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Case Studies for Accountancy

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By

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Abstract

This Thesis is a combination of 11 case studies written over the course of my junior year. Roughly half of these case studies were completed by myself. Case study two was completed as a group that included David Dykes, Noah Nix, and Sean Fitzhenry. Case studies six through ten were completed with Avery Andress, Josh Pearson, Olivia Meyer, and Shivani Chaudhary. These studies challenged us to research a public company and provide services for auditing, tax, and consulting. The remaining studies were a variety of research-based cases to better prepare us for the professional world. Some were more personalized to assist us in planning our career while others focused more on major issues in the world of accounting.

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CASE I: A Tale of Two Cities

During this case study, I was challenged to compare and contrast two cities I have interest in potentially moving to after college. This decision is one that has been looming over my head since I began the search for my first internship and the magnitude of it has been made clear by recruiters, family members and my advisors and professors at Ole Miss. The research primarily focused on the differences in size, climate, industry variation, ways to get involved and cost of living while challenging me to consider other factors of living in city I wouldn't generally think of before moving. I discovered the challenges and perks of each city enabling me to make an informed decision while narrowing down my list of cities throughout this recruiting process. Washington DC being the nation's capital and one of the most beautiful cities in country, would allow me the opportunity to immerse myself in rich history and an exciting environment. Charlotte on the other hand, has incredible industry opportunities and a young demographic with plenty of organizations to get involved and establish roots. Both cities provide me with promising opportunities and making it tough to settle on a conclusion. Other things I'd like to consider in the research of these cities would be to interview or speak with someone who currently lives or has lived in this city to get their insight and hear some things about the city from someone who has experienced it.

As I select a city and begin my hopeful search for internships and jobs, I will be able to use this study as more than just an evaluation of these two cities. I will use it as a guideline for evaluating cities in the future. Outside of educating myself about cities, this study taught me the importance of considering all factors and completing thorough research before making a decision. A vital skill in the workplace as I evaluate companies from many positions, as an investor, internal controller or auditor. It is necessary to asses all the possible aspects of a decision before arriving at a conclusion.

When it comes to selecting a city there are many things to consider. The size, weather, proximity to home, and cost of living are just a few among the dozens of factors. As I evaluate these factors in two different cities there are some that stand out and some that don't seem the be that different.

One of the lesser differences is population. Washington D.C. has a little over 700,000 people while Charlotte sits at 885,708, just 10,000 people larger than my home of Indianapolis. As I look at these numbers they don't have that much of an impact on my decision. I like the size of Indianapolis and neither of these cities are too different.

Climate and seasonal fluctuations begin to change a little bit more. Charlotte experiences hot and humid summers with some cold winters. The average temperature in the summer is roughly 89 degrees and drops to around 30 degrees in the coldest part of the winter, January. Washington D.C. comparatively has a less humid summer but will accumulate a few more inches of snow. Both being warmer than Indiana yet cooler than Mississippi, is a good middle ground.

Neither of my previous places of residency would take the crown as a beautiful place to live. North Carolina and D.C. are another story. Charlotte is located on the south border of North Carolina, sitting 85 miles south east of the Appalachian Mountains and 180 miles northwest of the Atlantic Ocean. Frequent trips to the coast or hiking in the mountains are an option on most weekends based on the geographic location. D.C. is a beautiful city. Relatively flat, similar to the physical geography of Maryland. D.C. sits between Virginia and Maryland. Boarding the Potomac river. The city has a very modest skyline due to the height restrictions of buildings. No building can be taller than the Capitol Building. Either location would be desirable from a scenery standpoint. Below are photos to show the contrast of the skylines.

Figure 1: Washington D.C. Skyline

Figure 2: Charlotte, NC Skyline

Cost of living is a pretty big difference in the two cities. Washington D.C. has an additional income tax of 8.5 percent while Charlotte sits at 5.25 percent. This comes to be close to an $1,800 difference in an annual salary of $55,000. The property tax is virtually the same, 0.86 percent in North Carolina and 0.85 percent in Washington D.C. while the national average is close to 1.08 percent. This tax difference is only the beginning of many cost of living differences.

When it comes to transportation both cities are extremely impressive in their expansion of public transportation and walkability/bike accessibility. Charlotte has the 11th busiest Airport in the country. They have a 19.3-mile-long light rail line, the Blue Line and a 1.5-mile streetcar line, known as the CityLYNX Gold Line. The Blue Line is available every 7.5 minutes during rush hour and every 15 minutes in non-peak hours. Weekend service operates every 20 minutes during the day and every 30 at night. $2.20 each way. The Gold Line is free and runs every 15-20 minutes. Charlotte also have a bus service and bicycle share service. The primary form of transportation in D.C. is the Metro. It includes six color-coded lines. Fares are varied based on how many stops you travel and what time you take it. Prices will range from $2.25 to $6 in peak hours and $1.85 to $3.85 in non-peak hours. If you are driving in D.C. the parking options include street parking and parking garages. Garages will cost roughly $10-$30. If you commute from outside the city, the Metro stations have parking lots that range from $4.60-$5.10. DC is a very walking friendly city. Biking options include a rental service called Bike and Roll DC or Capital Bikeshare. Comparing these transportation methods Charlotte is better because of the pricing. Spending up to $6 per trip on the Metro can add up very fast if you take it to and from work every day.

Industry variation is extremely important when selecting which city, you want to live and work in. Charlotte's primary industries include Aerospace and Defense, Automotive, Truck and Heavy Machinery, Biotechnology and Pharmaceuticals, Business and Financial Services and Energy. Some of the major corporations with headquarters in Charlotte are Bank of America, Lowes, Nucor and Duke Energy. Washington D.C. on the other hand has less variation. They focus on the Federal Government, Professional Services, Tourism, Health Care, and Higher Education. Some of the larger companies with headquarters in DC are Lockheed Martin, Danaher, General Dynamics, Northrop Grumman, Marriott International and Capital One Financial. I have always been more interested in Banking and Finance. With Business and Financial Services being on of Charlotte's primary industries, Charlotte would be a better location based on industry preference.

I could potentially be in this city for a long time, so thinking of schools, healthcare and safety are important to consider. Charlotte is home to the Carolinas Medical Center which was recently ranked nationally as number one in Adult Specialty and number eight in Children's Specialties by US News. Along with great healthcare, Charlotte's schools are exceptional. Metrolina Regional Scholars Academy Ranked as the best public elementary school in North Carolina with A+ teachers and Academics. Their students had test scores resulting in 97% proficiency in math and 93% proficiency in reading. Charlotte has over 20 schools with an overall score of A or higher making it easy to find good communities to raise a family. Washington D.C. has a few prominent hospitals but still impressive with the Children's National Medical Center which is ranked among the top pediatric hospitals in the country. Children's National Medical Center also provides care at 23 regional outpatient centers throughout the Washington Metropolitan Area. Washington D.C. only has 5 school districts with an A or higher rating. Making it more challenging to find schools unless I were to move further out of the city. Having gone to public schools, I am a believer in the benefits of public schooling and will likely be sending my children to public school if I live in a town with good schools.

Although both cities are higher credible in healthcare and education, neither standout in safety. Charlotte has a Crime Index of 6 with a violent crime rate of 7.07 and 36.98 property crimes. The safest part of the city is the south-central area. Washington D.C. has a Crime Index of 3. The violent crime rate (per 1,000 customers) is 9.96 and 43.74 property crimes. Hawthorne and Bellevue neighborhoods are the safest parts of town. A cities Crime Index declares how safe they are in comparison to other cities. A Crime Index of 6 means that Charlotte is safer than 6 percent of US cities. Every city has safe and unsafe areas. Indianapolis is one of the most unsafe cities in the country yet Zionsville, the town I grew up in, has the lowest crime rate in the country. After I were to live in either of these cities long enough to be raising a family I'm sure we would consider moving to a nearby town or community that is safer.

In Charlotte there are plenty of townhomes and apartments available for rent. Park Place Apartments is a neighborhood in the south part of Charlotte. Rent is $1600 for a two bedroom, two and a half bath townhouse that is 1,288 square feet. It includes two parking spots, Washer/Dryer and access to pools in nearby communities. In a centralized location, it is 0.2 miles from the Park Road Shopping Center and 3 miles from the center of the city. Surrounded by parks and restaurants, I would have no problem finding places to go. Washington D.C. is notorious for being expensive. Common Wilson is an apartment complex in Capitol Hill. A 3-bedroom 2 bath apartment is $1,095 – 1,625 per person depending on the floorplan. Apartments are fully furnished with in unit washer and dryer and household essentials such as laundry detergent and toilet paper. All utilities are included in the rent. Common Wilson is within walking distance to public transportation and multiple coffee shops. The location is a little further from the main part of the city but D.C. is very walkable and bike friendly. Both cities have significant price reductions for multi-bedroom locations. I would have no objections to finding roommates if I could save a couple hundred dollars a month in rent.

Although Charlotte has a good transportation system, the distance to the nearest transit/subway is 2.2 miles and the distance to the center of the city is 3.0 miles. I would likely just drive downtown in the mornings and park. Three miles isn't too far of a distance on a bike either so if parking became an issue or gas gets expensive, I would be able to bike to the city. In D.C. already being downtown, everything will be withing walking or biking distance. If I had to go further in the city, the apartments are only a 6-minute walk to the blue, green and silver lines.

Grocery shopping and laundry would not be an issue in either location. Harris Teeter is a grocery store 0.3 miles from the neighborhood in Charlotte. Although that is a very walkable distance, I would still drive to ensure I can carry the groceries back to the house. The D.C. apartments also have a Harris Teeter less than half a mile away and can be reached in under 10 minutes walking. Both apartments have laundry in unit making it very accessible. The D.C. apartments do pay for utilities and provide detergent but it isn't that inconvenient to buy detergent in Charlotte.

Finding a good church and community to be involved in is very important to me. Volunteering at the Habitat for Humanity of Charlotte would be an organization I would get involved with. My family and I have been working with Habitat in Indiana for my whole life and is an organization I am passionate about. I would become a member at the Myers Park Presbyterian Church. They are located less than 3 miles away and have two different services. One being more traditional and the other being more contemporary. Not only would I get involved as a member on Sunday mornings but as a youth leader too. Washington D.C. also has a Habitat for Humanity. I'd continue working with them in either city. Capitol Hill Presbyterian Church has a great ministry including soup kitchens, homeless ministries and a Young Adult Volunteer Program. At Capitol Hill Presbyterian Church I could continue to work in the youth ministry teaching Sunday school classes. I currently hold the Youth Intern position for Christ Presbyterian Church here in Oxford and would love to continue that ministry into other cities when I have the opportunity. Finding a church that would provide me that opportunity would be extremely valuable to me.

Outside of work and church Charlotte has a few more opportunities to get involved with. I would likely volunteer at the Myers Park Trinity Little League. Growing up my dad was a volunteer coach and organizer of my league, growing the love of the game in me. I would enjoy either coaching a team or just helping in field maintenance. Along with the little league, my love for baseball would bring me to a lot of Charlotte Knights games, the minor league baseball team in Charlotte affiliated with the Chicago White Sox. Tickets for games can be as low as $7 but have an average of $29.00. To fulfill my competitiveness, I would look into SportsLink. They are an adult intramural organization with sports like Bowling, Softball and Volleyball. Entry into leagues is a little expense varying from $65 to $95 for a season. A lot of corporate companies will put together teams into these leagues as well. The Divide Golf Club, located just outside of Charlotte has membership opportunities. An annual membership that includes golf and amenities is $150. That is extremely cheap for a Golf Membership. Additional charges would include a cart fee, $9 for 9 holes and $18 for 18 holes. Located less than 15 minutes from the house, I would be very likely to get a membership at The Divide. May through September, Charlotte hosts concert series on weekend nights at locations such as the EpiCentre, U.S. National Whitewater Center and The Metropolitan. Washington D.C. is well known for their museums and monuments. Museums such as the National Gallery of Art, United States Botanic Garden, and the National Air & Space Museum are amongst the best museums in the country and are free to the public. Golf DC has leagues for Beginners, Intermediate players and Advanced players. The fee for $130 per person not including push or riding carts. DC being a large city also has a few professional sports teams including the Washington Nationals, the Washington Football Team and the Washington Wizards. Around Washington DC there are plenty of biking trails to explore the city and the surrounding parks. Some of the more popular parks include the National Arboretum, the National Mall and Great Falls Park. The District has summer concert series at Fort Reno, Jazz in the Garden and the Adams Morgan Summer Concert Series. Other nearby locations in Virginia and Maryland provide residents and tourists with the chance to hear many genres on music throughout the summer. Washington D.C.is definitely more of a tourist city than Charlotte so many of the activities have tourists in mind making it difficult for residents.

My family does live in Indiana still so travel back home for holidays and weekends would be more challenging than I would like. The Charlotte Douglas International Airport is less than 10 miles away. A roundtrip flight to Indianapolis for would be $204.78. Departing Charlotte at 6:00 am I would have a 1-hour layover in varying cities and land in Indiana around 10:05am. It would take roughly 6 hours of travel to get home if you were to include, transportation to and from the airport and giving myself time to check in before the flight departs. Assuming I have my roommate drop me off at the Airport and my parents pick me up in Indianapolis the only cost I would incur would be the ticket and if I bring a bag larger than a carry-on, which I rarely do. For a realistic number I chose the week of Thanksgiving, a week I would likely travel home for, choosing a random weekend in December lowered the price by $30. Round trip flights from D.C. to Indianapolis out of the Ronald Reagan Washington National Airport generally sit at $174.28. Although it is a bit cheaper than the Charlotte flights, they are a little longer averaging 4.5 hours (number includes the hour layover) without transportation to and from the airport and check in time. The airport is only about a 10-minute drive away but can be as long as 45 if you take the various lines of the Metro, hopefully a roommate or co-worker could drop me off and pick me up so I wouldn’t need to worry about parking.

Looking at the difference in cost, Washington D.C. is much more expensive to live in than Charlotte. If I have $5,000 a month in salary, in Charlotte taxes would be $1,362.50 for Income taxes and $43 on property taxes. Leaving me with $3,594.50. Rent will take roughly $800 but including utilities it will climb to $850. A months' worth of Grocery's is close to $200, if I bike downtown, I'll use probably a tank of gas a month of $40. Car Insurance and renter's insurance will close to $350 for month. Leaving me with close to $2,154.50 for the month. This could quickly decrease if the company I work for doesn't provide Health Insurance or other benefits. A $5,000 salary in DC would be brought down $1,525 from Income Taxes and another $43 from Property Taxes. Leaving me with $3,432 to use for Rent, groceries and transportation. Rent being roughly $1,200 (includes utilities) would drop me to $2,232. Assuming I spend the same amount of insurance and groceries, I would then be left with $1,682. I would try to walk or bike wherever possible to avoid spending money on the Metro. If I had to use the metro to commute, it would be close to another $150 per month, assuming I travel in peak hours. The remainder of the salary would be put towards savings, entertainment (tv subscriptions, eating at restaurants, concerts, sporting events). Comparatively, Charlotte would give me another $500 a month in spending money but these numbers can be inaccurate based on non-recurring expenses such as clothes, car repairs, and furnishing for the house.

Looking at the two cities with all of these factors in mind I think it is pretty clear that Charlotte is a better fit for me. Although Washington D.C. has an incredible history and is surrounded by beautiful parks and museums. Charlotte has more industries I am interested in pursuing, more activities to get involved with in the surrounding area and a cheaper cost of living. Washington D.C. would be a great place to visit as a tourist but I don't think I could live there for the next 5 to 10 years.

CASE II: Asset Concept Case

Introduction:

This case study is the second of the Honors Capstone Class. As part of this case study, we were given potential viewpoints focusing on the definition of proper measurement, and we had to evaluate and discuss them with four team members. Our group, consisting of David Dykes, Davis Judd, Sean Fitzhenry, and Noah Nix acted as members of the FASB task force charged with reimagining GAAP. As part of the assignment, we had to record our dialogue, create a pros and cons list, and make a summary outlining our thoughts.

The first question related to the proper valuation of assets and liabilities. With this question, we were given two viewpoints. Viewpoint 1, or the Asset Greenhouse View, views firms as trying to grow net assets, and tracks that growth in income. Viewpoint 2, or Asset Furnace View, views assets as being consumed for income production, with revenue recognition being the primary focus. Our group believed the asset furnace view is a more viable option because when firms focus on revenues, they tend to invest more into their primary operations rather than focusing on increasing assets. As a result, firms will be healthier and more sustainable if they focus on their primary operations rather than speculative purchases.

The second question relates to the measurement of assets. Viewpoint 1, or the Value-In-Exchange viewpoint, argues that assets realize their contribution to the firm through their liquidation value. Viewpoint 2, or the Value-In-Use viewpoint, argues that assets realize their value through their use. In accounting, we are to assume business operations will continue; therefore, we should not value assets at liquidation. The value in exchange viewpoint places an emphasis on liquidation valuation, therefore we feel this disagrees with the going concern assumption.

The final question asks us to model potential entry changes with our new approach. Because Value-in-Use is used primarily today, many current entries follow this perspective. Therefore, while new entries were tough, we did come up with a few that would change. Some of these entries we do not agree with, however, we note that in the explanations that follow. Due to these disagreements, we believe a two-viewpoint system works best. However, for the purposes of this assignment, we defended one.

Question 1: Asset Greenhouse vs. Asset Furnace

Sean Fitzhenry: Viewpoint 2 of furnace making more sense

Davis Judd: Issues: There are a lot of things that are not detailed in the Income Statement that are vital. Storing and growing helps with more evaluation than just revenues and assets.

Davis Judd: General overview, more accurate representation of what the firm is trying to do. More than revenues and expenses go into evaluating a full company.

Noah Nix: Viewpoint one is not good for service companies, since their primary revenue streams do not depend on asset evaluations. Financial service firms, banks, and insurance seem to be more reliant on asset valuation; therefore, viewpoint one is better for them.

Davis Judd: Larger assets better for viewpoint 1; service firms better for viewpoint 2

Sean Fitzhenry: Manufacturing Companies: All they do is buy an asset and turn them into an asset. More of a churn and burn company with no long-term projects. Viewpoint 2 would make more sense because simply looking at an asset to asset approach gives insight into to the profitability and stability of a company. Since it is such a simple operation, it is easier to focus on revenues and expenses

Davis Judd: What makes more sense, for the primary goal of financial reporting to be a proper evaluation of assets and liabilities or should the primary goals of financial reporting be revenues and expenses?

Sean Fitzhenry: It makes more sense to look at revenues and expenses.

Davis Judd: The next problem with looking at Financial Reporting for revenues and expenses is only updating assets and liabilities with the changes in the income statement accounts. There are still a lot of assets and liabilities changed by transactions outside of the income statement.

Noah Nix: Whenever businesses focus on asset valuation, their primary business metrics change. Therefore, when businesses change from their operations into a speculative based business, companies start to look remarkably similar. Primary operations change, and businesses may not purchase assets that are the best for the business. For example, a manufacturing company may purchase asset A, which is better for investment purchases, but not purchase asset B, which is better for their manufacturing operations. This change in focus changes the management and operations of the company, leading them away from their strategic stronghold. Many businesses will look similar in this aspect.

Viewpoint 1: Asset Greenhouse

Pros: Overall encompassing goal of the firm; may represent economic growth more accurately.

Cons: Can lead to speculative risk among companies.

Viewpoint 2: Asset Furnace

Pros: Helps firms keep the primary operations as the main goal for producing revenue

Cons: Does not include the rest of PPE assets that will not be on the Income Statement

Summary

Viewpoint two is the selection of the group. We believe that the asset furnace view is more of a viable option because when firms focus on revenues, they tend to invest more into their primary operations rather than focusing on increasing assets. As a result, firms will be healthier and more sustainable if they focus on their primary operations rather than speculative purchases.

Question 2: Value-In-Exchange vs. Value-In-Use

Sean Fitzhenry: Think about different types of assets; not all assets you can sell. Assets you sell like inventory makes sense for value-in-exchange. Assets like prepaid insurance make sense for value-in-use.

Noah Nix: Echoing Sean's point, we need to make a distinction between economic value and liquidity.

Sean Fitzhenry: What are some examples that make more sense for sense for value-in-use?

Noah Nix: prepaid expenses (insurance, rent, etc.)

Sean Fitzhenry: Equipment

Noah Nix: What are some examples that make more sense for value-in-exchange?

Sean Fitzhenry: Inventories.

David Dykes: Receivables.

Noah Nix: Short term investments, Investments, Intangibles and cash equivalents, value-in-exchange.

Davis Judd: I am trying to recall a place I worked at recently. They had several properties that were for sale. I am trying to think about how that applies.

Davis Judd: How does measuring assets in "value-in-exchange" vs "value-in-use" change the firm's value?

Noah Nix: This all links back to going concern. Going concern, an assumption of accounting, states that we should view the firm as having perpetuity. From this, viewpoint 2 makes more sense. We should view the assets as being used to progress our business. As well, going concern is the reason for amortization and depreciation; as we are not trying to value an asset, but rather trying to appropriately capture the use of an asset. Going concern is the basis for value in use. Value in exchange is looking at assets in terms of liquidation and not a going concern viewpoint, where we have a continuing perspective.

Davis Judd: Which assets are at a disadvantage when measured in value-in-use?

Noah Nix: Short term Investments. Value in exchange makes sense for investment assets.

Sean Fitzhenry: Intangibles, cash equivalents value-in-exchange, receivables

Davis Judd: Using depreciation and amortization satisfies individual assets value in exchange, giving the current value of an asset while still displaying future usage value of the asset.

Viewpoint One: Value in Exchange

Pros: Makes sense for intangibles, cash equivalents, receivables, and investments because you cannot use an intangible asset.

Cons: Value in exchange is looking at assets in terms of liquidation, and not a going concern viewpoint.

Viewpoint Two: Value in Use

Pros: Looks at firms from a more objective perspective. Rather than the valuation of assets, we recognize the use and depletion of assets.

Cons: Hard to determine the value of intangibles, cash equivalents, receivables, and investments in terms of usage.

Summary:

A primary assumption of accounting is the going concern assumption. This assumption states that we are to assume companies will continue in perpetuity. From this, value in use makes more sense, as it allows the firm to see how much use each asset has remaining. We are to assume business operations will continue; therefore, we should not value assets at liquidation. The value in exchange viewpoint places an emphasis on liquidation valuation, therefore we feel this disagrees with the going concern assumption. However, we will note, value in exchange does work better for certain assets. These assets primarily include investment vehicles, as the company does not intend to use them for primary operations, and therefore, can liquidate the assets and continue without interruption.

Question 3: Accounting Accommodations

Davis Judd: If we were only to use value-in-use for measuring assets, what is the best way to change journaling. We need to find a way to value intangible assets to encompass value in use. What are some ways to do that? We could restructure the balance sheet to include a value in use classification and a value in exchange classification. Like operating income on the income statement, we would have assets being used continuously in two separate parts of the balance sheet.

Sean Fitzhenry: Would it be an operating and non-operating section on a balance sheet, but instead having a value-in-use and value-in-exchange?

Davis Judd: A continuing vs nonoperating section, and therefore have two different valuation approaches.

Noah Nix: We currently have a split system, where we value things with different approaches. Therefore, if we were to switch to an all-inclusive value in use approach, we would need to value things we currently value at fair value in a new manner.

Davis Judd: What would be an example of something we would no longer be valuing at fair value?

Noah Nix: When we currently value securities, we record this as a debit or credit to other comprehensive income. This is a value in exchange approach. With our new system, we would need to use a value in use approach, and possibly amortize the gain over an extended period.

Sean Fitzhenry: Instead of valuing a bond as value-in-exchange, you could argue that it is value-in-use. The revenue that you gain from the bond amortization is constantly growing. In other words, as the bond constantly amortizes, the asset is constantly in use, and therefore we should value that asset as value-in-use rather than value-in-exchange.

Davis Judd: Should we be depleting land with an expense account? Contra-asset account? How does this play into the income statement? Put it as an unusual loss? Should it be in continued operations?

Sean Fitzhenry: Depreciating expense for land would have to be considered a continuing expense account. The land is constantly depreciating as we use it, which allows us to qualify it as value-in-use.

Davis Judd: Let us figure out what to do with Accounts Receivable

Noah Nix: Should we add back Bad Debt Expense or not recognize it in the first place?

Davis Judd: I feel like bad debt expense satisfies the definition of value in use for Accounts Receivable. Accounts Receivable is measured inversely in value in use because it is what we are receiving for the use of other assets such as Inventory. Bad Debt Expense is just giving us the most accurate representation of what our future Accounts Receivable balance should be. Another way of evaluating Accounts Receivable on a basis of value-in-use would be creating a calculation or ratio that shows what percentage of Accounts Receivable will be used in future operations. Could correspond with the Days Uncollected Ratio to have a better expectation of when Assets will be available for use.

Journal Entries

The current approach to AFS securities is to value at fair value, then record it as:

Security _________ *Gain*______

Other accumulated income ______*Gain*________

However, through our new approach, we hope to amortize the expected gain on the asset.

Trading Security ___________*Predetermined Gain*______

Other comprehensive income ____ *Predetermined Gain*______

*Notes Held for Sale*___________*Predetermined Gain*______

Other comprehensive income ____ *Predetermined Gain*______

*Bonds Held for Sale*___________*Predetermined Gain*______

Other comprehensive income ____ *Predetermined Gain*______

This leads us to an interesting crossroads. When we end up with a loss on the sale, this would mean our previous use estimate would be incorrect. Therefore, we have misstated the initial asset valuation, and mislead investors.

Another example would be the use of land. No entry currently exists for this.

Depreciation Expense

Accumulated depreciation: Land

This entry currently does not exist. While this seems unusual, we are not trying to track the value of land. Rather, we are trying to quantify the value the land is providing to the business over time. This would be over a long-time frame since land exists forever. We would do this through a predetermined rate and time frame.

Depletion Expense

Accumulated Depletion: Land

Even though it is a measurement of value, this entry does not change because it is a measure of use.

First, we would reverse the bad debts expense since this is a valuation of liquefiable assets.

Allowance for Doubtful Accounts

Bad Debts Expense

Then we would reverse out the allowance for doubtful accounts since this falls in line with the above.

A/R

Allowance for Doubtful Accounts.

We do not like the way this ends up. While we disagree with valuing assets at liquidation value, AR is an asset we intend to liquidate. While this entry does fall in line with our approach, we do not feel it is appropriate. (noted above in question 2 summary).

CASE III: The Presidential Debate

Introductory Summary

In this Case Study, I was asked to look into the economic impact of this Presidential Election based on the first Presidential Debate. The impacts of this election go further than just the strength of our dollar, the value of our stock market and the amount of jobs to be created. We find ourselves in the midst of a global pandemic, social unrest, and a fight over the environment knowing that the way we carefully approach these issues will play a crucial role in the continual development of our nation.

While watching the debate and researching for this case we were challenged to avoid new outlet analyses and interpretations that could include persuasive language. To avoid this, I attempted to strictly use factual numbers and my understanding of economics to provide an educated and informed analysis of what the economic impact of these policies would be after each party gets elected.

Along with finding unbiased information, we were encouraged to keep in mind the goals and values our nation holds to be most important. This mindset is crucial to keep as we enter unprecedented times. Taking the time to evaluate our countries unity reaps benefits beyond just this Case Study. In relationships with classmates, friends, families, coworkers, and even those on the opposite side of the political scale we must consider this unity. To find solutions we must be able to understand and sympathize with those on the opposite sides since we all just want what is best for our future. If I take anything from this case with me to my future career, it will be the importance of respect and unity.

I have been given the option to omit the body of this Case Study from my Thesis and I have elected to exercise that opportunity.

Requirement 1: You live in the United States of America. What is it about our country that "unites" us to warrant naming our country that?

Our country is united on the fundamental idea of freedom. This foundation stems from the very beginning of our country, freedom from religious persecution. Our founders sought a new land where they were free to express themselves without fear of persecution. Once they arrived, they realized that freedom does not stop at just religion, but is fundamental in every aspect of life. The suppression of other liberties such as freedom of speech, freedom of press and freedom to elect who they see fit by the intense tyranny of the King and Great Britain led to these freedoms being the cornerstone to our independence. We built the nation on these fundamental ideas and they have continued to be the values we turn to in our everyday lives.

Before we officially became an independent nation, we defined these freedoms and others in the Declaration of Independence with the phrases such as, "that they (all men) are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness". This saying and others out of the Bill of Rights have become the slogan of America over the last few centuries as people have continued to immigrate here looking for better opportunities. Acting as an invitation for the freedom to pursue goals and these words have established the American Dream. Since, Americans have been united under the idea that we all have the same opportunities and rights as citizens of our nation. Whatever these goals may be, raising a family, starting a company, or believing in a religion, we have the shared ideas of what freedom is. Not only have these words been expressed as an explanation of what America stands for but as the standard as we continue to change and construct a nation that strives to grant freedom to everybody. In our history, many issues have been resolved by looking back at these statements and evaluating what defines us as a country. In times of turmoil, we have used this basis of unity to move our country forward.

Just like many things, the definition of freedom continues to evolve. At its root, it means the same thing it did all those years ago but the applications continue to change. People are now looking at freedom as saying they have the right to choose what they do with their body (abortion laws) or the right to protect themselves (2nd Amendment). As the applications of freedom continue to grow we never sway from the definition that has united us from the start. This definition is just as or more important today than it ever has been.

Requirement 2: 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?

Both Vice President Joe Biden's and President Donald Trump's views on taxes and Covid-19 relief have major impacts on our country financially and economically. These decisions go further than just money, they will affect how our country interacts socially and the impact we have on the environment going forward.

First, when it comes to taxes Biden and Trump are nearly opposites. If Biden is elected, he plans to raise the corporate tax rate to 28 percent, raise taxes on Americans who make more than $400,000, increase the long-term capital gains tax rate to 39.6 percent and raise tax on foreign profits. Raising these taxes helps the American government by providing more money to be used in plans that focus on environmental relief, education, and public health care. The corporate income tax will likely be the most impactful change of all these adjustments. Raising the corporate income tax gives corporations lower-income and less money to reinvest in their companies. Changing it by nine percent is a fairly significant change and could mean additional losses of hundreds of thousands of dollars for larger corporations. Having corporations reporting less Net Income will hurt their stock's value, hurting the economy as a whole on a larger scale. If corporations do not have access to this money lost in taxes, it will be harder for them to pay employees and expand their operations. The foreign profits tax will hurt some major corporations who are heavily invested and active in foreign markets but will also encourage more businesses to be brought to the United States. If companies are continually taxed higher amounts overseas, they will be more motivated to more manufacturing operations back to the United States, hence creating more jobs for American Citizens.

Comparatively, President Trump plans to continue the tax cuts that he started during his first term as President. His cut of the corporate tax rate in his first term from 35 percent to 21 percent is likely to be the only change he'll make on corporate taxes. He still plans to further decrease the capital gains tax and cut middle-class taxes by ten percent. In wake of the Coronavirus, he has deferred payroll taxes until the end of the year and stopped the employee portion of the Social Security Tax. These tax cuts have led to corporations holding more money and using them for expansion. Companies having an excess of money pushes the value of a stock's price per share up. The ability to expand creates more jobs and opportunities for these corporations. Cutting the middle-class taxes by ten percent would be a big deal for a lot of people. The general idea is that if more people had money available, they would likely spend it as consumers, helping a wide variety of industries. Trump hasn't said anything about these taxes in a while and it would be a daunting task to accomplish but having it in the discussion is worth keeping an eye on. The other consideration while looking at a tax cut is this big would be to think about where that money would come from on the government side. If the government isn't receiving as much in taxpayers' dollars, they will have to significantly cut back in their budget somewhere and Trump has not stated where those cuts would be coming from.

While have always been and will always be a primary topic of discussion in Presidential elections, the matter of Covid-19 has rightly found its way to the spotlight this time around. President Trump's plan is easier to see and analyze since he has been able to enact it while in office. Biden on the other hand has only been able to talk on his plan. It is hard to know how effective Biden's Covid-19 response would be as it is such a complicated and new scenario.

Vice President Biden's primary relief actions would include, emergency paid leave for sick employees, caregivers of sick family members and Child Care assistance as a result of school closings, free testing, relief or forbearance of federal students' loans and federally backed mortgages, and granting interest-free loans to small business faces issues related to Covid-19. Plans such as granting interest-free loans to small and medium-sized businesses and paid leave will immensely help businesses stay open and be able to continue paying employees.

President Trump has displayed similar actions in terms of assisting small businesses with grants and administering stimulus checks. Intended to keep the economy afloat, stimulus checks to directly to taxpayers allowing them to have extra money assisting them and the economy during the pandemic.

Biden's plans seem to be a little more direct and intend to help people in situations who are directly affected by Covid-19 while Trump is more of a general relief for the country. While

Biden's plans to slow the spread of the virus may have been more effective it probably would have hurt the economy and financial health of individuals more. Even with Biden's extensive testing and health care assistance, it is hard to judge whether or not the country could have "opened up" any sooner than it did under Trump and how many more lives could have been saved. If intentions were to completely handle coronavirus, that likely would've taken months of additional closings. With that being said, Trump didn't handle it very well either. The number of 200,000 people dying from Covid-19 is a large number and the boost in the economy is hard to trust since it was mostly pumped up by stimulus checks and government aid.

Along with these two topics, there are endless other viewpoints to consider. One of these main discussion points is the plan to deal with climate change. As polar opposites, Trump doesn't think it's necessary to change our current path of operations and has continued to remove policies that require large operations to abide by rules protecting the environment. Biden has stated he plans to rejoin the Paris Climate Agreement and implement a $2 trillion plan to promote clean energy and produce net-zero emissions by 2050. From a financial standpoint, Trump's plan is more ideal but it is a large price to pay considering the circumstances. With Biden's plan, it will require companies to eventually change their operations completely to achieve net-zero emissions. This will require trillions of dollars of research and adjustments to infrastructure.

With aspirations of working in the financial industry many of my clients would be dependent on a healthy economy. Looking at the economy during Trump's term before Covid-19, with an unemployment rate of 3.5 percent in September of 2019. Biden's policies, heavily reflecting President Obama's administration will likely mirror similar growth and results of

Obama's time in office. Since he is inheriting a very similar situation economically. During the Obama-Biden Administration, the lowest unemployment rate was 4.7 percent.

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.

When the election is over, it is important to remember that regardless of the results your voice was heard. We are fortunate enough to live in a democracy, which means we have a say in who is elected to run our country. Often times this luxury gets lost on Americans. It is imperative to remember that despite the results, the nation has spoken on who they want to lead. While we will finally have an answer, the true change comes after the election. Those who have "won" need to humble themselves because nothing will be accomplished without the help of those who lost. On the other side, those who have "lost" need to remember that this is not the time to give up. Their voices will still need to be heard to work together to offer compromises and implement change.

No matter who is elected we will have the same freedoms and rights. The freedom to be who we want to be and construct the world we want to live in. Yes, the person sitting in the Oval Office matters in many large-scale decisions but in day to day relationships we can still be positive and loving to those around us. I plan to remind them that there are still so many ways for them to be involved with politics and they do not have to wait another 2 years for another election. I will inform them of writing to their congressman about upcoming bills, attending town hall meetings, peacefully protesting the issues that matter most to them, and volunteering for future campaigns. There are pressing issues to be dealt with, and it takes all of us to face those head-on. We, as citizens, have the power to make ourselves heard and hopefully have a positive impact on our society.

CASE IV: Tax Cuts and Job Act and *Taxodus*

Introductory Summary

In this Case Study, I researched the sources provided to me of *Taxodus – Playing the Global Tax Avoidance Game*, "Testimony: The Positive Economic Effects of the Tax Cuts and Jobs Act", and the Department of Treasury to determine what the United States' corporate tax rate should be. These sources provided different viewpoints that highlighted the benefits of lowering corporate taxes to corporations and our nation, and the global issue of how corporations avoid paying these taxes.

Looking at this case raised the interesting question of just how low our corporate tax rate should be or if we should even have one at all. While lowering it continues to help our economy through the additional capital being invested by major corporations, our government is still missing out on billions of dollars as some of the largest in the world move money to countries with little to no corporate tax rates.

Throughout this case, I look at what continuing our current rate would look like but ask, if could we be missing out on bigger benefits by not having a corporate tax rate or a universal tax rate? How would we go about discussing these types of changes on a national or global scale? These types of questions deepen my desire to look at pursuing a career in the tax service line of public accounting or even considering the possibility of further researching these issues while working for the federal government.

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).

Although this seems like a basic question, you must consider many different factors into the answer. The corporate tax rate has many more consequences and benefits than what meets the eye, it affects the employees as much as it affects the companies. Not only must you evaluate the current corporate tax rate compared to corporate tax rates of the past but to the corporate tax rates of competing countries around the world.

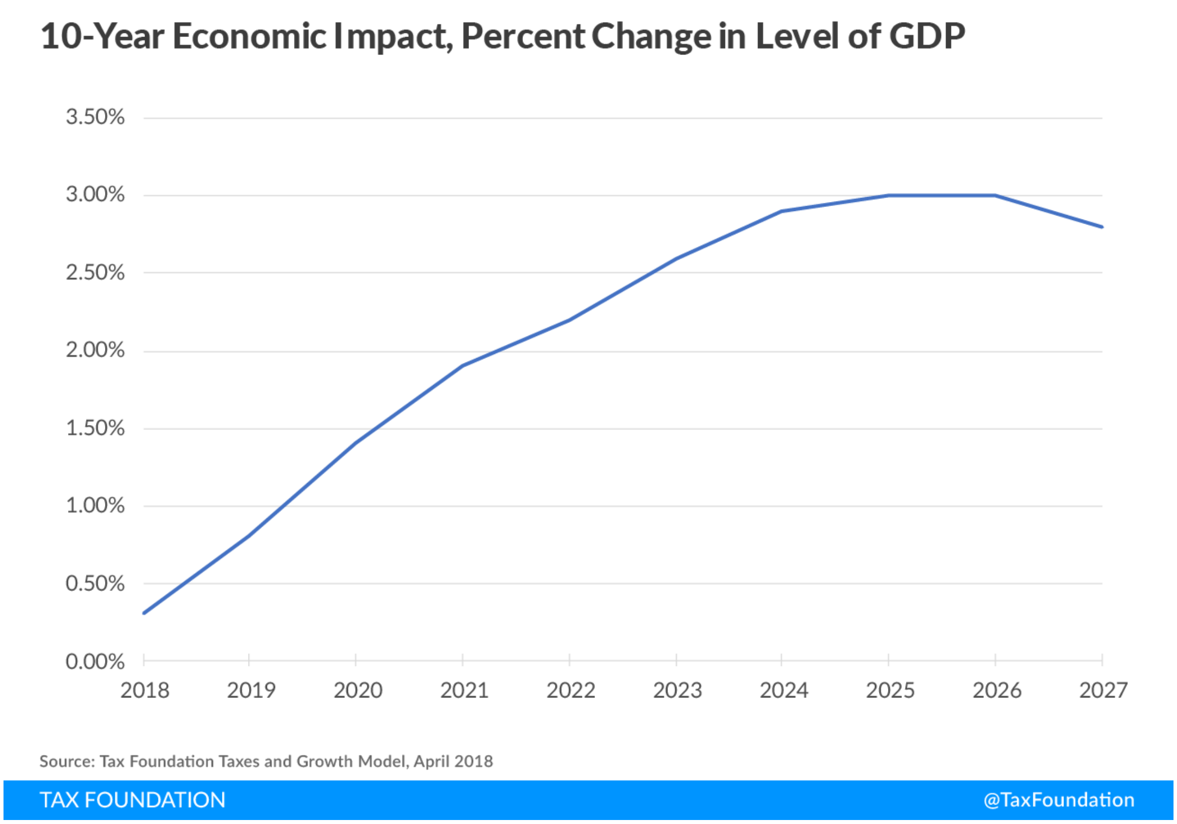
When it comes to taxes, all discussion goes back to the citizens. Even when looking at the extensive effects of corporate taxes, the end goal is to make life better for the everyday American. In the Tax Foundations, "Testimony: The Positive Economic Growth Effects of the Tax Cuts and Jobs Act", discussion begins with the large-scale economic impact of corporate income taxes but uses statistical measures that are focused on the financial wealth of the workforce. The Testimony uses this chart to explain the expected effects of the Tax Cuts and Jobs Act:

Figure 3: Effect of Tax Cuts and Jobs Act

Change in long-run GDP	1.7%
Change in long-run capital stock	4.8%
Change in long-run wage rate	1.5%
Change in long-run full-time equivalent jobs	339,000
Source: Tax Foundation Taxes and Growth Model, November 2017.	

Considering that the Tax Cuts and Jobs Act which lowers the corporate income rate from 35 percent to 21 percent amidst other changes to depreciation basis and individual tax rates, it should produce a 1.7 percent larger economy, with 1.5 percent higher wages, a 4.8 percent larger capital stock and 339,000 additional full-time jobs in the long run. Looking beyond the short-term impact outlined above, the Tax Foundation evaluates the ten-year economic impact in percent change in the level of GDP. Their estimates of GDP show a rise of nearly 3 percent over the next seven to 10 years. The graph below shows this progression in the coming years:

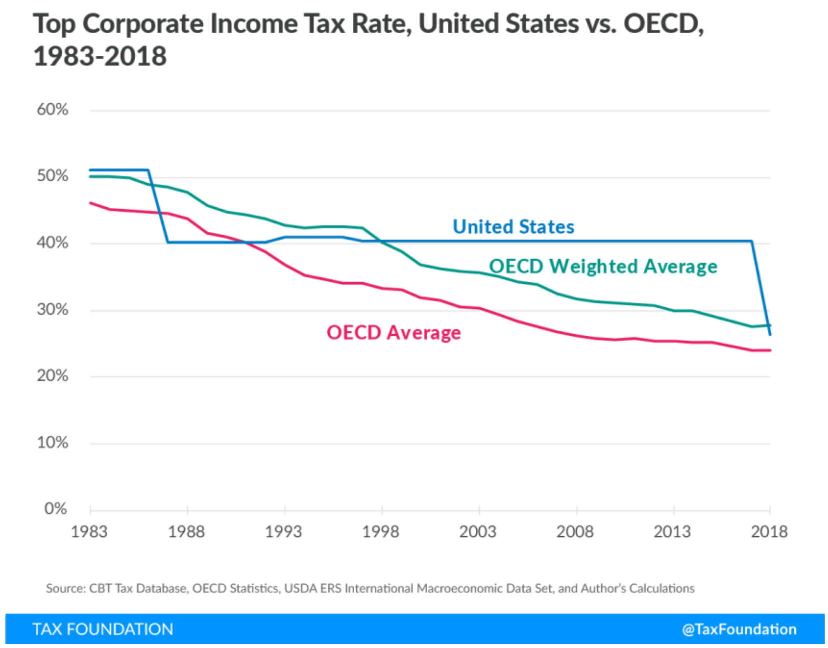
Figure 4: Long-Term Impact on GDP



These numbers are backed by the assumption that lowering corporate taxes, drives an increase in Capital and a boost of productivity ultimately producing greater output, higher wages, and more jobs. The U.S. Department of Treasury has provided statistics that support these estimates. Since the Tax Cuts and Jobs Act was signed into law: “The number of job openings reached historic levels, with 7.3 million jobs-enough for every unemployed American to go to work… In November of 2018, the Unemployment Rate reached a 50-year low of 3.7%" (More Jobs and Bigger Paychecks). There are plenty of other pieces of the Tax Cuts and Jobs Act to help these numbers but the decrease of the corporate income tax is likely a driving factor. Other economists believe that the lowering of corporate taxes helps create new jobs because corporations are more willing to move operations back into the United States. If corporate taxes are lower, yet still above those of other countries, the overall cost of operations will be cheaper in the United States, since they don't have to deal with problems of moving assets over extended distances and across borders (more taxes). Regardless of reasoning, the lowering of the corporate tax has some clear benefits in our economy and the overall financial health of the people.

Now it is necessary to step back and look at the consequences. Note that at the end of the most previous paragraph I chose my words carefully in exclaiming it boosts the financial health of the people. What about the government? Lowering these taxes will decrease the federal government's budget by billions of dollars. In return harming the American people as the government won't be able to provide as much funding to schools, healthcare, and other public services. Others will in turn argue that this deficit of federal revenues will be made up through other taxes such as tariffs, sales tax, and real estate taxes that result from the additional capital these corporations have. This circular argument can go on forever and leave you with viewpoints validating both sides. This change in corporate income tax is something America hasn't done in a long time. Looking back, the corporate income tax has been completely locked in place since the last 1980s, with the exception of a movement in the 1990s. This history of the United States' The Tax Rate is shown in this graph:

Figure 5: Income Tax Rate Over Time



As shown in the graph, the United State's Tax Rate has been extremely steady, especially in comparison to many of the Tax Rates of competing countries around the world. Having a significantly higher tax rate than other countries harms the United States because companies will be much more willing to expand their operations and explore opportunities to other places if they can save millions of dollars on taxes.

Large corporations will use these differences in taxes as much as possible. *Taxodus - Playing the Global Tax Avoidance* Game explains the extensive lengths that corporations will go to in order to avoid these taxes. Many of the largest corporations have set plans of unaffiliated companies that they will send money to in these countries with little to no corporate taxes, losing country's federal governments billions and even trillions of dollars of revenue. These avoidance tactics should be taken into consideration when looking at our own corporate income tax rates. If the world's largest corporations are evading taxes by all running to country A, what does it matter if we have a competitive rate with countries B, C, and D. For United States wants to maximize the benefits of corporate taxes, it's worth considering looking at other ways to tax these corporations outside of income if they continue to find loopholes. Having a universal corporate tax rate, taxing the exchange of money, or just getting rid of the corporate tax together may sound like outlandish suggestions but any solution should be considered at this point.

Considering all of these factors, I think that the United States should keep its current tax rate of 21 percent. Moving back up to the upper 20s and 30s would be a step in the wrong direction as we would become less competitive with other countries, slow down the continual increase of jobs and wages. With many corporations continuing to avoid these taxes, it is worth considering, discussions with other countries to work together and set universal tax rates or find other taxes to impart on the operations of these companies.

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

The research I have performed in this case has increased my interest in pursuing the tax service line of public accounting. Having talked to some current tax associates at the firms, tax is appealing to me because you are able to look at a company and help them save as much money as possible. Being an expert in the field of tax gives you immense value in public accounting for a lot of clients. I would also be interested in working with the government on researching the effects of potential new taxes and the adjustment of current taxes.

CASE V: Professional Interview

Introductory Summary

In this Case Study, I was encouraged to interview a business professional who is well established into their career. The questions provided for the interview ranged to include information about their college life, professional life, personal life and a final question that challenged them to identify what will be the biggest challenge for my generation. Along with these eleven provided questions. I asked a few follow-up questions that related more to my career and the path I intend to take.

The business professional I chose to interview was Dr. Mitchell Wenger. I had spent the two weeks leading up to the interview in Dr. Wenger's Systems Accounting Intersession class and knew his career was one that would be relatable to my interest for the future. Dr. Wenger's career can be divided into three major periods. The first of these would be working as a CPA at Arthur Anderson. He then spent some time working with various companies dealing with consulting and the development of data warehouses and analytics before becoming a teacher at the University of Mississippi.

Through this case, I learned the important characteristics such as communication and teamwork that will help me be successful in the career path I intend to pursue and the challenges I will likely face in my career. Outside of these more career minded lessons, I also learned the significance of valuing your spouse and family and the value of finding a passion and making a career out of it. Dr. Wenger shared the exciting journey of his career yet what he was proudest of and what he talked highest of were both his son and wife, making it evident how important your family is.

Biography:

Dr. Mitchell Wenger is a professor at the University of Mississippi who teaches courses focused around accounting and the information systems used to support businesses. He spent the majority of his youth in Texas before moving to a total of five states before graduating high school. When it came time to go to college, he set of the University of Illinois to study Accounting. This decision was inspired by his high school friend's father who was a CPA. As Dr. Wenger entered college, he was not the most self-disciplined student in academics but he enjoyed his time and is still in contact with his friends from his time in Champagne. Upon graduation he attained CPA licensing but then moved south to Arlington, Texas in pursuit of a Masters of Business Administration with an emphasis on information systems at the University of Texas, Arlington due to a cold winter in Illinois. While studying at the University of Illinois he gained an interested in computers and information systems thanks to the engineering school. Which was home to a lab of interactive computers with a system called PLATO. This interest continued at UT as he assisted his professor in setting up the first accounting computer lab at the University by building the computers and setting up a depreciation simulation to be ran on these computers.

To begin his career, Dr. Wenger worked in the technology side of Arthur Anderson and stayed there for seven years. He then worked for a year and a half at a grocery store chain before joining his previous Arthur Anderson co-workers and a few previous employees from IBM at their start-up consulting company called Heron. After Heron, Dr. Wenger moved to Stanford, Connecticut and worked for Hyperion, on the new product team and the development of data warehousing and analytics. Although he enjoyed the excitement of working with startup companies while traveling and meeting a variety of people, him and his wife were beginning to grow their family and he didn't want to be traveling as much. This led him to follow his wife to Tampa Bay, Florida then Richmond, Virginia to get his PhD from Virginia Commonwealth University as he worked in the Journalism school at VCU. After attaining his PhD, they moved the family to Oxford as he began to work for the University of Mississippi.

Throughout his career and within his personal life, Dr. Wenger has spent a lot of time traveling. In his life he had been to nearly all of fifty states and as a gift for his 40th birthday his wife treated him on a trip to Vermont and Alaska to cross off the final two states and have the ability to say he has been to every state. Along with this trip, his says that his honeymoon where him and his wife traveled to Tahiti in French Polynesia have been his favorite vacations.

In Dr. Wenger's personal life, his family has been a major priority. He shares that, in life, it is important to have a good partner where you both understand each other. Him and his wife have had the mutual perspective that life is an adventure and have always been supportive of one another. Looking at their willingness to move for each other's careers and support each other's pursuit of other jobs are primary examples of this mindset. They again had the mutual goals of family in the decision to settle down in Oxford to raise their son, who Dr. Wenger has stated is what he most proud of.

Looking back, Dr. Wenger has said that not trying out for the baseball team and realizing he doesn't have to fit any sort of mold are the two things he would change if he had the chance. As advice for my generation, he wants to encourages us to spend more time working on public speaking and teamwork. At our age he was under the impression that he had to know everything in the textbook and do it all alone rather than trusting the people around you and learning to work with them. He believes that our extensive work in group projects and case competitions will help us develop these skills along with being more comfortable with public speaking, communication and human connection. Dr. Wenger also believes that the continual development of technology and the understanding of how to use it and control it will rise as the biggest challenge of our generation. He hopes we will be able to return to the sense of a shared goal and shared objective as communication through technology will cause us to be less personable.

What I have learned:

Dr. Wenger has had a successful career by anyone's standards yet he always took the opportunity to talk about his family. All of his fondest memories and greatest achievements were centered on his family. His experiences and advice have taught me that there are specific traits that help a person become successful in their career. Beyond ones career, he made it clear that putting your family at the forefront is one of the most important things to learn as you start your career.

Notes from Interview:

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

Growing up his family moved around a lot. Started in Texas went to 5 different states before college. Dr. Wenger proceeded to move around more in his career as he worked for a variety of companies that were located around the country and required him to travel. He says he enjoyed the travel as it was a good way for him to get to know different parts of the country. The travel also taught him to became adaptable. He lived in the Texas the longest until Mississippi tied it this year at 12 years.

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

Went to University of Illinois in Champagne, IL. Entering college, he was not as self-disciplined, this included academics. As he reflected on his experience, he said he enjoyed his time and is still in touch with friends. He hadn't been back to Champagne until his two nieces went to U of I. In addition to the nieces, his sister lives in the area.

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

Best friend's dad in high school was a CPA. Accounting Major at undergrad. Engineering school had interactive computers that piqued his interest in technology.

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

Got accounting degree, got CPA. Moved south for weather and got MBA with emphasis in information systems at UT Arlington. Kept working with accounting moved towards information systems. Helped set up first accounting computer lab. Helped professor set up depreciation simulation. Arthur Anderson, to charlotte. Stayed at Arthur Anderson for 7 years. Went to grocery store chain. Small consulting company developed by previous employees from Arthur Anderson and IBM called Heron, 2-3 years. Went to work for Hyperion in 1994, Stanford, Connecticut. Worked on the new product team and moved to data warehousing and early analytics. Enjoyed his career, had a lot of fun but too much movement so switched to teaching. Attained his PhD at VCU while his wife was working in the VCU Journalism school.

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

Have to have a good partner in life where you get each other, the other has to step up for a while when one gets burned out in their career. Understood life is an adventure. Wife has been very supportive, very good partnership with wife, both had good perspective, life is an adventure.

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

Gave wife a surprise honeymoon, told her to pack for water and they went to Tahiti, French Polynesian. For his 40th birthday his wife planned a vacation to the 2 states he had never been to, Vermont then they took a flight across to Seattle and took a cruise ship to Alaska. Been to a lot of National Parks. Glacier National Park and Yellowstone are his two favorites.

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

Would've tried out for the baseball team in college. Not wait so long in life to become who you are. Spent a lot of his young adult life trying to fit some kind of mold.

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

Wish he would've been better at public speaking and teamwork. Under the impression he had to know everything and do everything himself. Group projects, case competitions and working together helps us a lot in growing our ability to have human connection and communication that play a big role in our success. Importance of conversation.

9) What are you most proud of?

Son, who is freshman at Ole Miss and an accountancy major. Proud of what he's been able to do.

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

Seeing what is happening with the National Debt, retirement, fewer defined benefit plans. Will be a challenge when they won't be able to earn anymore. They can work until 70 or 75 but it will hold up the people behind him. Best solution would be to change the political system. Do away with seniority system and enact term limits nation-wide could help politicians focus more on the citizens.

11) What will be the biggest challenge for my generation

Technology, challenges how to use it, control it and when to seed decision making to technology and when to override it. With communications becoming more and more hyper-personalized will cause people to lose the sense of a shared goal and shared objective. Hope we can find a way to come back to a common goal.

12) What do you expect the future of ERP systems to look like?

SAP and Oracle will be around for a long time, moving their operations to a cloud only ERP. Microsoft Dynamics in Fargo, North Dakota will start getting big. Continue to expand as data analytics start to get incorporated into the ERPs.

13) What are your thoughts on Charlotte versus Atlanta as a starting point for a career.

Lived in Charlotte and tried to get around in Atlanta. Much more livable than Atlanta. Atlanta has more variety of industry and clients just due to size. Atlanta has more of a tech presence while Charlotte still has a large banking industry. Charlotte is the hub for the Carolinas, a lot of the business in surrounding cities in Carolinas is run through Charlotte.

CASE VI: Case Competition Intel Overview

Our task for the week was to choose a company to research and summarize the state of the company. We chose Intel Corporation and discovered a lot of information about the financial state of Intel. Founded in 1968, Intel has grown into the world’s largest semiconductor chipmaker; they develop advanced integrated digital technology platforms for the computing and communications sectors. Their major investments in U.S. plants include their facilities in Chandler, Arizona, and Hillsboro, Oregon. Currently, Intel has over 100,000 workers with over half of the workers located in the United States.

As a designer and manufacturer of microprocessors, motherboard chipsets, integrated circuits, flash memory, graphic chips, and embedded processors, Intel plays a substantial role in the semiconductor and circuit manufacturing industry in the U.S. This U.S. industry has a revenue of $47.5 billion. The industry's annual growth from 2015-2020 was around -1.3% and expected growth of 2.4% from the years 2020-2025 includes $2.4 billion in profits at a 5.1% profit margin. The industry includes 688 businesses and employs 89,642 people.

The United States remains a leading exporter of semiconductor products with semiconductors being the nation's third-largest export. These exports are the largest segment for the industry's revenue in the United States due to companies like Intel that have major manufacturing operations in the United States. This is expected to decline as major tech companies continue to move their production facilities overseas. As technology continues to advance, semiconductors are becoming more and more vital in a variety of products. This will increase the demand for semiconductors, and Intel has derived an increasing share of the revenue from this innovation. Although there are high barriers to entry in this industry, globalization and competition continue to climb.

The revenue for the year 2020 set company records by rising 8% from 2019, reaching $77.9 billion. Also a record for the company, in 2020 they generated a combined $56 billion from operations and free cash flow, returning $19.8 to shareholders. The residual net income for the company was $149 million less than the previous year. During the year, they invested $13.6 billion in research and development for the use of growth acceleration.

On July 23, 2020, Intel stock took a massive drop from a share price of $60.40 to $50.59. The stock fluctuated around $50 a share for the rest of the year. Overall, Intel stock dropped 18% during 2020. They lost market share to AMD, another processor company. These drops led to the decision to bring in new management, so they replaced Bob Swan as the CEO with Pat Gelsinger. Gelsinger worked for Intel as the CTO before leaving Intel in 2009. He is currently the CEO of VMWare, but will rejoin Intel on February 16, 2021, as the new CEO. They also appointed Sunil Shenoy as Senior Vice President and General Manager of the Design Engineering Group, effective February 1, 2021. The stock price has risen in January of 2021 due to these new management decisions as well as the CES conference earlier this week where Intel announced the launch of over 50 new processors.

Intel is hoping its new processors, as well as new management, will bring the company back into the forefront of the industry. They expect two of their new 50 processors to lead the way. The first processor is the 11th Gen Intel Core vPro which has no rivals as a business platform because of the increased efficiency versus its competitors. The two big draws of this chip are its inclusion of the first silicon-enabled Artificial Intelligence threat detection unit as well as Intel Control Flow Enforcement Tech. These two pieces in unison can shut down an entire class of cyber-attacks that are unable to be stopped by software based securities. Their other new flagship processor is the 11th Gen Intel Core H-Series Mobile Processor, which is expected to revolutionize gaming laptops. Playing video games on a PC is superior to playing on a gaming laptop, but this new processor aims to close the gap. It will allow gaming laptops to have much better graphics as well as lessen any lag or crashes. More than 40 new laptop designs have been announced to be released in 2021 with this new processor from top gaming laptop companies.

Intel recently announced a $475 million investment in Intel Products Vietnam (IPV), the largest assembly and test manufacturing facility in Saigon Hi-Tech Park (SHTP). This is also the largest U.S. high tech investment in Vietnam. Furthermore, Intel is also involved in the manufacturing of silicon photonics used in the development of lidar system-on-chip for Mobileye use in Automated Vehicles (AV). Mobileye is set to manufacture AV beginning in 2025. Industry experts think that Mobileye could be a competitor for big EV companies like Nio and Tesla.

We learned that Intel is more than just a technology company. Intel is the only U.S.-based manufacturer of semiconductors with involvement in a wide range of sectors from financial markets to vaccine development. Intel is focused on using its processors and hardware to impact every sector of life. Recently, Intel has changed their management and a new CEO will take over in February. The recent innovations and management changes are promising for success in the upcoming years.

CASE VII: Case Competition Disney Audit Analyst

This week we analyzed Intel Corporation's 10-K, which gives a comprehensive report of the financial condition of the company for the year 2020. We checked the balance sheet and income statement account's balances, read the footnotes, and compared recent and present year records. We entered our conclusions of the accounts into a grid, checking for and describing the risks of existence, completeness, valuation, and presentation we found relevant for the account.

Based on our analysis of Intel Corporation's 10-K, we decided the six riskiest accounts on Intel's 2020 10-K are Other Accrued Liabilities, Debt, Assets Held for Sale, Trading Assets, Short-Term Investments, and Net Equity Investments. With these accounts, we described the risks associated with possible misstatements, which ranged from unexplained values to tax discrepancies. Once the risks were identified, we listed two forms of internal controls that could be used to mitigate the risk of misstatement, such as having high-level employees check over information. To ensure an account is not misstated, we suggested tests the auditor could use to validate information. We also gave recommendations for how Intel Corporation could make the process of auditing the specific accounts we listed more efficient by using data analytics, such as data filtering and automatic processes.

After completing this week's objectives, we learned more about the 10-K form and how it presents information about a company's financial situation. By comparing the current year's values for each account to the values of last year's account, we were able to observe trends and changes, such as how Intel Corporation's short-term investments doubled between the periods. We found that much of the information we deemed important was located within the footnotes, rather than in the consolidated financial statements, which would create challenges for potential investors and current investors who are trying to understand the overall financial position of Intel Corporation. After completing our audit of Intel Corporation's 2020 10-K, we have a better understanding of the entire company.

Other accrued liabilities are risky because information is scattered, so there is a presentation issue. The presentation did not give specific details of what is included in other accrued liabilities. The short-term portion of contract liabilities ($508 million as of December 26, 2020, and $673 million as of December 28, 2019) is reported on the consolidated balance sheets within other accrued liabilities. We recommend having an external firm assess the fair value of other accrued liabilities to validate that it is the same fair value as a control measure. We would also segregate the duties of how we analyze these liabilities. Intel Corporation should make one department handle the negotiations, while one department should handle the payments. The tests of transactions to audit include confirming liabilities with lenders, and comparing other accrued liabilities with the contracts of lenders or suppliers from previous years. We recommend using data filtering to streamline the account's audit process.

Risk is associated with debt because of the presentation of debt. Many investors and creditors look at financial ratios to determine whether to lend or invest as well as terms for lending, so misstating debt, which is important, could be a way to get better loan terms or wider access to capital. We recommend having senior or other high level employees check if the bank account or address that money is being sent to is the correct account or address and is not fictitious. Another important measure is to check if new recipients are being added to the lists of bond holders or check other debt instruments where money is being dispersed to a large number of people. They should review new leases to determine if debt should be recorded, confirm debt with lenders, and summarize and test debt covenants. We recommend using data filtering to streamline the audit process for debt, so the company could filter specific information about their debt including dates, amounts, and companies.

Assets held for sale went from zero dollars to over five billion dollars in a year. There is potential of a valuation issue because of this rapid increase in assets held for sale. We recommend having third party firms periodically value some of the assets held for sale to ensure they are listed at the correct value. In addition, they should test for impairment annually to see if the market price of the assets held for sale has changed materially. They should also test to ensure the asset is no longer in use. We recommend a data process that would simplify the process of evaluating assets held for sale that would include comparing the asset to its book value, fair value, and the value of similar assets that have been sold recently.

Trading assets are risky, and we discovered existence, valuation, and presentation issues. With the sharp increase of trading assets, many investors may be led to believe that Intel Corporation has more capital than it actually possesses. Intel Corporation needs to make sure that no employee can purchase trading assets for Intel from companies that they have a significant stake in to avoid conflicting interests. We also recommend having a third-party firm do a random check of some of the trading assets to ensure that they are accurately carried as a level two on the fair value measurement scale. Intel should check to see that each company that it has stock in or other forms of trading assets in is a real company. We recommend using data analytics to obtain better valuation measures (level one) for trading assets.

Short-term investments are one of the riskier assets for Intel Corporation because of valuation issues. The short-term investments more than doubled from 2019 to 2020. All the values for short-term investments are listed under level two. Any withdrawal of funds or sale of short-term investments should go through two different senior level employees who authorize and ensure that the money is the correct amount going to the correct account as a control measure. Intel Corporation also should have a set standard of what classifies an investment as short-term and have continual checks to verify the investments are classified correctly. We recommend that Intel Corporation checks on the models and the methods used to arrive at level two valuations. Data analytics can provide better and more accurate valuations and predictions for short-term investments by analyzing past data which allows a better fundamental and technical analysis of these short-term investments.

Net gains and losses on equity investments are also risky for Intel Corporation because of their presentation and completeness issues. Intel Corporation might be hiding extra expenses as losses on equity investments which would show a misstatement of gains or losses on investments and would lower the net income. Intel Corporation may intentionally embed expenses into their losses below the operating line to avoid paying taxes while showing a high operating income to investors. Intel Corporation should ensure that any changes on the market value of these equity investments are checked by two different managers to establish that there is no attempt to increase or decrease earnings in order to increase compensation. Any sale of an asset should be approved by two different managers to make sure that ratios are not changed ahead of reporting data. Intel Corporation should test for impairments on any long-term investment. We recommend using algorithms and automation to check the amounts of gains or losses on equity investments. Intel Corporation should also use predictive analytics techniques to calculate losses or gains resulting from equity investments, since equity investments are highly volatile.

CASE VIII: Case Competition Intel Tax Advisor

For week three of the case competition, we were assigned to read descriptions of tax provisions and credits that would affect the tax liability of corporations across the United States, including our company, Intel Corporation. We read about the Tax Cuts and Jobs Act, with provisions such as BEAT. BEAT was created so multinational corporations will keep profits within the nation and pay the taxes they owe to the United States' government. Another provision to make sure corporations pay their fair share of taxes is GILTI (global intangible low-taxed income). GILTI creates a minimum of a ten and a half percent tax on the income made from foreign corporations that is brought back into the United States. These tax provisions make sure corporations will still be paying high minimum payments even with the lower tax rates the corporations have found outside of the United States.

We also read an article about the CARES Act, which is expected to be beneficial to most businesses. The CARES Act allows businesses to carry back any net operating losses (NOL) generated in 2018, 2019, or 2020 for a maximum of five years and obtain refunds of taxes paid in prior years.

After our readings, we researched corporate tax credits that were specific to Intel Corporation, including tax credits for the semiconductor industry as a whole. One article stated how corporate taxes are likely to change under the Biden administration and how these changes would impact Intel Corporation. After reading and researching, we gained knowledge about the current tax status and possible changes that could occur under Biden's administration. This research helped us understand how to provide tax strategy advice to Intel Corporation.

We looked at strategies to minimize the tax liability and increase savings for Intel Corporation, which gave us a deeper understanding of what we might do to help our future clients. We recommended that Intel Corporation reincorporate in Wyoming for advantageous tax purposes. We also recommended that Intel Corporation invest in retooling as part of their tax plan. This investment would allow Intel Corporation to become more competitive in the manufacturing chip industry and would allow Intel Corporation to take advantage of the ten percent tax credit proposed by Biden for creating jobs in America.

One of our recommendations for Intel Corporation is to reincorporate Intel Corporation in the state of Wyoming which would be advantageous for tax purposes. Intel Corporation is currently incorporated in Delaware which has a corporate income tax rate of 8.7 percent, whereas Wyoming has no corporate income tax or gross receipts tax. We suggest an "F Reorganization" which is tax-free under IRS Section 368(a)(1)(F), which would entail starting a new corporation under the same name in Wyoming. An "F Reorganization" is considered a formality and allows the new company to retain the same employer identification number and tax attributes, which will keep Intel Corporation from any tax difficulties after reincorporation. The outside fee Intel would incur is the one hundred dollar incorporation fee the state charges to start the new Intel Corporation. While other states change the cost of incorporation based on the volume of issued shares, Wyoming does not.

After the "F Reorganization," we would merge the current Intel Corporation that was incorporated in Delaware with the newly incorporated Wyoming Intel Corporation. Intel would need to file a certificate of merger stating that both Intel Corporations will merge and state that the Intel Corporation incorporated in Wyoming will be the surviving Intel Corporation. After calculations, we found that this move would save Intel Corporation forty-six million dollars in 2020, which would be greater than the incorporation and merging costs Intel Corporation incurred. Delaware has an 8.7 percent state income tax, but Intel Corporation in previous years has paid just under one percent. The state income taxes for Intel Corporation in Delaware have risen in the last three years due to one-time benefits expiring. If Intel Corporation moves to Wyoming, it would save them roughly 50 million dollars in the early years, but could also save the company time attempting to receive benefits and credits for state income taxes in years to come. Although much of the semiconductor industry has moved manufacturing plants overseas, proposed plans by President Joe Biden include an added ten percent surtax on any profits of goods manufactured overseas and sold to United States' markets, making it more advantageous to just move states. This additional ten percent tax comes along with the proposed minimum fifteen percent tax, "on all corporations with book profits of $100 million or higher," making the potential consequences of moving overseas more advantageous than the positive tax rate decrease.

Figure 6: Difference in Income Tax between States

State Income Taxes in Delaware for 2020	$46 Million
Potential State Income Taxes in Wyoming for 2020	$0

President Joe Biden has proposed a ten percent tax credit to companies who create jobs for Americans. The retooling of plants for more efficient production, which is an important step in increasing American competitiveness, is included in the requirements for the tax credit.

Intel Corporation is the leading American company in designing and manufacturing microprocessors, recently releasing ten-nanometer chips. While it was announced that these chips would be released in 2017, they are currently being mass produced. Intel Corporation is trying to make their chips even smaller, shrinking them to seven nanometers. The issue with creating such small chips is that a minuscule error can cause the chip to no longer be viable. Defects in microchips are always going to be an issue, but Intel Corporation's factory in Hillsdale, Oregon, is encountering defects too often to mass produce them. This has allowed the Taiwanese Semiconductor Manufacturing Company to overtake Intel as the leading chip producer. The Taiwanese Semiconductor Manufacturing Company only focuses on production and not design, so they have better factories. If Intel Corporation invested in retooling their factory in Hillsdale, Oregon, they could remain competitive in manufacturing their chips, as well as take advantage of the ten percent tax credit that the Biden administration has proposed. The Creating Helpful Incentives to Produce Semiconductors for America Act was created with the intention of increasing United States' semiconductor manufacturing by giving a forty percent refundable federal tax credit for semiconductor manufacturing facilities and equipment.

Figure 7: Impact of Tax Credit in Oregon

Current Federal Income Taxes in 2020	$2,489 Million
Federal Income Taxes after retooling the Hillsdale, Oregon plant	$943 Million

CASE IX: Case Competition Disney Advisory Consultant

This week we were charged with answering questions about Intel Corporation's operations. We discussed Intel Corporation's core business, where they conduct business, generate revenue, have manufacturing facilities and corporate headquarters. We learned Intel Corporation's stated business mission and strategy. We researched Intel Corporation's customers, suppliers, and strongest competitors.

We used Excel to display charts for the past five years for Intel Corporation's revenue, cost of goods sold, selling, general, and administrative expenses, operating income, assets, liabilities, return on assets, profit margin, and asset turnover. We identified two threats to Intel Corporation's success and gave two suggestions of how to combat these threats. We fully developed a plan and discovered the effects on revenue, cost of goods sold, selling, general, and administrative expenses, operating income, assets, and liabilities. We recomputed the return on assets, profit margin, and asset turnover for the next five years and found that our solutions positively impacted all of these ratios.

After our research this week, we learned how to positively impact Intel Corporation by making suggestions that would impact their return on assets, profit margin, and asset turnover for the upcoming five years. This week taught us more about the financial position of Intel Corporation in the previous five years and gave us information to forecast the financial situation for the upcoming five years.

We suggested that Intel Corporation invest in retooling to remain competitive in the market. We also suggested that Intel Corporation start a program that would allow the company to hire the best new talent from Master's programs. If Intel Corporation incorporates our suggestions into their business model, Intel Corporation will be more financially successful and more successful in their market.

Intel Corporation is a global entity whose core operation is designing and producing semiconductors. Intel Corporation's strategy is to manufacture products that will increase the success of their customers. To build their semiconductors, Intel Corporation has thousands of suppliers and many distributors that sell their finished products. Their three largest customers, making up 39 percent of their net revenue in 2020, include Dell Inc., Lenovo Group Limited, and HP Inc. Intel Corporation has many competitors; their biggest design competitor is American Micro Devices (AMD), and their biggest competitor in the actual manufacturing of chips is Taiwanese Semiconductor Manufacturing Company (TSMC).

Intel Corporation's headquarters are in Santa Clara, California, and they are incorporated in Delaware. In North America, they have factories in Hillsboro, Oregon, Rio Rancho, New Mexico, and Chandler, Arizona. Their international manufacturing locations are in Israel, China, and Ireland. "Intel Corporation's strategy is to play a larger role in our customers' success by delivering a predictable cadence of leadership products." The entity exists "to create world-changing technology that enriches the lives of every person on earth," through computing systems in efforts to "unleash" the potentials of data. By investing in themselves, they believe they can strengthen the corporation through other investments and acquisitions, providing returns to stockholders and increasing net revenue.

Intel Corporation needs both suppliers of components and distributors to deliver the completed products to customers. Intel Corporation has thousands of suppliers including ASML, DISCO Corporation, and Fujimi Corporation. They have ten trusted distributors in the United States that sell processors, server products, and other components from Intel Corporation to their customers. Intel Corporation has two primary operating segments. One operating segment targets a Data Center Group, and one operating segment targets a Client Computing Group. Intel Corporation's three largest customers, consisting of 39 percent of their net revenue in the year 2020, were Dell Inc. accounting for 17 percent of their revenue, Lenovo Group Limited accounting for 12 percent of their revenue, and HP Inc. accounting for ten percent of their revenue.

Intel Corporation has two major competitors in the two fields they occupy. Intel Corporation is the largest integrated semiconductor manufacturer, so they design and manufacture their microprocessors. Their biggest design competitor is AMD, American Micro Devices, which solely focuses on chip design. In the last six months, AMD has started gaining some of Intel Corporation's market share. Intel Corporation's largest manufacturing competitor is the Taiwanese Semiconductor Manufacturing Company (TSMC), a company that focuses on manufacturing semiconductors and microprocessors. Most design companies, including AMD, use TSMC to manufacture their products. Intel Corporation produces chips that are used in larger devices, but AMD produces chips for household computers.

Intel Corporation is unable to create their own chips at the seven nanometer level and is currently designing chips to be produced at the five nanometer level. On the other hand, TSMC, their biggest competitor in the manufacturing sector, is currently creating chips at the seven nanometer level and is trying to make their chips even smaller. Intel Corporation has always been an integrated semiconductor manufacturer, but integration is leaving them behind due to their manufacturing team's inability to keep up with their design team. Intel Corporation also does not have enough machines to produce all of the technology they are promising. Production delays in their ten nanometer CPU chips have led to delays in all of their CPU products being shipped. This supply chain issue led to AMD signing a new deal to provide their chips to Lenovo Group Limited, Intel Corporation's second largest customer in 2019. AMD stock increased by 83 percent in 2020, while Intel Corporation's stock only increased by 8 percent. To combat this, Intel should invest in buying new state of the art ASML's TWINSCAN NXE:3400B. These machines are able to produce chips at the seven and five nanometer level, which would allow Intel Corporation to produce their current designs, as well as produce the next generation of chips.

TSMC is currently planning to build a factory in Arizona under a wholly owned subsidiary that will be ready to start production in 2024 and will have the capacity to create both seven and five nanometer chips. This new subsidiary could allow them to bid on government and military contracts, presenting security concerns with the company not being founded in the United States. If Intel Corporation has the same capabilities as the new TSMC, they will easily beat out TSMC for government contracts, but this advantage only exists if they operate at the same caliber. Intel Corporation's acquisition of these machines will allow them to be able to produce their smaller chip designs as well as free up older machines to produce CPU chips at the ten-nanometer level. This will solve their inability to manufacture their own chips, as well as the supply chain issue.

Figure 7: Revenue over Time

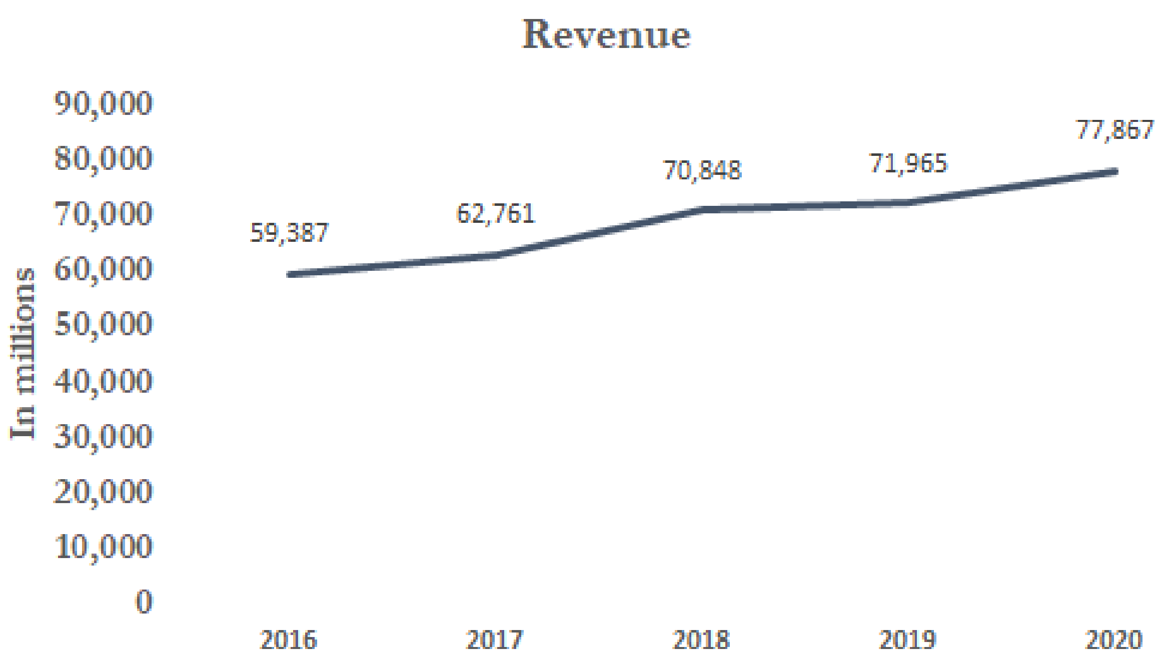


Figure 8: Cost of Goods Sold over time

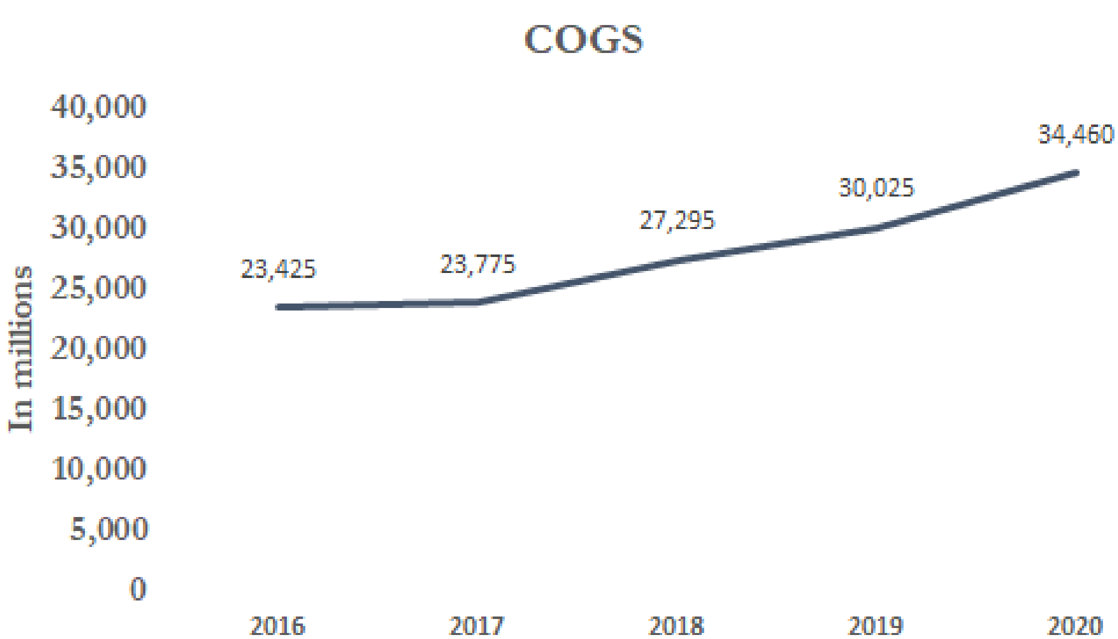


Figure 9: Operating Income over time

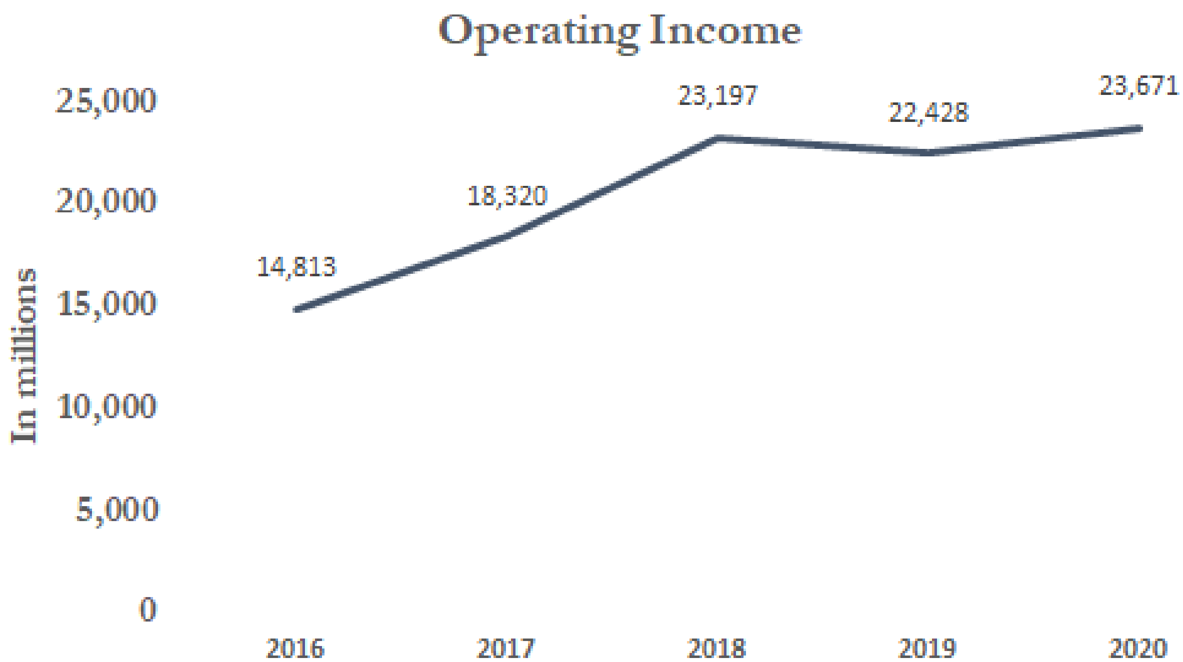


Figure 10: Total Assets per year

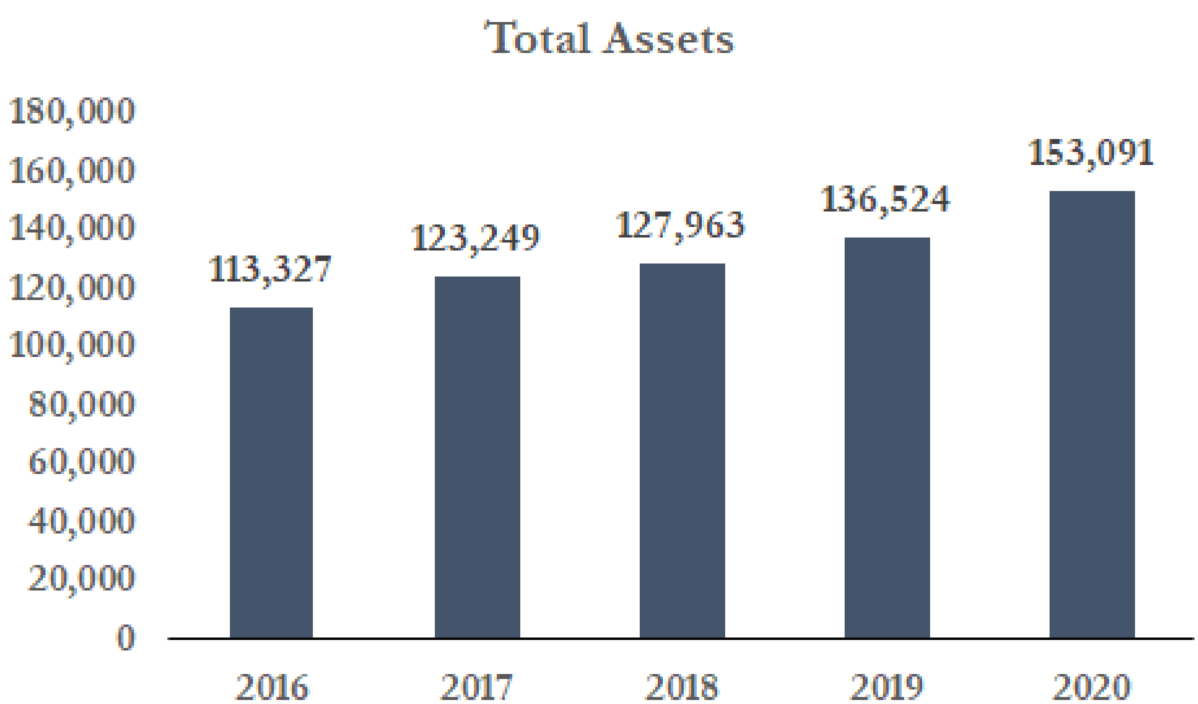


Figure 11: Total Liabilities per year

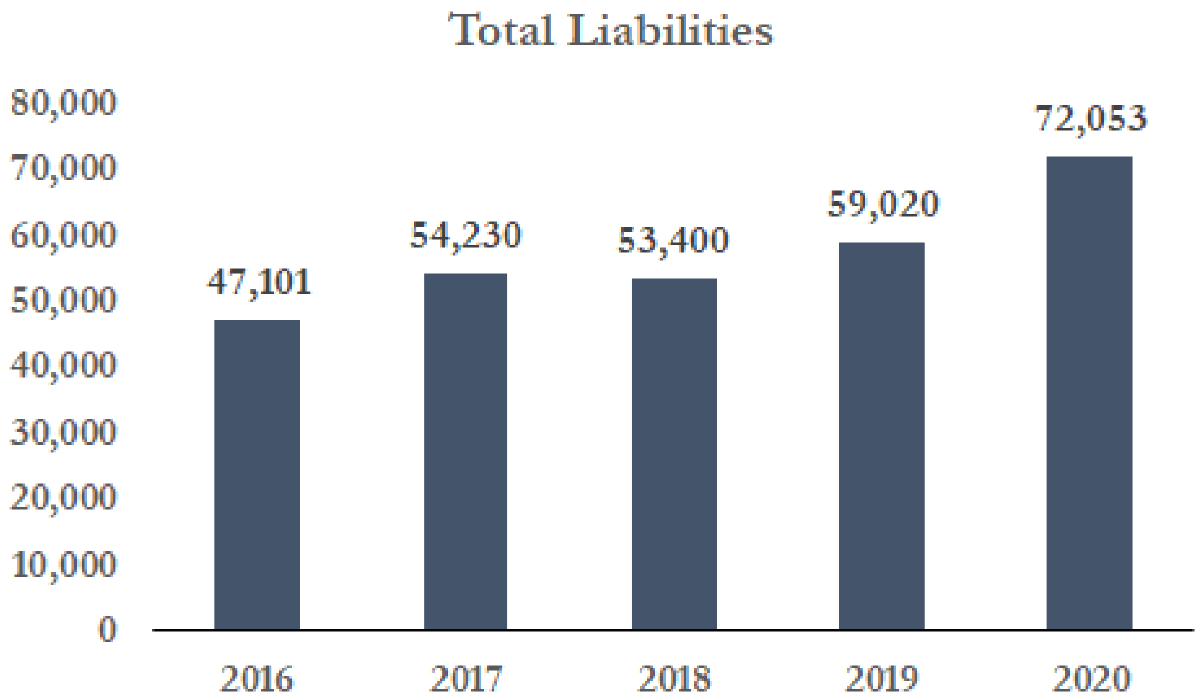


Figure 12: Profit Margin per year

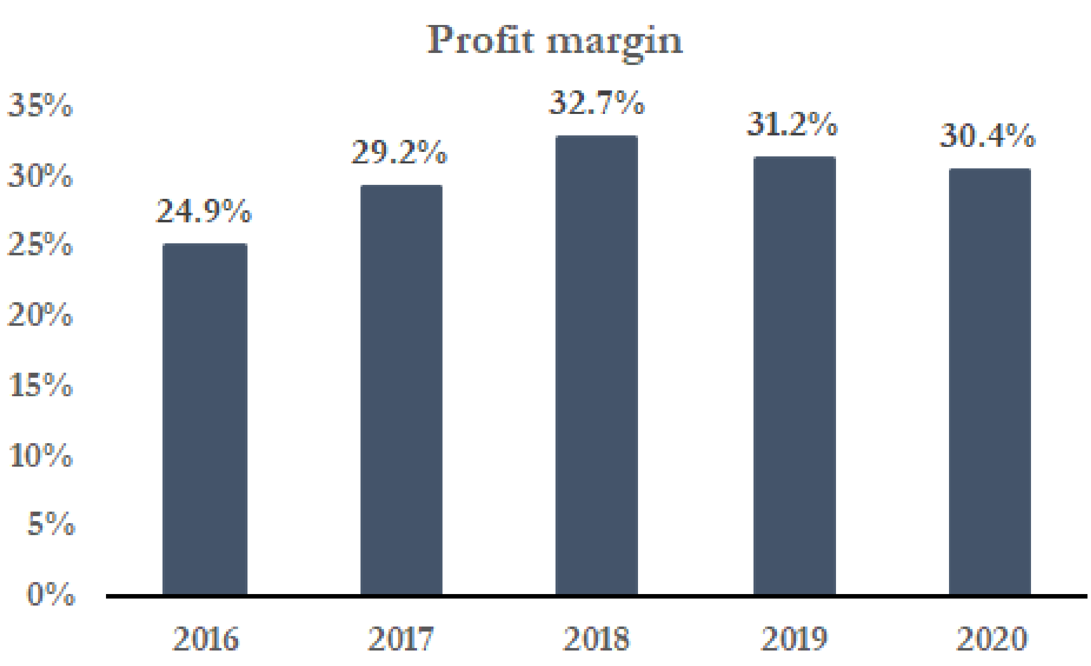


Figure 13: Return on Assets per year

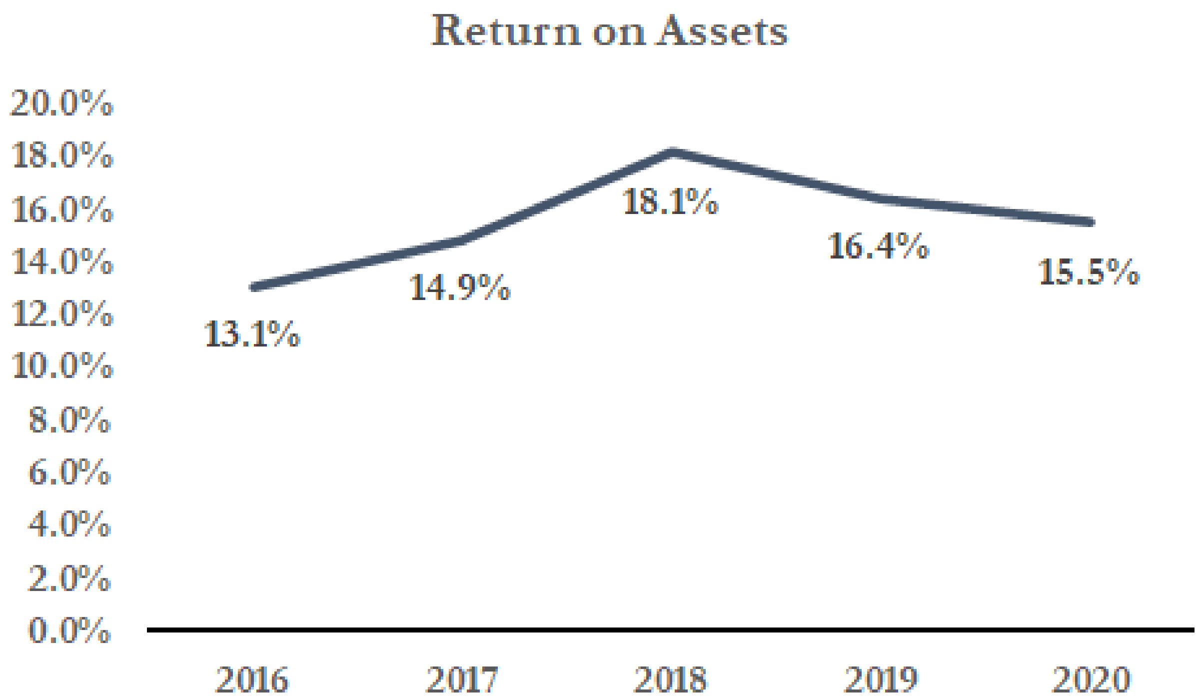
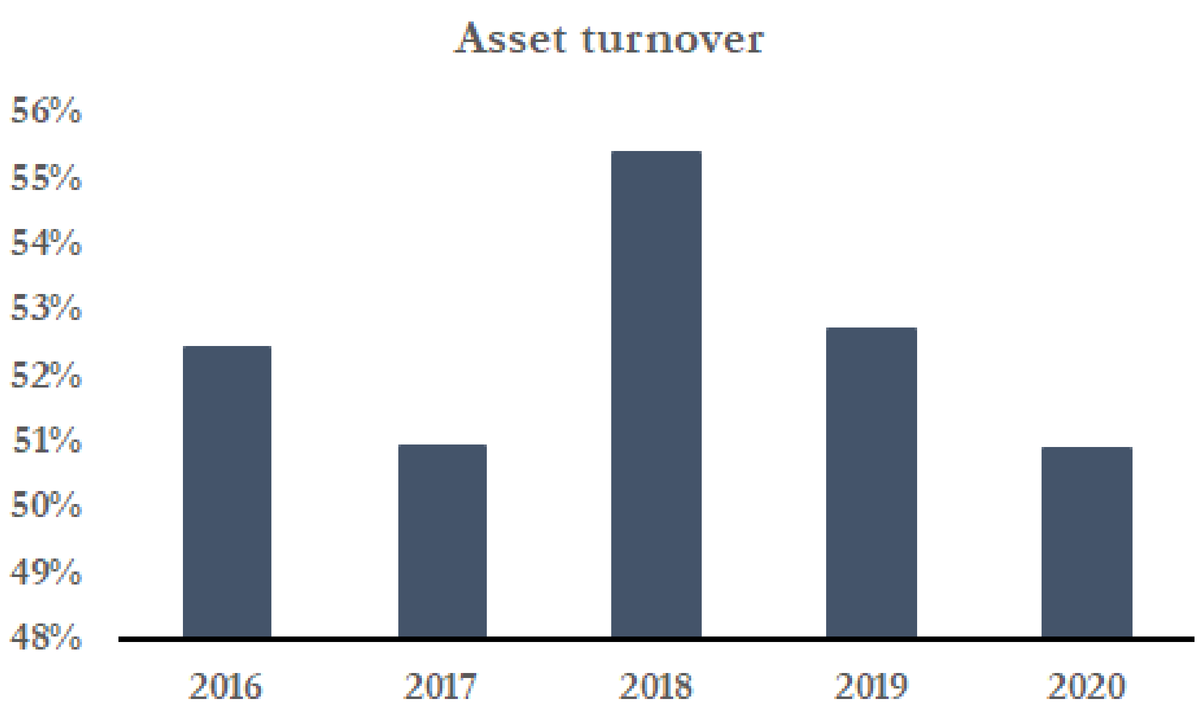


Figure 14: Asset Turnover per year



One of the strategies of Intel Corporation is to provide consistent returns to stockholders and increase net revenue on a yearly basis. From the analysis of Intel Corporation's revenue over the past five years, we see that Intel's revenue has an increasing trend. However, its cost of goods sold and other expenses have been increasing at a faster rate than the increase in revenue, which is shown by their declining profit margin since 2018.

If Intel Corporation does not retool, there is a risk of losing Lenovo Group Limited, a company that contributed 12 percent, which was $2.4 billion of Intel Corporation's revenue in 2020. To combat this issue, the best solution would be to purchase ASML's TWINSCAN NXE:3400B machines, which cost $120 million per machine, but these machines would be able to produce the new generation of chips at a rate of 125 chips per hour. Intel Corporation does not need to retire old machines, as they will still be producing other chips, but production will be increased, so we expect an increase in revenue.

In 2020 Intel Corporation held 15.6% of the market share for the semiconductor market worldwide. The worldwide semiconductor sales for 2020 were $1036.3 billion. The chip manufacturing machine we intend to purchase costs $120 million per machine. We plan on purchasing the machines on a 2.42% long-term debt agreement. The three machines would cost a total of $360 million. Assuming each machine produces 125 chips per hour and works constantly, each machine would produce 1.095 million semiconductors.

Figure 15: Retooling

	Revenue	COGS	SG&A	Operating Income	Assets (in millions)	Liabilities (in millions)	ROA	PM	Asset TO
2022	645,000	300,000	0	345,000	360	360	0.0009	53.5%	0.00179
2023	661,125	307,500	0	353625	144	368.712	0.0024	53.5%	0.00459
2024	677,653	315,187	0	362466	57.6	368.712	0.0062	53.5%	0.0118
2025	711,535	330,946	0	380589	23.040	368.712	0.016	53.5%	1.870
2026	747,111	347,494	0	399,617	0	0	-	53.5%	-

Intel Corporation is a leader in the semiconductor industry, and to continue being a leader, Intel Corporation needs to continue hiring the best talent. If Intel Corporation hires the best talent, Intel's innovation will grow at a faster rate, which would allow Intel Corporation to have a competitive advantage in the industry. We suggest the company offer programs and scholarships to top electrical and computer engineering students in the United States working towards their Master's degrees. The goal of this program is to have the top students from various universities working at Intel Corporation after graduation. Though it would create the financial liability of sponsoring the students, the intended effect of growth from innovations they would provide in the future would far outweigh the costs. These effects would not be immediate, but we would expect to see the effects in three years, after the students have graduated and started working full-time. The only condition with the scholarship is students will work for Intel at least three years after graduation. Intel Corporation would pay full tuition for each student for the two years they will be enrolled in their Master's programs.

At an expected tuition of $55,000 per year per student, the company would take 50 students a year. The costs would be around $5.5 million, which would cover the tuition costs for these students for two years. These costs would be worth the new innovations Intel Corporation would receive from these new employees with their knowledge of semiconductors. $5,250 of each scholarship can be written off each year, making the final estimated cost per student $99,500. We are expecting full retention of the students. Beginning in the third year, we expect our first group of students to begin working, which will increase revenues by an additional yearly one percent increase, with half of revenues being kept as assets.

Figure 16: Intel's Program for Masters Students

	Revenue (in millions)	COGS	SG&A (in millions)	Operating Income	Assets (in millions)	Liabilities (in millions)	ROA	PM	Asset TO
2022	-	0	2.487	-2,487,500	-	2.487	-	-	-
2023	-	0	4.975	-4,975,000	-	4.975	-	-	-
2024	240	0	4.975	235,025,000	120	4.975	1.959	.97927	2
2025	480	0	4.975	475,025,000	240	4.975	1.979	.98964	2
2026	720	0	4.975	715,025,000	360	4.975	1.986	.99309	2

CASE X: Case Competition Disney's Equity Position

This week we were asked to look at historical, current, and prospective stock trends for Intel Corporation. We learned the stock's closing price on the last day of the fiscal year, the Price-to-Earnings ratio as of the last day of the fiscal year, and the stock's closing price from today. We learned about ratio analysis and how to convert the raw data from a company into usable trend numbers. We learned how to compute future stock prices using the earnings multiplier valuation approach. We looked at the risk of each of our ventures as well as Intel Corporation's overall risk with regards to their beta. This week included the research we had completed in previous weeks, and we used financial analysis to show how our previous tax and advisory solutions brought measurable changes to Intel Corporation's bottom line.

Using Yahoo!Finance, we found information such as beta, analyst information, forecasted growth rates, and recommendations about the stock. With a beta of .67, Intel Corporation's stock is less risky than other stocks on the stock market. This year Intel Corporation has 36 analysts, and next year Intel Corporation is projected to have 34 analysts. For the current quarter, next quarter, and current year, the forecasted growth rates are negative, but the growth rates are projected to become positive next year. Professionals recommend buying Intel Corporation stocks, which is attributed to the fact that current growth is negative but becomes positive, making prices lower now, but with the expectation of higher prices in the future.

The net income will change during the next five years, but the common shares outstanding will remain the same. We collected forecasted ROAs from previous weeks' tax and advisory strategies which had a positive trend. This data combined with other recent positive news about Intel Corporation helped us arrive at a buy recommendation for our clients. We finally assessed the impact of our investment recommendation on our client's portfolio risk and return. This week allowed us to have a better understanding of Intel Corporation's stock and how risky it is in comparison to other stocks on the stock market.

Intel Corporation's stock closing price on the last day of the fiscal year, December 26, 2020, was $47.07. The Price-to-Earnings ratio as of the last day of the fiscal year was 9.45, indicating that our current stock price may be low relative to the earnings it provides. The stock's closing price was much higher today, February 24, 2021, at $63.19.

Intel Corporation's beta is 0.67. Beta shows the volatility of stock related to the market. Since the beta is less than one, the stock is not very risky. Intel Corporation has 33 analysts in this quarter, 32 analysts next quarter, 36 analysts in the current year, and 34 analysts next year. The growth rate is -23.40 percent for the current quarter, -8.90 percent for the next quarter, -10.60 percent for the current year, 2.30 percent for the next year, and 5.43 percent for the next five years. The recommendation for investors in Intel Corporation is to buy the stock.

Changes in the stock price over the last few months related to some big news headlines. The earnings report for 2020 showed unchanging numbers compared to previous years. Intel Corporation rebounded in January after they announced a new CEO, Pat Gelsinger, an engineer that had worked for Intel Corporation for over 30 years. The stock fell once again with the announcement of additional delays in their seven-nanometer chips. With Intel Corporation outsourcing part of their semiconductor production to Taiwan Semiconductor Production, companies like Apple and Microsoft have begun to make chips in-house or outsource directly to TSMC, dropping Intel Corporation's stock. The incoming CEO, Gelsinger, has reassured everyone that Intel Corporation will continue to manufacture the majority of their chips, and Intel Corporation intends to return as the "unquestioned leader in process technology".

Common shares outstanding will not change if outstanding shares are bought from other shareholders. However, if the shares are bought from Intel Corporation's issued shares directly, then it will impact the company's shares outstanding. Intel Corporation will have more cash available for investments which will eventually turn into increased profits for the company.

Over the recommendation horizon, the net income will change, but the common shares outstanding will remain the same. For 2022, the expected stock price is $56.32, for 2023 the expected stock price is $51.60, for 2024 the expected stock price is $53.36, for 2025 the expected stock price is $55.66, and for 2026 the expected stock price is $58.40.

For 2022, we expect to increase the stock price with our recommendations by 19.65 percent from the closing price at the end of the fiscal year for 2020. Over five years, we expect the stock price to increase 24.07 percent from the closing price at the end of 2020. Our recommendation to create a recruiting program expects a 19 percent return on assets over the next five years. This is higher than Intel Corporation's ROA in 2020. For the retooling project, the ROA does not look favorable. This is due to not being able to encapsulate the full opportunity cost of the project. As we have discussed in previous weeks, Intel Corporation is losing ground on competitors with Lenovo Group Limited recently giving a contract to AMD, a competitor to Intel Corporation, for a new line of laptops. Lenovo Group Limited accounted for 12 percent of Intel Corporation's revenue in 2020. If Intel Corporation is not able to fix their supply chain issues as well as manufacture smaller chips, their competitors will overtake them.

Overall, our increase in stock price and overall ROA will have a positive trend and give Intel Corporation a better position financially and in the industry. Intel Corporation will become slightly riskier due to an increase in debt for the purchase of the new lithography machines. This increase in debt should be offset by the new Biden administration's focus on helping domestic chip manufacturing. Today, President Biden signed an executive order for a team from the White House to look at the supply chain of domestic chip manufacturing for the next 100 days. During those days, their task is to provide recommendations for how the United States' government can help with these supply chain issues, and keep the United States' domestic chip manufacturing viable. With Intel Corporation being the predominant microprocessor manufacturer in the United States, it should benefit from this executive order making Intel Corporation stronger domestically and internationally.

AMD has outsourced all of its seven-nanometer chip production to TSMC in Taiwan and has little domestic chip production. If Intel Corporation can become competitive in making these smaller microprocessors using our recommendations, they will be in a strong position to capitalize on the growing demand for these microprocessors.

The expected ROA for the retooling strategy is 0.0009 for 2022, 0.0024 for 2023, 0.0062 for 2024, and 0.016 for 2025. Similarly, the expected ROA for the Master's program is 1.95 for 2024, 1.97 for 2025, and 1.99 for 2026. Although ROA figures are not as high as expected, ROAs from both strategies have a positive trend. Retooling will help Intel Corporation stay competitive and increase the market share in the semiconductor industry. The client's investment decision will depend upon his/her risk averseness and the level of return they expect to earn over time. Our investment strategy to buy the stock will help our client attain a consistent capital stock geometric mean appreciation of 3.7 percent annually.

To fully evaluate the cost of capital and beta of the client's portfolio, we would need additional details of the client's overall portfolio. We can calculate the weighted average of the betas of the portfolio of stocks the client holds to calculate the new beta. The beta of Intel Corporation is less than 1, so we also expect the weighted average of the beta of our client's portfolio to decline. As for the risk profile, the client will be faced with systematic risk and unsystematic risk throughout the investment period. With our proposal of granting scholarships for Master's degrees and retooling, the client will be faced with a medium to high degree of firm-specific risk. However, the commensurate gains from the investment are positive and grow consistently which makes Intel Corporation a better investment than other companies.

CASE XI: The Financial Crisis of 2008

This case study provided, five materials to educate me on the financial crisis of 2008. They discussed the people and institutions responsible, what went wrong, and crony capitalism. As I watched and read these materials, I was given questions to think about and answer. Most of the discussion was centered on my perception of these institutions and the government, my role as I begin my career, and similarities between our political environment and economy, then and now.

Based on what I learned about these institutions, I see a correlation between the blame assigned and the current ability to trust. In my mind, most of the blame falls on the investment firms that felt it safe to provide risky loans while having their hand in the deregulation of banks and fight against derivatives. With the length of their tendencies, I continue to find it hard to think they don’t need any sort of regulation.

In my future personal and professional life, integrity will remain a priority. After seeing all of the deception involved in this financial crisis, there needs to be a significant influence on the integrity of business professionals. I hope to uphold an honorable level of integrity while promoting and encouraging the same level from those whom I work with. I plan to start my career in Charlotte and look forward to working with institutions in the financial sector to see how much practices have changed over the last decade.

As America recovered from the financial crisis in 2008, some new laws and restrictions were put in place to prevent politicians from being too favorable to institutional persuasion. Although these changes help, there are still additional measures to take to promote a government that is fully in favor of the betterment of the general welfare.

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

Prior to this case study, I had not had much exposure to the extent of the activities that these institutions partake in. I obviously knew banks' primary source of income was mortgage interest payments, but I hardly knew anything about companies such as AIG or Moody's. Looking at how these materials affect my trust in these institutions or the government, I find it easiest to separate them by activity: creating and selling Collateralized Debt Obligations (CDOs), selling Credit Default Swaps (CDSs), rating agencies, academia, and the government.

The large investment banks that primarily dealt with creating and selling CDOs are the hardest for me to forgive. All of the other agents that are involved with the financial crisis of 2008 were influenced by these institutions. From lobbying with Congress to paying rating agencies to produce favorable ratings and paying professors as advisors, most of the blame goes back to the investment banks. Although there are no real legal issues with their actions, because they lobbied for the laws to be changed allowing them to act legally, almost everyone would say that there are major ethical issues. The groundwork for the financial crisis begins back in 1981, during the Reagan Administration and since they have taken every opportunity to continue exploiting the deregulation that the government. With these activities lasting over 20 years, it is difficult for me to continue to trust them to act ethically.

While I apply most of the blame to the investment banks, I still can't dismiss companies like AIG. They don't have nearly as many moral issues; but, from an accounting standpoint, there are things to look at. The primary issue is offering Credit Default Swaps on investments that they know are risky and don't have the cash on hand to pay off. If AIG is going to "insure" these CDOs, they should have a substantial amount of cash on hand, rather than paying extra bonuses to employees. They also need to be more educated on the investments they are insuring.

Using one single formula like the one developed by David X. Li isn't enough research to back billions of dollars of CDSs. At the time, these firms were only focused on making money and not the consequences of backing risky investments so they didn't look past the Gaussian copula model. In today's world, I expect these institutions to have learned from their mistakes and to not trust any one figure.

Rating agencies are in a unique position, in this situation, as they can deflect any opposing argument by saying their businesses are built on opinions. No matter how much research they do, they can still be wrong and nobody can point fingers at them as long as they put forth their best effort to rating an investment. When they started to get a lot of blame for the financial crisis, this was their argument. Even though it is fair to say that all of their ratings are opinions, the narrative changes when they are being paid by other firms to present ratings that perceive investments to be safer than they actually are. Then proceed to tell these firms that the ratings are not accurate. Again, I still trust that these institutions have learned to not base all of their opinions on the Gaussian copula model and to be more thorough with their evaluations.

The act of paying professors to be advisors to these institutions that these materials discussed was surprising to me. Before looking over these materials I had heard of institutions paying people in academia to advise on or validate decisions made by executives. It seems like a logical thing to do: have professors from the top Business and Economic schools in the world, who are experts in this field, give their input on your firm's activities. Just like everything else with the financial crisis, it is executed improperly. Paying these professors to say positive things about the activities when they know they are wrong is misleading and deceptive. This makes me question the integrity of these academic institutions more than the financial institutions. If I were to consider one of these universities for graduate school, I would have to take this into account. I find it hard to imagine that all of this activity has stopped since these interviews happened.

Contrary to the schemes involving academia, I have been much more aware of the lobbying that goes on between financial institutions and Congress. Although I have known about lobbying, I did not know the full extent. While watching the documentary *Inside Job*, I was surprised to hear just how much money is put towards lobbying these politicians. As a congressman or senator, you are then put under a tremendous amount of pressure to listen to the major firms that are convincing you to continue deregulation. Obviously, there is conflict as your primary concern should be to do what is best for your constituents. Yet, the executives are the ones paying for your campaigns and likely getting you re-elected. If this is the case, it is hard to shift the blame of the financial crisis onto the government and their regulation of banks, when their jobs are reliant on these banks. With this being said, blame and trust are correlated in this instance. Since I cannot blame the government for allowing the banks to have a say in the matter of this deregulation, I also cannot trust that anything will change. Banks will continue to fight regulation by holding close relationships with people in power and I don't expect the people of power to do anything about it.

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

These materials didn't necessarily change my beliefs about my role, but more revealed to me the significance of my role. I always knew the purpose of external auditing, but these materials displayed how important it is to take it seriously and be thorough in my work. Especially for me as my internship and, hopefully, career takes me to Charlotte (one of the banking and financial hubs of the country), I'll be in a position to work on these institutions and see how they have developed in the past fifteen years.

On a personal level, these materials have shown me the importance of high integrity in my work. The banking and finance industry is a very important area as you are dealing with most people's prized possessions, their life savings, investments, and home mortgages. It is paramount that people can trust the banks and financial institutions to do the right thing and protect their most valuable assets. I'll take this lesson of integrity throughout my whole career. It is necessary at all levels: as an associate working on audits, as a manager, or executive. I need the people around me to trust my work and my actions and I hope that I will be surrounded by coworkers who share the same level of intensity for integrity in their work.

Professionally, I will make it a point to always work with others in mind. Wherever I work, I will encourage and motivate my firm to be ethical in the way we do business. That was the biggest misstep made by the executives of these institutions. They were doing everything in their power to benefit themselves rather than handle with care the significant amount of money that people were entrusting them with.

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?

Looking at the primary fallacies of the political landscape prior to the financial crisis, politicians were working in unison with firms to deregulate banks, helping them to grow into colossal institutions that couldn't be stopped in exchange for compensatory benefits to their own pockets or future campaigns. There is still some of this crony capitalism going on in today's political environment, where politicians are more focused on supporting those who donate to their campaigns rather than the common welfare of their constituents. This is on a much smaller scale than it was before the financial crisis.

Over time, more and more regulations have been put on politicians to help keep their focus on the betterment of the American people. The STOCK Act, one of the major acts of the Obama Administration, was enacted to insider trading of congressmen. Although this may help, Fortune 500 companies will continue to find ways to support politicians of their choice. In recent years, this connection has exceeded just companies. Celebrities have been given a stronger voice in their ability to use their influence across social media platforms, which was a major effect on the most recent presidential election.

Outside of the political environment, there are lessons to be learned from the financial crisis. Obviously, within the last year, there has been another crisis, extending past financial, as the Coronavirus pandemic has shut down the majority of the world. The growth and stabilization of the economy have weighed heavily on the United States government and international governments. Even though the cause of the crisis is different, it is interesting to look at the parallels of the two, and it seems like the government learned from the first crisis.

The financial crisis in 2008 was a result of banks giving out risky loans in response to the housing boom. Once the price of houses turned back down, these loans defaulted and banks couldn’t support the obligations they owed. There is an eerily similar situation happening now in response to COVID-19. Due to the pandemic, millions of people couldn’t pay their bills or mortgages. In response, the government started giving out loans with extremely low-interest rates, allowing Americans to take out loans to cover the losses they have incurred in 2020. Many Americans have taken advantage of this and began to purchase homes, thinking that they will continue to work from home and knowing that with low-interest rates, they will be able to pay them off easier. This has pushed the price of homes further and further up to uneasy levels. The obvious difference between the two loan scenarios is that in the early 2000s, loans were being given to people who couldn't necessarily prove that they would be able to pay them. Now, the government seems to have learned from that, and instead of giving out riskier loans than normal, our government just gives out lower loans in hopes to get people on their feet with less to pay in the future. It will be interesting to see how the market reacts when the eventual cyclical downturn of the housing markets comes. If the economy steps back another 20 percent? 40 percent? Will the Americans taking out these cheaper loans still be able to pay them back? Or, will the government have to continue lending out money?

In the future, it is necessary for us to continue to recognize these arising issues and combat them. The best way to do this is to continually check the positions of power. Trust is always a good thing within an organization, but it's also important to continually examine that there is no suspicious activity.

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