainly take advantage of this because I am a huge sports fan. I would go to Texas Rangers

baseball games and would love to go to a Dallas Cowboys game. I have never been to a professional hockey game, so I would like to see the Dallas Stars play. Dallas has a spectacular food scene, so I would enjoy trying different restaurants around the city. There are also several museums I would like to visit, including the Dallas Museum of Art and the Nasher Sculpture Center. I am a big fan of music, so I would attend some of the many music festivals Dallas offers. Lastly, I would spend a lot of free time in Klyde Warren Park, one of the most popular parks in Dallas. It features walking trails, a performance pavilion for concerts, food trucks, and a game area and also offers outdoor activities such as Pilates.

There are four professional sports franchises in Nashville, and I would enjoy going to some of these sporting events. Specifically, I would like to go to Tennessee Titans football games and Nashville Predators hockey games. Nashville has an exciting music and entertainment scene, so I am sure I would attend numerous concerts and shows. In addition, visiting farmers markets is one of my favorite things to do, so I would spend many Saturday mornings scoping out different farmers markets that Nashville offers. Nashville hosts the Nashville Fashion Week, an event that celebrates the city's thriving fashion and retail community. I have always loved fashion, so it would be very exciting for me to attend this event. Finally, Nashville is famous for their hot chicken, and I would undoubtedly visit many restaurants in search of the best hot chicken in the city.

Traveling Home

Although I am from Oxford, my parents now live in Baton Rouge, so I would travel there to visit them. Dallas to Baton Rouge is around 430 miles and takes approximately six hours by car, which is likely how I would travel. Of course, the cost would depend on the price of gas, but I expect it to cost around a total of \$60.

Nashville to Baton Rouge is around 585 miles and would take a little over eight hours by car. Based on average gas prices, I would expect this trip to cost around \$84 roundtrip. Driving would be the most economical way to travel, but I could also fly if I did not want to take the eight-hour trip by car. The prices of flights from Nashville to Baton Rouge vary, but I believe I could pay \$150 to \$250 for a roundtrip ticket. However, I would attempt to drive most of the time.

Operating Budget

The figure below shows an estimated monthly operating budget for Dallas and Nashville assuming an annual salary of \$60,000.

Monthly Operating Budget		
	Dallas	Nashville
Income	5,000	5,000
Less: Taxes	905	905
Income after taxes	4,095	4,095
Rent	1,250	1,300
Utilities and phone	150	150
Food	250	250
Gas	100	100
Car insurance	125	125
Health insurance	50	50
Savings	500	500
Remaining income	1,670	1,620

Preferred City

Both of these cities would be great places for me to begin my career, but based on my analysis, I believe Dallas is where I would prefer to live. The cost of living for both cities seems to be quite similar, but I like the recreational activities that Dallas offers, including all of the sporting events. I also would prefer the warmer weather in Dallas and appreciate that I would be

closer to my parents if I lived in Dallas. I am not opposed to starting my career in Nashville, but Dallas is my favored location.

Case 2: Financial Statement Concepts

Completed with Megan Jansen, Megan Keel, and Celia Sullivan

Introduction

In this case, we were assigned to groups of four to explore new ways for the FASB to analyze and update GAAP. Our study focused on the valuation of assets and liabilities in accordance with the goals of financial reporting. The FASB provided some guidelines and viewpoints on which to base our discussions. We used these contradicting viewpoints to spark a discussion about the goals of financial reporting and the valuation of assets.

We used our sparse accounting knowledge to analyze every detail of these viewpoints and find advantages and disadvantages of each idea. After challenging each side of the viewpoint, we collectively chose the method by which we think accounting and the FASB should follow. Our final task was to predict and analyze how the method of valuing would change the journal entries when accounting for assets.

Through this analytical and problem-solving process, we grasped the importance of GAAP and experienced the difficult role of the FASB in choosing accounting methods due to the complexity of financial accounting. Because these viewpoints did not have evident correct and incorrect statements, much discussion and debate arose around these concepts. We realized the necessity of carefully considering every different angle and perspective from each viewpoint. We learned that each viewpoint had positives and negatives and that it was not necessarily about choosing the right answer but rather the best answer. We challenged each other's opinions and learned to consider each other's point of view until we ultimately came to a united conclusion. Once we came to a conclusion, we realized that these slight changes to accounting methods can have compounding effects and even change journal entries. Overall, we learned that although accounting is a rule-based profession, its rules and the industry as a whole is very dynamic.

FASB Considerations and Viewpoints

Question 1: Read and consider the following two viewpoints. Discuss which viewpoint should be the FASB's focus when promulgating new standards. Take excellent notes of your group's discussion and write a fully developed brief highlighting the pros and cons of each viewpoint culminating with a final decision based on the consensus of your group. Explain why that viewpoint won the debate.

Viewpoint 1: The proper valuation of assets and liabilities is the primary goal of financial reporting, with income concepts occurring as the result of changes in the asset and liability values. Under this view, firms are essentially "asset greenhouses", where the primary mission of the firm is to earn money by acquiring assets, storing and growing them, and earnings represent the realized or unrealized growth in these assets.

Viewpoint 2: The determination of revenues, expenses, and especially earnings is the primary goal of financial reporting, with asset and liability values being updated by changes in the income statement accounts. Under this view, firms are essentially "asset furnaces", where acquired or internally created assets are continually sacrificed or transformed for the larger goal of producing revenue and earnings.

Viewpoint one places a large emphasis on the physical assets and their valuation. An advantage of this viewpoint is that there is less transfer and disposal of assets. With disposal of assets, particularly long-term assets, there is risk of unrealized losses. Another benefit is that holding and growing of assets increases the value of said assets. Specifically, we thought about investment firms. These firms hold monetary assets with large values that are hard to exchange and/or dispose of, so they might think comparatively to this viewpoint when creating financial statements. On the other hand, this viewpoint contradicted what we know about prepaid assets

and inventories. Growing inventories cause more expenses and reduce liquidity in a company and carrying too much of a prepaid asset causes the same risks. A disadvantage of this “asset greenhouse” is the reliance on valuation. If this viewpoint was true, it would be stating that the purpose of reporting relies on estimates of asset accounts. Although these estimates are important for the decision makers, they are not the primary purpose of reporting.

Viewpoint two places emphasis on the usage of assets to generate revenue. Revenues are not an estimated account but instead come from actual sales. Generating revenue and having profits is a priority in most every business and is important to investors, so we think the reporting should prioritize this account as well. Retail businesses rely on inventory turnover to produce revenues, and although the inventory is a crucial part of the process, the sales process and producing revenues is the mission of the business. A flaw to this viewpoint is that the transfer of assets is expensive and risky. Long-term assets can have many unrecorded risks that are not accounted for or considered in the revenue or expense accounts.

We think that viewpoint two aligns more with the goal of financial reporting. viewpoint one relies on estimates of assets and owned assets as a source of money. We think that the value in the assets is their ability to generate revenue rather than the valuation of the asset itself. Viewpoint two is the superior way of accounting because it involves less estimations and focuses on the accounts that create profit and value for the company.

Question 2: Read and consider the following two viewpoints. Discuss which viewpoint should be the FASB’s focus when promulgating new standards. Take excellent notes of your group’s discussion and write a fully developed brief highlighting the pros and cons of each viewpoint

culminating with a final decision based on the consensus of your group. Explain why that viewpoint won the debate.

Viewpoint 1: Assets should be measured as “value-in-exchange”. Assets realize their contribution to firm value on a standalone basis in exchange for cash or other economically valuable assets. Use of such assets in combination with other firm assets generates little or no incremental firm-specific value.

Viewpoint 2: Assets should be measured as “value-in-use”. Assets realize their contribution to firm value by being consumed or used in combination with other assets. Use of such assets in combination is expected to generate firm-specific value incremental to the sum of the assets’ individual values-in-exchange.

Viewpoint one states that assets should be measured on a standalone basis. This allows a traceable and accurate value to be assigned to each asset. These assigned values make it easier to determine a sale price if the asset needed to be exchanged with an outside firm. This exchange-based valuation made us think about using fair market value to allocate values to assets.

Viewpoint one, however, states the use of these assets with other assets within the firm does not create incremental firm-specific value. We believe that assets can be worth more to a company than their stated value. For example, patents and copyrights have little to no value without the asset they are protecting.

In contrast to viewpoint one, viewpoint two states that assets should be realized at an estimated overall value produced when combined with other assets of the firm. This favors intangible assets such as patents and copyrights that are worth almost nothing on their own. While this viewpoint will most likely state assets at a higher value, it is a less accurate and traceable amount. A downside of viewpoint two is that it is difficult to know how to account for

values on the balance sheet. For example, if two or more separate items lead to a higher value when used in combination than they are worth individually, it is hard to determine where the excess value belongs.

After considering both viewpoints, we decided that viewpoint one is more favorable. While viewpoint two is preferable for specific items, we believe viewpoint one is a better option for accounting as a whole. It allows for more accurate values to be placed on assets instead of estimations.

Question 3: Based on your answer in Question 2, how will current accounting have to change to accommodate this value definition? Provide examples of specific transactions and how their journal entries (either accounts or amounts) would change under this new definition.

If assets were measured as “value-in-exchange” and realized their contribution to firm value on a standalone basis, most of the rules and regulations of current accounting would not be affected. However, a few items would need to be changed. Assets that have little to no market value on their own, including copyrights and patents, would have to be accounted for differently. Journal entries pertaining to depreciation, amortization, and depletion would also be altered since they are meaningless without their respective assets.

Journal Entry Examples:

Current entry: Copyright	1,000	
Cash		1,000

Change: The copyright account would not be debited. Instead, the asset the copyright protects would be debited. The amount of the debit would be unchanged. This is because the copyright on its own means nothing; it must be paired with another asset.

Current entry: Patent	1,000
Cash	1,000

Change: The new patent entry would be treated the same as the copyright entry referenced above. The patent account would not be debited; instead, the asset that the patent protects would be debited. The cost of the patent would essentially be capitalized to the protected asset.

Current entry: Amortization Expense	1,000
Patent	1,000

Change: As stated above, if using the value-in-exchange method, a patent account would not exist. Therefore, the patent account would not be credited; instead, the account that the patent protects would be credited, decreasing the balance of the asset over time.

Current entry: Depreciation Expense	1,000
Accumulated Depreciation	1,000

Current entry: Depletion Expense	1,000
Accumulated Depletion	1,000

Change: Since the accumulated depreciation account cannot stand on its own and is a contra-asset, this account would not be credited. Instead, the asset that is depreciating would be credited for the respective amount. This expense would still be debited into the depreciation expense account. We believe adjusting the actual balance of the asset, rather than using a contra-asset account, aligns with the value-in-exchange method of accounting for assets.

In conclusion, after analyzing the value-in-exchange method, we believe that many entries would involve the original asset account where they previously did not. This would delete the use of many accounts that have no value without their related asset. Although we picked the value-in-exchange method described in viewpoint one over the value-in-use method in viewpoint two, we believe the current and best practices are a combination of both methods.

Case 3: Presidential Debate

Introduction

For this case, we had to consider what it is about our country that “unites” us to make it deserve to be called the United States of America. We then had to watch the first presidential debate of the 2020 election year and compute a prediction about what the economy would look like under both the Trump administration and the Biden administration as well as compare and contrast the job market, taxes, regulations, employment, wages, outsourcing and manufacturing, and overall financial health under each administration. This election year comes at a time when our country is extremely divided and there is much tension between political parties. We ultimately had to contemplate what would allow both sides to come together following the election regardless of which presidential candidate wins and how we would promote unity and peace.

This case made me really consider what it means to be a citizen of the United States and what makes us united despite our many differences. It also made me realize how important it is to conduct various measures of research on candidates, including watching debates, so that I can become more educated and know what policies and agendas I am supporting when I cast my vote. It is very important to make an educated vote rather than voting for someone because somebody else told you to or simply based on political party affiliation, so doing research such as watching debates is crucial to the voting process. I also further learned how the economy could look different depending upon who wins the presidency; this is especially important for us as college students since we will be in the working world in just a couple of years. Finally, I learned that despite anything that may divide or separate us, we are all a part of the same country, and that is much more unifying than any political party ever could be. We should strive to see past any differences and treat all with dignity, respect, and kindness.

Requirement 1: Answer the following question: You live in the United States of America. What is it about our country that “unites” us to warrant naming our country that? Do not just provide a legalistic explanation but answer in terms of common and shared values, goals, etc.

Although our country has appeared to be quite divided in recent times, there are many common ideals and goals upon which the country was founded that make the United States of America “united.” Liberty, justice, and equality are some of various important values that make our country unified. These are the values that initially brought this country together, and I believe they are what can keep us united.

The United States is known as the land of the free, and most would agree that freedom is the quintessential American ideal. In fact, it was the basis for the founding of the country as the colonists fought in the Revolutionary War to gain freedom from Great Britain. This idea of freedom was so important that it became the framework for the Constitution and the Bill of Rights. As citizens of this country, we are united by the substantial importance we place on our individual freedoms, which is a quality that makes this country so great.

Our country also contains a strong level of diversity and is a melting pot consisting of immigrants and people from numerous backgrounds. Even though diversity makes us different, it also is a unifying factor; we all come from a unique background and have had different experiences, yet we are striving towards a similar goal of making something for ourselves and our family and achieving the “American dream.” Our country is also known as the land of opportunity; the idea that all of us have the capability to achieve great things and accomplish even more than previous generations joins us together.

Despite our race, ethnicity, gender, religion, social status, economic class, and any other differentiating factors, we are all part of one nation united under common principles and goals.

We may have differing political opinions and beliefs, but we ultimately need to view ourselves as members of the same team, supporting each other and working towards an even better nation for the future.

Requirement 2: Watch the Presidential Debate that will take place on Tuesday, 9/29, at 8:00pm CST. For each of the candidates, forge a prediction about how their presidency will affect the job market when you graduate and the general business economy for the companies that will either be your clients or your employers. How will taxes, regulations, employment, wages, outsourcing/manufacturing, and overall financial health (for individuals and companies) differ under each administration?

Prior to the coronavirus, President Trump discussed the booming economy as one of his main points for reelection. However, that has changed as we have been in the midst of a global pandemic that shut down the country, and both administrations would now have to rebuild the economy. Because of the drastic effect of the pandemic on the economy, this will likely be one of the most important issues for people in choosing which candidate to support.

The economy under Trump would most likely look similar to the economy in the previous four years of his presidency. He would continue his free market approach with lower taxes and deregulation. During his first presidential term, Trump established tax cuts that would be expected to persist if he was reelected. Prior to the COVID-19 pandemic, the country saw record low unemployment rates, so I would expect Trump to bring the unemployment rate back down, effectively producing a good job market. American manufacturing was a key point in Trump's 2016 presidential campaign, and I imagine he would still support that. Because the economy was doing so well under the Trump administration before the health crisis, I would

think the hope and expectation would be that if Trump was reelected, his administration would be able to restore the economy to its prior condition.

Biden proposes more than \$4 trillion over a decade in new taxes on individuals making more than \$400,000 per year and on corporations, and he also says that he will eliminate the Trump tax cuts and will make the corporate tax rate 28 percent instead of 21 percent. Biden says that his economic plan would create seven million more jobs than in Trump's four years in office. Despite the high spending for Biden's proposed plan to fight climate change, he asserts that his plan will create millions of good paying jobs. This would certainly be helpful in decreasing the unemployment rate and would help create an appealing job market. In the debate, Biden talked about how he brought back the automobile industry to the United States, so I predict he would support American manufacturing. Biden also criticized Trump's trade deals in the debate.

Requirement 3: As you watch the debate, think (and take notes) about the following: How will the two sides of the country come together harmoniously once the election is over? Frame your answer in terms of how individuals, like yourself, will achieve peace with the other side and they, with you. You do not have to discuss which side of the debate you personally fall on, but rather imagine going to class and eventually work with the people around you knowing half of those people share a different viewpoint. Both sides believe this is the most important election in American history, so emotions and tensions will be running high. How do you personally intend to function in the aftermath? Discuss coping strategies for yourself and suggestions for reminding family, friends, and colleagues about the values you outlined in Requirement 1. Formulate a plan to be an agent of positivity and discuss the content of that plan.

As stated above, many view this election as one of the most important elections ever, and because of this as well as the divisiveness our country is currently experiencing, emotions and tensions are certainly running high and will continue to do so throughout the election.

2020 has been an extremely rough year for the entire world and especially for our country as we have dealt with the health crisis beginning in March followed by multiple instances of racial injustice that left our nation in turmoil. Throughout all of this, and especially with the upcoming election, we have seen a strong, harsh divide between Democrats and Republicans that has never before been witnessed with attack after attack coming from each side. It is quite disheartening that through such tough circumstances, we have not been able to come together as one nation.

When thinking about unity, my mind goes to 9/11 and the aftermath of the tragedy. Although I was too young to remember the event, I have heard and read about how the country was so unified following 9/11. It did not matter what your opinions were or with which political party you identified; all that mattered at that point in time was you were a citizen in the United States, and everybody was united based on that common ground. I think it would help if we returned to that viewpoint.

It is very important to remember that each person is so much more than simply his or her political beliefs. We also live in a time where it is too easy to sit behind a computer screen or hide behind a Twitter account and make hateful, divisive comments to people who have different views than us. Too often, people say things online that they would not say in real life, so I think it is helpful to consider the words you are typing and ask if you would speak those words to someone's face.

In such a large country with so many people, it is nonsensical to believe that each person is going to share the same opinions and beliefs. We need to realize that people are not always going to agree on everything, and that is okay. As I wrote earlier, we are a nation founded on the idea of freedom, so all possess the freedom to have their own opinions as long as these opinions do not infringe upon another person's rights to life, liberty, and equality.

I personally intend to function in the aftermath by choosing to love and support others no matter who they are or what they believe. As Martin Luther King, Jr. once said, "I have decided to stick with love. Hate is too great a burden to bear." I firmly believe this is true and am personally promising to be a vessel of love rather than be a contributor to the excessive amount of hate.

I believe that it is possible for both sides to achieve peace with each other if we commit to viewing people beyond their politics and release any feelings of resentment we may have towards the side with opposing opinions. I would argue that all people in this country simply want what they believe is best for the country and want to see a flourishing United States of America. It could be useful to remind others that we are all united under one nation and should be working together to uphold our nation's founding ideals and to create an improved country for future generations.

Case 4: Corporate Income Tax Rate

Introduction

For this case, we had to analyze the corporate income tax rate through reading articles and watching a documentary called *Taxodus*. The articles discussed the Tax Cuts and Jobs Act (TCJA) signed by President Trump at the end of 2017 and the effects of the tax reform both on the overall health of the U.S. economy and in regard to corporations as the law reduced the corporate income tax rate from 35 percent to 21 percent. The documentary, released in 2013, examined some of the problems that occurred with the high tax rate prior to the TCJA where multinational corporations used avoidance strategies to prevent themselves from paying a portion of their federal income taxes, which the TCJA aimed to help fix.

Taxodus showed how large corporations are able to avoid paying a great part of their taxes through a process of “deferral” in which they keep profits offshore because the U.S. tax law does not require taxes on such profits to be paid until they are brought home. Many corporations take large amounts of profits offshore and never bring them back to the United States, thus never paying U.S. taxes on these profits. This process is unfair because it allows multinational corporations to get away with not paying a reasonable amount of taxes and places their share of the bill on domestic firms and American workers. The documentary also talks about how these corporations rely on things like infrastructure to support their businesses and generate revenue, yet they are not paying their fair share of taxes to support such things as infrastructure.

After thoroughly evaluating the articles and watching the documentary, we had to give our perspective on what would be an ideal corporate income tax rate in the United States. Finally, we had to consider if the research and work completed for this case had an impact on whether or not we wanted to pursue a career in the tax service line of public accounting.

Question 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 (in addition to any other sources you would like to include).

Economic growth is important to a nation and its people, and it has numerous positive impacts. Growth in the economy increases the standard of living while stimulating employment and thus decreasing rates of poverty. Economic growth is beneficial, but what drives this growth? The willingness of people to work and to deploy capital drives economic output. Tax policy affects economic growth because it affects the cost of capital, which determines the amount people are willing to invest in new capital as well as where they will place the new capital. Higher corporate taxes equate to a higher cost of capital, thus reducing the long-run size of the economy (Hodge). With a lower rate, more investments are undertaken, capital stock grows, and productivity increases, leading to greater output and higher wages. Tax policy also influences the willingness of people to work. With higher individual income taxes likely comes a decrease in how much people are willing to work because there is a lower amount of take-home pay. Conversely, if individual income taxes are lower, the willingness of people to work is likely to increase because they are receiving a greater amount of after-tax income.

Tax policy certainly has an effect on economic growth, and the corporate income tax is the tax rate which has the greatest impact on the economy. This is largely because of highly mobile capital being so responsive to taxation. While it is more difficult for people to pick up their lives and move, capital can easily be transported to a place with lower taxes.

The tax law in the United States allows corporations to avoid paying taxes on foreign profits until they are brought back into the country. This results in corporations having large amounts of profits that they never pay U.S. taxes on simply by keeping these profits in other

countries and never bringing them back to the United States. They store these profits in countries called “tax havens.” As made evident in the documentary, these tax havens have little to no corporate income tax, typically do not require a local presence of the business in the country, and often have a lack of transparency. Such places include the Netherlands, the Cayman Islands, the Bahamas, Ireland, Bermuda, and others. The avoidance of paying taxes by these multinational corporations through this process of deferral in a way causes American workers and domestic businesses to bear the cost of the corporate income tax, which is unfair.

In the 2016 presidential election, Trump’s revised tax plan was a key issue for him, and after being elected, he enacted the TCJA in 2017, which was the first comprehensive tax reform legislation in over 30 years. This act lowered tax rates for both businesses and individuals and made American business more competitive. A highlight of the TCJA is that it lowered the corporate income tax rate from 35 percent to 21 percent. The lowering of this rate reduced much of the activity exposed in *Taxodus*. The high rate of 35 percent is what was driving corporations to employ tax avoidance strategies such as holding profits offshore. By significantly lowering the tax rate, corporations do not have as great of a need to practice such avoidance strategies. The TCJA has been successful in its goal of bringing profits that were overseas back to the United States. Prior to the enactment of the law, it was estimated that American corporations held \$1.5 trillion to \$2.5 trillion in offshore cash (Pickert). Since the enactment of the law, corporations have brought back over \$1 trillion of offshore profits to the United States.

The TCJA had a tremendous positive effect on the overall U.S. economy and helped provide new and improved opportunities for workers in the United States. In March 2018, following the enactment of the act, there were 7.3 million jobs, with enough job openings to supply every unemployed American with an opportunity to work (“More Jobs and Bigger

Paychecks”). The unemployment rate reached a 50-year low of 3.7 percent in November 2018. The TCJA increased business optimism as companies had additional money that they were able to use to expand business and invest in their workers. The country also saw a blue-collar boom, and in 2018, manufacturing jobs reached a two year high with the creation of many new manufacturing jobs. The tax reform in 2017 helped facilitate a period of economic success for the United States with decreased unemployment and increased wages and opportunities. Unfortunately, this success was greatly disrupted by the 2020 COVID-19 pandemic.

In regard to the corporate income tax rate, one of the 2020 presidential candidates has proposed increasing the rate from the current 21 percent to a rate of 28 percent. While this remains lower than the previous 35 percent rate, it is still a significant increase from the current rate. An increase in the corporate tax rate could be seen as positive or negative depending on the angle from which it is analyzed. One could view an increase positively by arguing that multinational corporations with such substantial revenues should be paying more taxes. This argument may seem to make sense on the surface; however raising the rate does not necessarily mean the corporations will end up paying more in taxes. An opponent of increasing the rate would argue that such an increase would simply cause corporations to revert to the avoidance activities that take place in the documentary.

When thinking about the ideal corporate income tax rate, it is tough to come up with an answer. I believe that the current rate of 21 percent is fairly adequate, but I may consider bringing it even a bit lower to 15 percent. The country obviously saw a lot of economic success with the 21 percent rate as both of the articles for this case reveal, but I believe a lower rate could curtail even more of the offshoring and other avoidance strategies discussed in *Taxodus*. With that said, there needs to be a happy medium, which is difficult to find. On the one hand, the rate

does not need to be too high because large corporations will simply continue to take their profits offshore and leave a miniscule amount to be taxed in the United States, allowing them to continue to avoid paying their fair share of taxes. On the other hand, the corporate income tax rate cannot be too low or else there could potentially come a point where there simply is not enough money from taxes to support infrastructure, schools, public safety, and other goods and services that benefit the American people as citizens of the United States. Additionally, the rate could be so low as to have a negative impact on the national deficit. Although, raising the tax rate would not necessarily fix the deficit as some people may initially think. If the rate increases, corporations will just take more of their profits to tax havens. However, whether the rate is too low or too high, one could argue that corporations would still not be paying their fair amount of taxes in either situation. With a low corporate tax rate, there is the argument that corporations are not paying enough in taxes relative to the large amount of profit that they generate, but with a high corporate tax rate, these corporations take their money out of the United States to foreign countries and avoid paying taxes through this process. Either way, it seems to be a losing situation, which is why it is so important to find the proper equilibrium. Some may argue that the corporate tax rate should be zero, but that seems unreasonable as it would be unfair for large corporations to not be liable to pay any taxes. However, I do not think these tax avoidance strategies will completely be eliminated as long as there are other places with no corporate income tax rate. The need for these strategies can be reduced through a lower rate here in the United States, but I believe a rate of zero will always be more appealing to corporations than simply a lower domestic rate. Seemingly, the only way to get rid of this deferral process is to remove the loophole in the U.S. tax law that allows corporations to avoid paying taxes on foreign profits until they are brought home. Otherwise, I believe there will always be some level of

avoidance strategies occurring; a lower level of avoidance would occur with a lower corporate tax rate while a higher level would occur with a higher corporate tax rate.

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

One of the most frequently asked questions when pursuing a career in public accounting is whether one wants to choose tax or audit. Personally, I am extremely torn between the two options. Some days I think I want to go into tax, and other days, I think I want to go into audit. Still, some days I am completely split down the middle. After watching *Taxodus* and completing the requirements for this case, I can certainly say my interest in pursuing a career in the tax service line has increased. A common misconception about tax is that it is boring and uneventful, but I think this case proved otherwise. In my opinion, both of the articles and especially the documentary showed that tax is exciting, and I think I would enjoy the complexity and the ever-evolving nature of it. The documentary showed how fascinating tax can be, and it is intriguing to learn about how impactful the tax code really is and how much it affects the economy.

Although my interest in a tax career has increased through completing this case, I still am not fully certain whether I would like to pursue a public accounting career in tax or audit. I could currently see myself doing either audit or tax; however, I would say I am leaning more towards a career in tax. Prior to this case, I had an interest in the tax service line, and this case has made me even more interested in tax.

Case 5: Interview with Jon Scala

Introduction

For this case, I had to reach out to someone I know in the business community and interview them about their life and career. The interviewee had to be established and well-respected within their career, or it also could have been someone retired from their profession. I had to ask the interviewee various questions, including both professional and personal life questions, such as what important things they learned at previous jobs, what they would change about their life if they could, and what pieces of advice they would share with my classmates and me. I chose to interview Jon Scala, a family friend. Jon studied accounting at the University of Mississippi, graduating with his bachelor's degree and master's degree in 2005 and 2006, respectively. Although he studied accounting in college, he does not presently hold a career in accounting. He currently resides in Atlanta, and his full-time role is with a company called Cloudmed where he is the executive vice president. Jon has held numerous different positions over his career, which is why I thought it would be very beneficial to talk with him and gain valuable input and advice. Our conversation progressed from discussing his childhood to his college experience to his career and ended with career and life advice as well as potential challenges our generations may face.

I learned plenty of important life lessons and career advice through talking with Jon and completing this case. One exceptional piece of advice he emphasized was that you should not let the fear of failure keep you from trying. If you try something and happen to fail, you should fail fast, learn from it, and pivot. He also discussed the importance of always being willing to learn from others and constantly surrounding yourself with quality people. Additionally, he stressed how important character and integrity are no matter what you may be doing with your career and to always treat people well.

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

After his parents divorced when he was three months old, Jon was raised by a single mother until around 10 years old. His mother worked a job during the day and went to school at night. With his mother working hard to support the family while also going to school, Jon had to learn to do things like cook, clean, and iron. Jon admits these years were tough and money was often tight. His mother then married a man in the navy, which caused them to move a lot. After growing up in California, Jon moved to Kansas, then back to California, then Rhode Island, and finally Mississippi where his stepdad ran the Naval ROTC unit at the University of Mississippi. Jon moved to Oxford during the second semester of his sophomore year of high school and graduated from Oxford High School in 2001. Because his family moved a lot, he had the opportunity to meet new people and was forced to adapt to his surroundings.

Question 2: What were your college years like?

Jon wanted to go back to California and attend college at UCLA, which was where some of his family had gone. However, in the chaos of senior year, he let some deadlines slip up on him, and although he did not really plan to, he ultimately ended up staying in Oxford. He studied accounting at the University of Mississippi, earning both his bachelor's and master's degrees. Jon had fun in college but also had to work really hard to pay for school and provide for himself. On top of having to keep up with his studies, Jon worked 35 to 40 hours per week, including refereeing youth sports in Oxford and Tupelo and tutoring student-athletes at Ole Miss. He also worked hard in school but was able to relax a bit his senior year because he knew he had the GPA to get a job and found security in the accounting school job placement rate. Although he was studying accounting, he felt like to ever really make it in life the way he had envisioned, he would have to own something one day.

Question 3: Tell me about your current job and what a typical day looks like.

Jon currently works with three companies, Cloudmed, Evergreen Linen Solutions, and Odeza, and each company is in a different phase. At Cloudmed, he is an executive sponsor for most of the top 20 large health systems in the country. Evergreen Linen Solutions is a stable company with about 250 employees and \$15 million in revenue and is starting to mature with infrastructure and leadership. Odeza is a very young company with about 20 employees and \$5 million in revenue and is growing but will likely be sold in 2022. His typical day currently includes six to eight Zoom calls, both internal and with clients. Cloudmed takes up about 75 percent of Jon's time, Odeza takes up about 20 percent, and Evergreen Linen Solutions takes up takes up the rest of his time.

Question 4: Did you know you wanted to do this when you went to college? If not, how did you decide to pursue this field of study?

Despite starting without a major, Jon went to college thinking he wanted to be a doctor. After taking the necessary science classes freshman year, he realized this was not the path for him and knew he did not want to study science for an additional eight or more years. He started thinking accounting or something in the business field would be a good fit for him because he was always good with numbers and math, and because of his childhood along with having to pay for college, he was good at making and handling money. Being best friends with the late Johnny Williams's son, Jon received some guidance from his friend's father. Williams, former University of Mississippi Vice Chancellor for Administration and Finance, encouraged him to study accounting because of the starting salary as well as strong job placement and CPA prep from the university's accounting school. Although he did well, Jon found accounting to be

difficult and time-consuming and felt like students were largely on their own to learn the material.

Question 5: Walk me through your first jobs until where you are now. What important things did you learn at each position along the way?

After interning with BDO during college, Jon obtained his CPA license and began working in the Memphis office as an audit associate in August 2006. Although he did not hate it, he quickly realized public accounting was not for him and decided he wanted to try to do something on his own. He knew if he was unsuccessful, he could always go back to public accounting. He worked at BDO for just about five months, but in his short time, he learned that he worked well with people internally and externally and learned a lot behind the business of his clients during the audit process, giving him a deeper knowledge around the infrastructure and policies required to build something great.

Jon's first job out of public accounting was with Henson Distributors, a trucking and plywood distributing company, where he was the chief financial officer and executive vice president. He learned the business in the first year pretty well, and in January 2008, he went to the owner of the business and told him he wanted to buy 51 percent of the company, having the owner serve as the "bank." Working with Henson Distributors taught Jon a lot about supply chain and commodities, and he quickly learned that anything commodity-based was going to be very sensitive to peaks and valleys based upon the base commodity price. He did not really love it but knew it made sense to make a lot of money quickly and then consider how much further he wanted to push it. The business did really well, and when he was ready to move on to something new, he sold his shares back to the original owner and used part of the money to start his own company.

Next, Jon founded JS Health Partners, his textile company that brought in containers of towels, sheets, pillowcases, washcloths, blankets, etc. for hospital rooms from Pakistan, India, China, and Bangladesh. Jon admits he kind of walked into this venture blindly. He had a business partner who was a member of the Parliament of Pakistan, and they had an awesome business model but were not the people who were going to be able to execute it. Jon did not know enough about the business and having a partner in Pakistan presented its own challenges, so the two parted ways. After about a year, while in Frankfurt, Germany, for a conference, Jon realized he needed a vendor rather than a partner because there was no reason for him to be holding inventory. He needed to simply be the marketer and obtain the clients and then let vendors deal with warehousing, distribution, and logistics. After partnering with a vendor he met while in Frankfurt, the business did really well after about a year and a half. Through starting his own company, Jon learned that it is really difficult to start your own business from scratch, and it takes a while to build. He also learned how to adapt to customer needs and how to compete against strong competition. However, he got bored with the company pretty quickly and decided he was not the right guy to take the company to the next level, so he sold it. He thought he wanted to get his MBA from an Ivy League university, so he took the GMAT and got admitted to Harvard. About six weeks from starting school, he was in Boston looking for an apartment when he realized he was actually just bored and did not truly want to go back to school.

Jon then discovered Health Check and in 2014, bought the company in Mexico Beach, Florida, with 40 people and \$2 million in revenue, and it was losing \$1 million per year and had a horrible culture of fear. He hired a bunch of Ole Miss graduates and had to retrain the staff that making decisions on their own was going to be mandatory if they were ever going to build something great. In October 2017, he sold 85 percent to a hedge fund in New York called New

Mountain Capital, and at this time, the company was no longer losing money and had \$18 million in revenue. The most fun part about working with Health Check was surpassing each milestone and getting to see so many people have a lot of success after giving them back their confidence. Jon took some money off the table and then rolled forward a bunch of equity with the company that is now called Cloudmed. He has one percent of Cloudmed, and it will either sell or go IPO in the next eight to 18 months. Cloudmed is the largest company Jon has worked for, and the best lesson he has learned is that big business moves at different paces and has much more complexities when making decisions about the business.

Question 6: What has your life been like outside of your work?

Jon's life for the past four to five years has been pretty much all work, spending over 200,000 miles in the air and 160 to 175 nights in a hotel per year. However, he has recently enjoyed having more balance due to the COVID-19 pandemic and does not see himself traveling so much for work in the future. Despite his busy work life, he cannot complain because he chose to do it and through the sacrifices he has made, he has benefited from both a financial and maturity standpoint, and he has also been able to afford a lifestyle he never would have dreamed was possible.

Question 7: What has been the best vacation you've ever taken?

Jon is very thankful for a month-long vacation he took in which he traveled to three different continents in the summer of 2017. First, he went to Melbourne, Australia for the Australian Open and saw Serena Williams win the tournament. He was friends with Williams's former coach and was able to be around so many famous tennis players, which was a really cool experience for him. After the Australian Open, he spent some time in Africa and finished his trip visiting some friends in Europe for a week and a half.

Question 8: If you could change two things about your life, what would they be?

One thing Jon wishes he could change about his life is to have more balance because his personal life has taken a toll as he has been forced to make sacrifices, although that is easier to say in hindsight but more difficult to apply in the heat of growing a business. He also would have built teams quicker to allow himself to work a little less.

Question 9: 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 my classmates and me?

Jon has an abundance of advice to offer based on things he wished he would have known when he was 21 years old. He says that you should always be surrounded by people who are smarter or wealthier than you so that you can learn from them, and if you ever become the smartest or wealthiest person, you should surround yourself with new people. It is also good to always be around quality people; at the end of the day, you become who you surround yourself with which is why it is important to constantly be around people who are not afraid of hard work and will always do what is right when things get tough.

One simple but powerful piece of advice from Jon is to trust yourself; when you are in your own head, get out of it and do not be afraid to take risks. If you take a risk and it does not go as planned, fail as soon as possible then quickly pivot. Whatever you do in life, always be ready to put in the work because nothing in life that is satisfying or worthwhile will ever come easy, and if it does come easy, you did not set your goal high enough. Be a leader rather than a follower because you will never get anywhere in life being a follower, and when you become a leader, you should lead in an open, inclusive, and transparent manner. Rather than hiding your weaknesses, be honest about them and hire people who are strong where you are weak then recognize and reward them along the way. It is also important to be humble through your success

but still find a way to stay hungry. Lastly, life is a roller coaster of ups and downs; try your best to smile for the camera and enjoy the ride.

Question 10: What are you most proud of?

Professionally, Jon is proud to have a huge team that has told him they want to follow him and be included in anything he does in the future. This makes him feel very loved and shows that he and his partners have done things the right way and treated their people well. He is also proud that he has helped a lot of people reach their potential and discover the confidence they may not have even seen in themselves. He believes the most professionally rewarding thing is to identify certain people who may have been overlooked, get them locked in, and watch them thrive. Through all that he has done, he has always paid well and never been profit-motivated.

In his personal life, Jon is proud to have an incredible group of friends and is honored to be the Godfather of his best friend's one-year-old son Grayson. He is also thankful to have been able to travel the world and experience some neat things that he never thought he would be able to do. Additionally, he is proud to be an amazing father to Layla, his 16-year-old Cocker Spaniel, and he looks forward to being an awesome husband and father one day.

Question 11: What do you think will be the biggest challenge for your generation?

Jon believes one of the biggest challenges will be dealing with the baby boomers that will be retiring soon because there does not seem to be a lot of talent ages 35 to 45 that is ready to step in for current leaders in business, politics, etc. This will be a problem, but it also has the potential to be an opportunity. Another challenge for his generation will be dealing with social media and the negative effects that follow, including a lack of contentment, unhappiness, and jealousy. Lastly, wealth inequality is getting worse, and it will be a challenge to figure out how to try to mend it.

Question 12: What do you think will be the biggest challenge for my generation?

With the growth of social media, Jon believes my generation will be challenged with figuring out how to use it for more good than bad, and there will also eventually be some danger to the instant satisfaction and fear of missing out that is created by social media. Another challenge my generation may face is working with older generations who perceive us as lazy, needy, whiny, and entitled. Finally, with my generation prioritizing health and wellness more than others, we will likely live longer and therefore will face the pressure of making enough money to last.

Case 6: Case Competition – Overview

Completed with Seth Gerus, Emma Parish, Patrick Phillips, and Mary Frances Williams

What was our task?

After being split into groups, we had to decide on a company to study for the case. The company had to be domiciled in the United States, listed on a major stock exchange, and have been publicly traded on that exchange for at least five years. Our group chose to research and study Tesla, an electric vehicle and clean energy company based in Palo Alto, California. We chose Tesla due to the broad media coverage regarding technology and environmental regulations, Chief Executive Officer Elon Musk's extreme financial success, and the general hype surrounding Musk, especially in relation to the technology and automotive manufacturing industry.

What did we discover?

We discovered that Tesla has had an outstanding year in terms of financials, stock performance, revenue, and profits. Tesla has been able to turn a profit for all four quarters of 2020. In addition, Tesla earned the most revenue in a single year and had its first full-year profit in 2020. An important turning point for the company has been its shift toward profitability, and its success has been made possible largely due to rising sales in China and Europe as well as the addition of the Model Y sports utility vehicle, which has become the top seller in the United States.

Tesla is poised to continue its profitability into 2021 and increase its revenues due to the current climate of the auto manufacturing industry. As consumers become more environmentally conscious, they are expected to prefer electric and hybrid cars, and Tesla is a leading brand in this category. The company will also benefit from massive subsidies and favorable regulation from the United States and European governments that are eager to increase in-country production of new generation batteries. President Biden's Green New Deal proposal stands to

benefit Tesla by offering governmental support for the company's renewable energy products. Additionally, Tesla subsidiary SolarCity produces and sells solar panels, and the company is expected to see growth in that sector as the U.S. government prioritizes green energy in an effort to minimize the country's carbon emissions in the years to come.

With the rapid increase of production and the development of the new Tesla Gigafactory outside of Austin, Texas, Tesla is expecting to continue to increase its revenues in the future. Tesla managed to significantly increase annual production from 2018 to 2020 by 68 percent, mainly because of the automation of manufacturing processes, which established greater efficiency, but also because of the company's continued expansion. Following this trend and Tesla's objective of selling affordable vehicles while growing its amount of vehicle deliveries, we expect to continue to see Tesla dominate the automation market. There is plenty of opportunity for Tesla as electric cars look to take a greater revenue share in the future in response to growing environmental concerns.

What did we learn?

While working on this assignment, we learned about the importance of financial analysis and how essential it is for investors to analyze 10-Q filings before investing in a stock. The documents available helped us to successfully determine that a company like Tesla is in a healthy financial state. We did this by simply analyzing the financial statements that are legally required to be provided to the public by the SEC. We were amazed at how much information we were able to gather based off of the company's filings alone. In addition, we believe that the sudden rise in Tesla's stock price is justified based on our findings. Many critics of Tesla state its shares are far too overpriced because Tesla currently holds a market share of less than two percent. With that being said, Tesla investors believe in Tesla's future as a renewable energy

company and a lifestyle company rather than just as an automobile manufacturer. We now feel like we have a better understanding of what investors are looking for in a company like Tesla.

Case 7: Case Competition – Audit

Completed with Seth Gerus, Emma Parish, Patrick Phillips, and Mary Frances Williams

What was our task?

Our task was to audit Tesla's financial statements. Our group was responsible for analyzing Tesla's most recent 10-K filing and investigating it for possible risk. We used a chart that allowed us to organize the accounts that listed possible assertions that Tesla's financial statements could be missing. It was important that our group examine the footnotes of the 10-K filing in order to guarantee that Tesla was reporting accurate and reliable information to its shareholders and the public.

If we came across an account that showed large growth or shrinkage compared to the prior years, we considered that a possible risk and suggested an internal control or test that would help to verify those numbers more appropriately. We paired these internal controls with tests that would reveal data from the account and give us a better understanding of the account's activity. After these tests, we used data analytics in the form of visualization, data filtering, and automated processes to sift through the data and find trends that would point out anomalous activity and show exactly what was happening with the account.

This process was repeated for six of Tesla's seemingly risky accounts and, if implemented, would allow for a visualization of data trends that would point out any anomalous activity. These data comparisons would point to trends within Tesla such as increases in debt coinciding with the construction of new Tesla plants and would probe for any possible risks. By using this audit method, our group hopes to gain insights into Tesla's account activity that we would not have otherwise.

What did we discover?

Through analyzing the financial statements in Tesla's 10-K, we were exposed to the numerous different accounts of Tesla. While many think of Tesla as solely an automotive brand,

we were able to see that Tesla has other sources of revenue as well. By looking at its income statement, we discovered that Tesla has three main sources of revenue: automotive sales, automotive leasing, and energy generation and storage revenues. Additionally, Tesla has some services and other revenue. With Tesla's advanced, cutting-edge technology, we assumed research and development would be the largest operating expense for the company; however, we were surprised to find that selling, general, and administrative expenses surpassed Tesla's expenses for research and development.

We also discovered that Tesla bases much of its valuation on estimates or subjective valuations of its assets. Tesla saw a large amount of growth in the Intangible Assets account in 2019, but this amount would be difficult to verify due to the subjective nature of the valuation of intangibles such as brand recognition. The valuation of Tesla's assets has a major impact on its balance sheet, and by reading the footnotes of the 10-K, we were able to discover the accounting methods employed by the company.

What did we learn?

This audit activity showed us that auditing is a time-consuming process and requires a deep understanding of accounts on the balance sheet and income statement. Throughout the process, we paused our activity to recall the normal balances of certain accounts and how activity in an account would affect other accounts and the overall financial statements. Auditors must be educated on the intricacies of accounts in the balance sheet and other financial statements if they are to be successful in their careers.

We also learned that data analytics plays a major role in the audit process. Rather than sifting through thousands or millions of transactions and entries, auditors can use data visualization tools to quickly parse through data and discover trends and anomalous activity.

Data tools are increasingly important instruments that auditors can use to quickly and efficiently analyze large amounts of data and perform more precise, streamlined audits.

Case 8: Case Competition – Tax

Completed with Seth Gerus, Emma Parish, Patrick Phillips, and Mary Frances Williams

What was our task?

This week we were asked to review prevalent tax laws, including the BEAT, GILTI, and CARES Act provisions, and formulate tax strategies that would legally minimize Tesla's overall tax burden. We analyzed different articles from websites such as the IRS and searched for ways in which Tesla could adjust its long-term strategy to maximize its strengths and decrease its tax burden. Our group weighed the benefits of moving Tesla's operations to low-tax states such as Texas and Florida to minimize its tax burden and compared this possibility to that of staying in California long term.

To conclude, we discussed various ways in which Tesla could decrease its tax expenses, chiefly through moving headquarters out of California and utilizing President Biden's support of electric vehicle industry manufacturing in the United States. Both of these choices by Tesla would reduce the company's tax burden in the long term, and our group believes that they are sound choices to ensure Tesla's future profitability.

What did we discover?

We discovered that Tesla currently benefits from a number of tax incentives on a federal and local level. Tesla's 2020 10-K showed that the company was able to carry forward roughly \$16 billion in operating losses to offset its tax expenses. These taxes were also offset by tax credits of roughly \$1 billion on the state and local level. The action by Tesla to reduce its income tax demonstrates that the company has several different strategies available to reduce its tax expenses.

Through researching the Biden administration's tax policies, we discovered that the administration wants to boost job growth efforts by creating a 10 percent tax credit for companies that are willing to invest in American workers. According to the Bureau of Labor

Statistics, Tesla is below average in annual wages for workers in the refuse and recyclable material collection. Raising the annual salaries of Tesla's employees would not only attract more skilled employees but also give the corporation a 10 percent tax credit.

We discovered that Tesla could save billions of dollars in future profits by moving to a state with little or no corporate taxes. While Tesla is still headquartered in California, Elon Musk has announced his desire to transition his company and headquarters to Texas, where there is no state income tax. This is attractive to companies like Tesla that are stuck paying high taxes as a result of residing in the state of California, especially because the corporate tax rate would decrease tremendously upon the move. Tesla would likely be able to generate a higher net income at a lower tax rate since Texas omits many California-applicable taxes.

In addition, Tesla would be able to lower its overall wage expense because the cost of living in Texas is dramatically lower than the cost of living near its current corporate headquarters. An increase in the salary of an employee in Texas would still cost less than the current salary of an employee in California when adjusted for differences in cost of living. Overall, a move to a state with a lower corporate tax rate would save any corporation headquartered in California billions over the course of just a few years.

What did we learn?

We learned how intricate and nuanced tax truly is. While it may seem like tax expense should be a simple calculation, there actually are a lot of different factors and details that go into determining how much a corporation is liable to pay in taxes. Additionally, the tax law is constantly changing, which adds to the complex nature of taxes. To pursue a career in tax accounting, one must be able to adapt and learn quickly to adjust to the ever-changing tax law. A great attention to detail also must be utilized when researching and working with tax law.

We also learned more about how tax rates may differ depending on the location of the headquarters of the company. While some taxes are incurred federally, others are state-dependent. This can be beneficial to companies who are looking to strategically decrease taxes without making many changes to income. Tax strategy requires a company and those working with it to assess the frequent changes in the environment in which the company operates, and the company must adapt to those changes to maintain or exceed its level of success.

Case 9: Case Competition – Advisory

Completed with Seth Gerus, Emma Parish, Patrick Phillips, and Mary Frances Williams

What was our task?

Our task was to provide financial advice regarding Tesla's strategic mission to help improve the ability to reach its goal through advisory practice techniques. We first had to research the company's operations, including the location of its corporate headquarters and manufacturing facilities and the business mission and strategy. In addition to this, we researched the customers, suppliers, and strongest competitors of Tesla and discussed how we interacted with them in our operations.

Next, we were instructed to produce charts displaying values for the past five years of revenue, cost of goods sold, selling, general, and administrative expense, operating income, assets, liabilities, return on assets (ROA), profit margin, and asset turnover. After analyzing trends from the charts, we discussed reasons for such trends. We were also required to analyze the two largest threats to Tesla's success and develop a plan for the company to counter the threats. Finally, we had to recompute the ROA, profit margin, and asset turnover as affected by our plan and determine how these ratios would be affected by our solutions.

What did we discover?

We discovered that Tesla's CEO Elon Musk stated in 2006 that his strategic mission for the company is to make, "affordable cars and provide zero emission electric power generation options" (Musk). So far, Tesla has been successful in this mission, and with the increasing popularity of electric vehicles, the company is well positioned to continue in its pursuit of Musk's goal of proliferating zero emission transportation.

We also discovered that Tesla's profit margin grew consecutively through the years 2016 to 2020, which was mainly attributed to a parallel increase in revenues. By continuing to increase the profit margin and working capital by increasing assets and revenues, the company will be

able to make higher-quality vehicles at a more affordable price, which will increase consumer demand.

We learned how to evaluate Tesla's 10-K filing by using various financial ratios we have learned from prior accounting courses. For example, we created an Excel spreadsheet and recorded various nominal and permanent accounts from the years 2016 to 2020 to compare each fiscal year to each other. By analyzing the revenue and assets accounts, we were able to produce the asset turnover ratio for each of the five years. The trend in asset turnover percentages shows that Tesla has been able to increase its assets the first three years, with a decrease in the two most recent years. This decline in the asset turnover rate is due to the fact that Tesla's cash and cash equivalents account increased tremendously from 2019 to 2020, decreasing the percentage of the ratios, even though the revenues increased at a more consistent rate. However, when it comes to ROA and profit margin ratios, Tesla was not able to produce a positive number on either of these ratios until the year 2020.

What did we learn?

We learned that advisory work involves many different factors that must be considered when planning for the future of a company. Advisory workers must analyze the goals of the clients they work on and align their strategy for the client with the client's stated objective. The strategy that advisory workers propose to the client should take into account the situation that the client is currently in and find opportunities that the client can pursue in order to grow their business and pursue their mission. It is important to understand the client's mission and strategy because the client may not be very receptive to a plan that is not congruent with its strategic mission. In the case of Tesla, our group observed that Tesla was well on its way to achieving the goal of proliferating affordable electric vehicles and power generation, and we advised the

company to pursue strategies that would defend against the threats to the company and allow Tesla to follow its mission statement.

Case 10: Case Competition – Earnings, Stock Price, and Analysis

Completed with Seth Gerus, Emma Parish, Patrick Phillips, and Mary Frances Williams

What was our task?

Our task for the week was to research Tesla's financial position and capital. We had to determine Tesla's stock price on the closing day of the previous fiscal year as well as the current stock price. Through obtaining data from Tesla's 10-K, we had to calculate the price-to-earnings (P/E) ratio as of the last day of the fiscal year. Additionally, we had to find Tesla's beta, growth rate, and number of analysts following the company. After completing research on Tesla's stock, we then had to identify how net income and common shares outstanding would change over several years. For each of these years, we had to calculate a projected stock price using the earnings multiplier valuation approach. Our final task was to use our new return on assets (ROA) and projected increase in stock price to demonstrate the validity of our recommended strategies while also determining any potential changes to Tesla's risk profile through implementing our strategies.

What did we discover?

By utilizing ratios such as earnings per share (EPS), ROA, and P/E, we confirmed our hypothesis from last week that Tesla will continue to grow in capital for at least five years into the future. We also realized how much effort goes into performing a financial analysis for a company. For example, after analyzing Tesla's 10-K filing, we used the ratios mentioned above to compute forecasted variances in the company's capital accounts. This was a task that required a lot of effort because of the amount of work required to find the numbers and accounts on the 10-K and then perform the analysis on them.

We discovered that Tesla's profitability has had a notable effect on its EPS, giving the company its first positive EPS and indicating that Tesla is coming closer to realizing its corporate valuation. This means that Tesla is on a positive financial trajectory and can continue

to be profitable if it can follow corporate strategy that allows it to grow in sales of electric vehicles and renewable energy. We also discovered that Tesla is a fairly risky company in the market due to the fact that its beta is 2.09, which means that Tesla will experience more ups and downs in the stock market than the average company.

Through researching the buy or sell recommendation for Tesla's stock, we discovered that most analysts recommend investors to hold or sell due to the fact that most analysts believe Tesla has good long-term prospects but believe the current price is much higher than what the stock is actually worth. Some analysts also believe there is a lot of uncertainty and potential risk in investing in Tesla because the market has high expectations for the stock, and any slowdown in growth, problems with execution, or lack of capital could possibly lead to a major decrease in Tesla's stock price.

While most analysts believe Tesla is overvalued in its current state, there is a strong case from analysts who are bull on the stock. One such case focuses on the fact that Tesla is not an automotive company but is instead a renewable energy company. When taking this into consideration, one can begin to see the big picture of Tesla's stock price rising. Renewable energy is certainly one of the best ways to fight climate change, and the industry is bound to see triple digit growth within the next decade. If Tesla can capitalize on the emerging market, Tesla's stock could skyrocket in value over the course of just a few years.

What did we learn?

We learned that there is a large amount of research and analysis that goes into predicting the financial performance of a company. Financial analysts must have a good understanding of the environment a company exists in and the strategy for the company in that environment to make accurate predictions about the future of the company, and, even then, their predictions are

often proven wrong. Tesla is a company that has massive potential for growth, and we learned that the company can increase its stock price and EPS with a strategy that fits with the current economic environment.

Case 11: Financial Crisis of 2008

Introduction

For this case, I had to read and watch a variety of different materials related to the financial crisis of 2008. These materials had to be read or watched in a particular order, and it was imperative to go in the specified order as each article or video built on the previous materials. After consuming the materials, I then had to take some time to synthesize my thoughts and answer three questions related to the materials.

The first video I watched was a short clip about crony capitalism. Crony capitalism differs from capitalism in that the government has essentially been bought off under crony capitalism. There are numerous problems with this immoral form of capitalism. First, it is unfair, as the government is spending public money but not for public interest. Second, it is incredibly wasteful and distorts the broader economy. Lastly, it tempts politicians to break the law through the improper use of funds for personal gain.

The second video I watched was an introduction to the financial crisis with economist Dr. Thomas Sowell. In this video, Dr. Sowell provided a basic explanation of what caused the crisis, which he said actually started in 2006. Politicians made mortgages riskier by changing the rules and started lending money to people who could not have previously gotten loans. According to Dr. Sowell, a lot of responsibility for the financial crisis rests on the shoulders of politicians because they started to meddle with things with which they should not have meddled.

Next, I watched the documentary *Inside Job*, which was divided into five different parts. Part one built upon Dr. Sowell's discussion, providing a deeper explanation for what caused the crisis. The next part was about the years prior to the crisis, specifically 2001 to 2007, in which home purchases and housing prices sky-rocketed because anyone could get a mortgage. This led to the biggest financial bubble in history, and Wall Street traders and CEOs gained much profit.

The third part discussed the crisis itself and the widespread, global impact it had on society. Finally, parts four and five talked about the need for accountability and where we stand now.

Lastly, I had to read two different articles. The first article was about the financial formula that was a catalyst for the financial crisis. David X. Li, a quantitative analyst, pioneered the use of a Gaussian copula function in pricing collateralized debt obligations (CDOs). Dr. Li's formula was a very simplified approach that ignored a lot of possibilities and said that the only thing that ultimately matters is the correlation number. His approach did not allow for unpredictability and assumed that correlation was a constant. Through the use of his formula, CDOs were created as triple-A securities even if none of the components of the CDO were rated as triple-A. This led to much of the issues that ultimately caused the housing market crash. The second article was centered around Goldman Sachs and the deceptive practices they have employed over the course of their existence. The article discussed six different bubbles, including the housing bubble and the oil bubble of 2008, and the role Goldman Sachs played in each of these time periods.

I learned so much through completing this case and took a lot away from it. In general, I learned much more about finance; while I had heard of things like triple-A ratings, junk bonds, correlation, derivatives, and futures in my basic finance class, it was interesting to see them applied in the real world. I also gained a more in-depth understanding of the 2008 financial crisis. Since I was young when the crisis occurred, I did not really know what was going on at the time, and I honestly had not learned much about it even as I got older other than the fact that it was a massive disaster related to the housing market and defaults on mortgage payments. Through completing this case, I learned more about what caused the housing crash and the effects of the crisis. I also learned about crony capitalism, which I had never heard of prior to this

case. While this was not a direct focus of the case, I also learned what really caused the high prices of gas when it was costing \$4 per gallon. Despite the supply surpassing the demand, prices of gas were very high largely due to institutional investors investing in oil futures, and, eventually, commodities speculators owned more future oil on paper than physical oil that was stored. This was especially intriguing to read about after having discussed derivatives like futures, forwards, and swaps in intermediate accounting. Reading and viewing the materials for this case also expanded my understanding of just how much political outsiders such as the financial sector and other institutions can influence politics.

Question 1: How did these materials affect your trust in institutions and the government?

After reading and viewing these materials, my trust in institutions and government somewhat declined. The first video I watched affected my trust in a negative way and each subsequent resource only continued to have an adverse effect on my trust. Through watching the video on crony capitalism, it was easy to see how politicians can be bought off and how tempting it can be for politicians to break the law. As the video stated, once politicians feel as though they have the freedom to spend the public's money for their own political agenda, they are then more susceptible to putting money in their own pockets or putting money towards their campaign funds. *Inside Job* also decreased my trust in institutions and government. In the third part of the documentary, they talked about how the Federal Reserve Board did nothing to help and also talked about the overall lack of intervention from the government when they knew what was really going on in the financial sector. Additionally, prior to the 2008 housing crash, there was some push for greater regulation of the financial sector to prevent the types of things from happening that helped cause the crisis, and nothing was done to provide greater regulation. If

anything, there was deregulation, mainly due to the sentiments of financial bigwigs. The greatest thing that decreased my trust was the fact that investors were betting against the same investments they were telling people were good investments. They knew they were not good investments because they otherwise would not have been betting against them via credit default swaps. In my opinion, this was probably the most troubling aspect of all and had the greatest impact on my trust in financial institutions. If I am investing my hard-earned money, I want to be able to have faith and confidence that it is being invested wisely and not simply for the personal gain of investors.

It can be difficult to have trust in institutions and the government when it seems like they always have some sort of hidden agenda or are being bought off by people and groups with seemingly unlimited amounts of money, and these materials only seemed to further that viewpoint. The videos and articles for this case certainly did not make me trust institutions and the government more than I previously did.

Question 2: How did these materials change your beliefs about your role in society, both professionally and personally?

Although these materials did not necessarily change my beliefs about my role in society, they gave me a stronger conviction about my previously held beliefs about my role. The financial crisis of 2008 as a whole exposed the selfish, greedy nature of humans and the fact that people are extremely motivated by their own self-interests. For the powerful members of the financial sector most closely involved in the cause of the crisis, nothing was ever enough. No matter how much they had, they always wanted more money, cars, houses, planes, etc. Once the crisis hit and people started suffering because of it, the financial investors were continuing to receive

exorbitant amounts of money and bonuses; their gain was at the expense of everyone else's suffering. This reinforced my belief that in both my professional and personal life, I should not just think about myself but think about others too and how my actions may affect other people. From a professional standpoint specifically, these materials also made me even more aware of the necessity of always acting with integrity and in the best interests of my clients. While betting against the very investments they were calling "good investments," the investors were acting in their own best interests.

Question 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 major political factors that brought on the financial crisis of 2008 was deregulation of the financial sector. As stated in *Inside Job*, there was a small amount of people advocating for more regulation, but the top people within the financial industry were pushing for deregulation as they knew stricter regulation would harm them. These powerful people had influence over politicians, and therefore, politicians obeyed their wishes and demands. This parallels with our current political environment as politicians continue to be swayed by the most powerful, wealthy people and do not always do what is best for the citizens.

During this time period, everyone who worked in the financial market was doing the same thing by using Dr. Li's formula for the pricing of CDOs. As stated in the article about his formula, when everyone in the financial market is doing the same thing, there is a high probability of creating a bubble and eventually a bust. This is exactly what happened in 2008 with the housing bubble and then its crash. To avert future financial crises, everyone should not

be doing the same thing at once; this can clearly create sudden catastrophes. While this mindset applies to financial crises, I think it also can apply to other areas as well. In general, it is not good for everyone to have the same beliefs and ideas, and I think as a society, we should do a better job of embracing other philosophies and mindsets.

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