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## A Comprehensive Study of Accounting Methodologies through Case Studies

Sahara Karki

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A Case Study

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The University of Mississippi  
Oxford, Mississippi

May 2022

A case study submitted to The University of Mississippi in fulfillment of the requirement of the Sally McDonnell Barksdale Honors College for Accounting Independent Study.

Approved by:



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## A Comprehensive Study of Accounting Methodologies through Case Studies

### Abstract

The purpose of this honors case study is to study the different areas in accounting and dig deeper into some of the accounting scenarios in the real world. The Sally McDonnell Barksdale Honors College has provided this platform for students to showcase their thesis based on case studies through a class led by Dr. Victoria Dickinson. These case studies provide students great opportunity to understand the different accounting concepts by researching and analyzing real-life topics and situations faced by different companies in the US. This also provided students a chance to meet professionals from the particular industry to discuss and understand the accounting methodologies and apply that to the case studies. The second part of the class was formatted to be online where we worked in a team and submitted each week's case competition journal. The final case competition gave us an opportunity to present the information in the weekly case studies. The case study overall required students to gaze into the company's financial statements, interact with the professionals, and get a glimpse into the accounting world to be critical thinkers.

## Case Study One

### Case Analysis of Cities

#### **Introduction**

This case covers a brief analysis of reasoning that relates to choosing an ideal city, more precisely looking briefly into factors taken into consideration while choosing where students want to work and focus on the questions why. This case is assigned to the students for which they can explore different features of different cities that they choose to work and provide detailed research on them. When I first started this case, I already had a little idea of where I wanted to work but a little knowledge and reasoning to support it. Furthermore, going into the depth of my research, I was able to understand my preference and create a scenario of where I see myself working certain years from now which has not only helped me understand my preferences but also get an opportunity to explore different cities that would work best for me. I strongly believe that this is a great opportunity for students to get to picture and analyze their accounting career and answer the most important career question, location preference. This case encouraged me to do in-depth research and understand the best approach in choosing a location by creating different examples and real-life situations that I would consider in terms of finding an ideal location for the long term. Overall, I enjoyed doing this case where I was able to understand the most important career question and get an opportunity to do research and findings on different cities where I would move and build new relationships with new people. After this research, I was able to understand different factors like weather, population, demographics, lifestyle, cost, and many more that can have a dramatic impact on my lifestyle, and

understanding all these factors now has made me feel more confident about my job location before making any commitments.

### **Findings and Analysis**

The two cities that I found to be the best suit for me are Atlanta, Georgia and Houston, Texas.

The various reasons supporting my analysis of these cities and how they impacted my choice are laid out in the following segmentation of research and observations.

#### **Demographic segmentation**

Atlanta is a metropolitan area that is home to 4 hundred thousand people and is also a national center for commerce and spurring growth bringing in major opportunities. Atlanta resides for diversity creating intensified demographics, religion, and rich culture that reflects the rich history, great atmosphere of climate, and topography. The city has a beautiful climate which is great year-round for tourism and outdoor activities. I found that a higher percentage of places are covered with greenery and trees which are nicknamed Atlanta “The City in the Forest.” For a nature lover like me, there was nothing more exciting to see how Atlanta holds both parts of the modern era with big skyscrapers and lush greenery, and a dominant trees landscape. Equally important, the climate here is also something that I would enjoy the most compared to different other cities. It has humid summer that compares the summer seasons to be longer than the winter seasons which follows fine spring weather fueling beautiful blooms from native flowers, adding a wide floral display in the city.

On the other hand, my second choice of city Houston, TX gave me a different splurge of demographical findings compared to Atlanta, GA. Houston is the fourth most populous city in

the United States with an estimated 6.177 million population making it one of the most populated cities to live in the country. However, the biggest impact on life in Houston was the severe weather, especially hurricanes which are taken seriously by the locals. Looking at the good part, Houston is another major diverse city with a very central, vibrant geographical feature attracting a population of the most industrial and entrepreneurial spirit.

### Ease of lifestyle segmentation

The transportation in Atlanta features different modes like rails, taxis, buses with a minimum fair ranging from \$2 for public transportations like buses and rails to \$2.5 per mile for the most convenient transportation like taxis. From my findings, I was able to find rail transportation as one of the easiest and cheapest ways to get around town. The rails run from east to west around and stop near the most popular residential places connecting it with even the heart of downtown Atlanta. Likewise, the station is also connected to the airport providing the people with the convenience of traveling from the routes to get around the airport to residential places even to the downtown and running from 5 am to 1 am seven days a week. Not only this, but the bus is also another cost-efficient mode for commuters to travel helping them to dodge owning a personal vehicle. Throughout my study, I also found that almost all residential homes and apartments have laundry service in the residential building and many online laundry pickup availabilities also make it much easier for laundry and other laundry-related services. Also, a good number of availabilities of grocery stores like Walmart, Kroger, whole foods farmer's market, and other hundreds of grocery options will also make living much more convenient in this city. This finding concludes that



Furthermore, Houston is another major city that is one of the most accessible transportations in the country, featuring rail, metros, taxis, buses with many other ride-sharing options available for commuters. All the transportation starts from \$2 a day for buses and rails that can go up to \$10 to travel anywhere around downtown for cabs a taxi. Ridesharing service is another major and popular transportation alternative that all of the commuter request to share rides consequently making it much cheaper to get around places. Similarly, most of the residential areas have a proper service of transportation to travel as well as a satisfying number of places for other things like groceries and laundry. With different projects aiming for expansion of public transit in both Atlanta and Houston public transportation project is now gaining momentum in more areas of this city benefiting varied transits and stops around residential areas. Both Atlanta and Houston are declared as one of the major fastest-growing metros areas with the most accessible transportation options for commuters with the fastest, safest, affordable, and most mobile development in transportation.

Further, here is a brief comparison of the two cities based on living expenses.

Year 1 monthly expense in Atlanta

Expense	Monthly cost
Rent	\$1,000
Grocery	60

Car Insurance and gas	400
Sports	30
Clothing	200
Childcare	984
Tuition	1000
Total Earning per annum	60,000

Table:1

Taxes in Atlanta

Tax type	Tax rate
Federal	9.27
FICA	7.65
State	4.81
Local	0
Total	21.72
Property tax	0.75
Total tax cut	11,946

Table:2

Year 1 Monthly Expense in Houston

Expense	Monthly cost
Rent	\$1,500
Grocery	70
Car Insurance and gas	500
Sports	37
Clothing	200
Childcare and tuition	1,822
Total Earning	60,000

Table:3

Taxes in Houston

Tax type	Tax rate
Federal	22
Property tax	1.81
Total tax cut	12,100

Table:4

**Conclusion**

After completing the case study I was able to learn more about both of the cities and do deeper research on different factors of lifestyle. Overall, all these studies explore various aspects of both cities including some amazing geographic, demographic, industrial, accessibility along with the cost and expenses of moving in and living in these two amazing cities. I also got to explore the insides of the city by doing side to side comparison of some reports as criminal, tax, a monthly living expenses which helped to choose Atlanta over Houston for many reasons, and discovering all these features helped to find the best fit with my lifestyle and personality. First, the weather in Atlanta is much better than compared to that of Houston, there are fewer chances of weather threats such as hurricanes and it has more balanced weather than Houston. Both cities have equally beautiful topography, but Atlanta has less crime rate than comparing the crime rate in

Houston. Secondly, Atlanta is also very closer to Mississippi, compared to Houston which is far from Mississippi. I would love to come back and forth and get to visit my friends and family who live here. Other than that, the cost of living in Atlanta is cheaper than in Houston where the tax rates are also comparably lower in Atlanta which could help me save a little more and get more from my income. Finally, I would choose Atlanta because of all of the reasons like being close to Mississippi, getting to experience more seasons with natural beauty than that in Houston.

## **Case Study Two**

### **Excel Crash Course**

#### Introduction

In this case study students were given a platform to take an excel crash course where we were able to learn about different excel formulas and functions to be able to work in a fast pace working environment. Students were also able to sharpen their skills by learning various functions in excel. This course was very helpful to learn about the visual aspects of excel like making graphs, designing workflow, and organizing data. It provided us with knowledge and information about the tools that could make the work more effective and efficient.

#### Analysis

Excel is widely used in our profession and there are a lot of functions in excel that helps us do the complicated tasks like calculations, organizing data, evaluating quantitative data and many more functions in less time. This course helped us learn the basics of advanced tools which will help us become valuable members of any company and provide better job security. There are benefits to learning advanced excel and is a critical skill for any profession. Taking this course helped us learn the tools necessary for improving efficiency, productivity, and allowing more work to be done in a shorter period. Once we learned about the tools, we than took an exam that referenced questions to test our knowledge and information covered in the course. The test allowed us to deepen our knowledge and provided us with an opportunity to test our excel skills. After completing the exam and upon scoring eighty percent in it we were given a certificate in our name mentioning the course taken, and date completed. We were able to feel accomplished

and confident in our excel skillset after completing this course. Additionally, it taught us that advance trainings like this can be done easily and can also help us self-learn without hiring a trainer or tutor.

### Conclusion

By the end of this course, students were able to sharpen their excel skills by self-learning about different functions and tools in excel as well as get themselves certified with advanced excel knowledge. This course was very beneficial and learning from it was very easy and productive. Students were also able to save the certificates or upload them to social media like linked in and make themselves more approachable to the recruiters and companies.



## Case Study Three

### Brexit European Union

#### **Introduction**

This case study helps the student learn about the most significant political fight that the current British government is facing either to stay or to leave the European Union (E.U.). The E.U. is a political and economic union formed after World War 2, consisting of 28 European countries, including the United Kingdom. E.U allows for free trade movement within these countries and protects its members

From international trade competition. The E.U. was formed as a noble action to support its member country for economic and industrial growth among the member continents by not only promoting free trade but establishing strong laws to protect and enhance peaceful interests across these countries. This case studies the recent controversy in the U.K. government to decide whether to leave or stay in the E.U. despite the most voting to leave the union. Among the voters, 52 percent of the people want to leave the union, while 48 percent want to stay in the union. This situation caused an intense clash in the nation and brought the crisis in the British parliament to make a legal decision for its people. This case analysis builds upon the study of the documentary, "Brexit The Movie: Martin Durkin Crowdfunded Documentary," which explores all corners of E.U. persuading the decision for the U.K. government to leave the union. By pointing out the failing transparency, trade deals, laws that have negatively affected the ordinary people while benefiting large corporations and the high-level people at bureaucratic political powers.

Similarly, the documentary provides a scenario that which the system in the E.U. is secretly hindering the growth of the U.K. by imposing unnecessary laws passed by the bureaucrats, which are anti-democratic and fail to discuss the benefit to people. The E.U. laws and policies might have been beneficial for a few high-level corporates but are making the ordinary people pay higher prices for many goods that could have been cheaper otherwise. In addition to that, the documentary also warns the people of Britain that the E.U. is against the benefit for the U.K. and controls the economic growth by imposing unnecessary trade barriers, which are threatening the advantage for the U.K. government to new trade deals with other regions throughout the globe. Britain also realizes that the referendum from the E.U. is so far from the most popular vote for the citizens of Britain for the fight for their independent trade. By recording many interviews, the documentary is also presenting the view that explores the corrupt political part of the E.U., which works against the interest of the people it serves. Based on these assertions, this case is examining the series of arguments that's been made in this documentary after the controversy of Brexit leave or stay in the E.U. and analyzes the different situations in this documentary to help students answer that question.

## Analysis

The first section of this documentary analyzes the significant finding of how the E.U. works and builds on the findings of how the E.U. is one of the most significant calamities for the British people and that independence from the union can prosper Britain's competitiveness in the trade. The E.U. consists of 7 different office bodies working separately and each consists of a number of committees, presidents, and commissioners who don't know how the power takes place but one thing was confident that it works in a way where people would not be able to control the high-level government people in charge. The power within the E.U. lacks transparency and accountability, making it hard for people to get the gist of how it works for the benefit of people.

Likewise, the third section not only digs deep into the real reason for the failure but also tries to investigate the parliament and its legislating body. The people of Britain cast their vote and pick the legislating member in the parliament, but when it comes to lawmaking, those elected people have no power but to work as a puppet under the selected E.U. officials who are not even elected by the people. The parliament instead works under the so-called E.U. officials who are not even voted by the people but have all the power to impose laws created by themselves in a closed room. Those officials have their own life of luxury inside the E.U. building with their services like spa, nails, and entertainment, with 10 thousand people who are even paid more to the British Prime Minister. The members in the E.U. are living the life of heaven and get many benefits like allowances for relocation, housing, entertainment, education, children's expenses, basically a free lifestyle earning more than the British Prime Minister, and no accountability and answerability of their power whatsoever. On top of that, it is functioning by taking the money from general, hardworking people and handing it to the people in power who are already lucky enough to work for the union.

Similarly, another section of this case study presents the example of a life of a fisherman to prove that the E.U. is not only anti-democratic but is simply not doing any good for Britain. 70-year-old fisherman, John Ellis, has been buying fish from the auction at the place called Shield market, which brings an abundant number of fish like salmon, herring, cod, and shrimp which run in a part of a building funded by E.U. This English fisherman collects fish from this auction which is governed by the E.U. but is in the territory of Britain. When the British entered the stock market, it not only lost its power over the fishing industry but is obliged to obey the quota system that the E.U. has imposed upon Britain, which has restricted Britain's right to its own fishing industry. Although Britain has voted against the E.U. 72 times, it has been defeated the whole 72 times by the European Council. With this example, we can imply that being in the E.U. for Britain, the English people have not only lost their sovereignty but have also lost their power to control their affairs.

### **History of the E.U.**

The documentary also goes back to observe the history of Britain to find out where and how things went wrong for Britain and when it started its way in the E.U. Unregulated Britain was having massive success in the 19th century with the booming industrial growth and prospering in the economy faster than any other country in the world. However, the aftermath of the World War created a new minister class of wise, educated, experienced experts who regulated things and overall governed every aspect of the economy. Britain became the most regulated country of business regulating trade laws, price-fixing, protectionism, and entirely supporting the failed industries supposed a considerable success, but instead, the opposite happened. All these

regulations were formed to protect the British industry from global competition, but it was the competition that made the industry grow and flourish, and as the competition was stopped, it led the British industry to slow in growth and innovation. Everyone was hoping for a miracle to happen that took place in Germany by a newly elected minister in power who lifted all the trade barriers, laws, price-fixing that changed the face of Germany as industrial production soared. With one country in Europe struggling to prosper and the other country being the third most abundant in the world economy the politician brought in the concept of the stock market, which lifted the trade barriers among its members and maintained the standard taxes against the world outside. For post-war Britain, which was struggling with its economy, the rising countries in Europe and joining the E.U. looked like the future, and soon the E.U. became a class of highly educated university political powers with the role to direct the lives of the rest. Overall, the E.U. became the dominant force dictating its member countries with massive laws on trade restrictions trusted upon those countries which are no more independent and freer from the powers and rules of the economic cage of the E.U. As the E.U. is failing to adapt to the change in time and technology, it is taking all its member countries along the downhill of failure. Furthermore, now Britain wants to correct the mistake made in the past which is joining the E.U. The documentary also compares the GDP, economic, industrial, and overall development of Switzerland and believes that once Britain is freed from the E.U., it can have the same development and growth as Switzerland.

## **Conclusion**

Therefore, all these examples and cases presented in this documentary support the decision for Britain to leave the E.U. and enjoy independence in making its trade relationships with the other country. I believe that in this 21st century there is no necessity for trade deals for any country even if it is needed Britain can make better trade deals outside the E.U. Like all of the other major power countries like America, China, India, Japan, Korea which dominates the economy are not the part of the EU, Britain will thrive more being away from the E.U. and giving power to its people rather than a Union that's proven to be a sinking boat. Moreover, the most crucial role of government is to decide what is beneficial for the people and if people have already decided that they want to come out of the Union, Britain should do everything in its power to listen to the voice of their people and do what's in the best interest for them.

## Case Study Four

### Delta Airlines

#### **Introduction to the Company**

The history of Delta airlines begins as the first crop dusting operation, founded in the year 1952 and later was incorporated and named after Mississippi's Delta region. Delta airlines referred to as Delta is one of the major carriers in the United States which is a service line company that provides service to its consumers. The headquarter is in Atlanta, Georgia, and consists of other regional subordinates serving more than 352 destinations in 52 different countries which also ranks delta as the second-largest airline by the number of its revenue and passengers carried per year. The company records annual revenue of USD 44.438 billion and earnings of USD 5.1 billion from its full line service airline in North America, specializing in travel and career services. The company records its fiscal reporting annually from January to December and does quarterly reporting where the June 2019 quarterly report demonstrates the growth in operating revenue by USD 1 billion higher than the prior-year quarter. It reports its profit and earnings per share quarterly are driven by improvement in Delta business including a strong percentage increase in customer loyalty and third-party maintenance revenue to show the improvement in customer-focused business. It generates its profit from different sources like cargo, tickets sold, passenger revenue from different geographic regions and is categorized as a service-based company.

## **Financial Position**

The current financial reporting of Delta was transferred from Deloitte to Ernst and Young (EY) which does the independent auditing of its financial statements and proceedings. The financial statement of this company shows total assets of 60,266,000 as of the previous fiscal year 2018. The assets that make up this amount comprise several categories as Current Assets and other non-current assets. The current assets are the assets that the company tends to liquidate within in current operating year and will provide the desired value to the company immediately. The parts of current assets are subcategorized as cash and equivalents, short-term investments, net receivables, inventory, and prepaid expenses. All these current assets make up a total of 6340,000 where the positioning of these current assets is done as per the liquidity feature of it. After the current assets, the company has several other noncurrent assets such as property, plant, and equipment of 34,329,000, goodwill of 9781000, intangible assets of 4830,000, and other long-term assets of 4,744,000 comprising the total noncurrent assets number 53,926,000. Similarly, the company also has obligations to the creditors and its lenders which is categorized as a liability obligation. The company has a total amount of 18,578,000 worth of liability that consists of current and long-term liability. The financial statement shows that the current liability totals 18,578,000 including accounts payable, accrued liability, and deferred revenue. The other section of liability consists of long-term debt such as deferred tax liability, long term liability consisting of 1,132,000 adding up to a total of 28,001,000 in liability for the fiscal year ended. Along with that, the stockholder equity section comprises the residual interest of ownership in the company that consists of the common stock, retained earnings, accumulated other comprehensive income totaling tot the amount of 13,687,000. The total amount in the assets section and the sum of liability and equity section matches when added up to 60,266,000.



Delta airlines serve the most diverse and one of the biggest customer bases in-flight services in the nation with over 6 thousand flights flown and more than 652 thousand customers served in a day. With such a great customer base, it generates revenue from different sources like seat per mile, a key industry metric for airlines and this rose by 2.4 percent in the first three months. According to the Wall Street Journal, the carrier says that it expects its figure to rise to 3.5 percent in the second quarter of this year. Its partnership with different credit cards like American Express also helped drive the revenue by a huge number benefiting its shareholders and investors. Moving to the customer base of the company, delta takes its customer-focused on the minority groups like women, veterans, LGBT, and several other minority groups. It is more focused on diverse small businesses and other diverse-owned companies to participate in the sourcing process as its suppliers. There are different costs like the Cost of goods sold (COGS), depreciation, associated with the operations of suppliers for this company. The COGS section comprises depreciation and amortization expense including the amortization of intangible assets. Other expenses related to operations are selling and general expenses, non-operation expenses, passenger commission, fuel cargo, interest expense, landing fees, unrealized gain on investment, and some of these expenses have been changing according to the financial sources. The operating section of expenses includes the expenses related to operations and production process such as payroll, sales commission, employee benefits, transportation, and travel whereas the nonoperating section includes all other expenses besides operating expenses such as interest expense, maintenance, and repair expenses where this company has more operating expense than not operating rating. While the operating expenses are changing some of the changes seen are in fuel costs, adjusted non-operating expenses, repurchases, and changes in flight equipment. Similarly, the net income of the company relates to the operating expense that affects the cash

flow from operating activities. Some of the activities in cash flow operating are depreciation, amortization, pension, postretirement, and employee benefits that account for the difference in the net income and cash flow from operation.

### **Conclusion**

Overall, looking into all these financial statements and analyzing the financial records provided on the different sources we can make a judgment on the overall financial position of the company with respect to the balance sheet. The size of delta airlines often attracts investors as there is an increasing amount of cash and short-term investment. The company's current assets also increased from 2017 but have declined recently in 2018 while the other long-term assets are increasing which means the company has been spending on building the long-term assets. At the current liability, the company may not have an easy fulfillment of its liability leading to the current ratio of 0.34x. The current ratio is found by dividing the current assets by current liability. All these considerations help us to make a forecast for this company that the revenue and profit follow with an increase in long-term assets which helped them to pick up more market share and investments. Therefore, we can conclude that the company doing well overall by looking into its balance sheet and the financial statement account.

## Case Study Five

### The Study of Economics

#### **Case Analysis**

In this case, students are able to evaluate the theory of economics to understand its impact of it on the life of people and society. Students were assigned to watch a short recorded interview of the famous economic analyst Thomas Sowell, who puts light on one of the most discussed issues in economics: Marxism. By evaluating Thomas Sowell students are able to analyze his views on myths of economic inequality and understand that these myths have falsely described the economic system of poverty in different economical classes. Regarding economic concepts, Thomas Sowell primarily talks about how the concept of poverty, economic inequality in society has been prevailing in society and proposes solutions for these seemingly interesting topics. Along with the analysis of Thomas Sowell's ideas students are also required to answer some questions based on the class discussion related to political views on electoral votes in the political system of the USA and the addition of Universal Basic Income (UBI). The Electoral College vote is an integral part of the US political system to elect the President and Vice president, the question that students were asked in this case is to answer whether the electoral college vote should be abolished. My perspective on these topics drastically changed after this case analysis because I was able to better understand the political view after intensive research throughout this case. Moreover, I was able to analyze how adding 300 per child support is going to impact the country. Not only this but with this case study we are able to evaluate our political view towards some deeper issues and based on the findings put our opinion towards it. Along

with that, students are also able to get some knowledge on economic concepts like poverty, racial inequality, and their effect on the economic stability of the country.

### **Dr. Thomas Sowell**

Dr. Thomas Sowell goes on to discuss the long-debated economic theory of economic disparity and inequality and his journey to the quest of finding an answer for it. He sits down with famous intellectual thinker, Robinson and both of them discuss the long history of disparity among the human race throughout the early period around the globe. Dr. Sowell began to develop his interest in economic knowledge during his teenage years. After he dropped out of high school to work and support his family, he started working as a Western Union messenger and found his interest and curiosity in issues of poverty and inequality when he saw the differences in housing conditions in New York, where he was working. He said he used to take a train that would take him from some big places and downtowns of New York to some of the poor suburban and he started questioning himself whether what could be the reason behind this disparity. Later he started studying Marxism before even going to Harvard for his undergraduate degree and figured that study of Marxism could give him answer about these issues. After completing his PhD in economics, he was working for the Department of Labor, and it was there when he realized that Marxism was not the answer to his question so he started looking for a better economics theory that could answer his question. He tells us that slavery was common throughout the world for several years and America is not the only country that is guilty of participating in slavery. If this has been prevailing for so long reparations are not possible and logical to implement in the world let alone in the US. Throughout his discussion of disparity in the rich and poor, black and white

communities in the US, he concludes that the world should look into reality and stop making assumptions that ending disparity will end the gap between rich and poor.

### **Electoral College Vote and Universal Basic Income**

In The next part of this case students were able to answer two key questions and present our thoughts regarding the Electoral College vote and adding extra childcare money for marginal families in the US. The Electoral College vote builds upon the system where voters in each state cast their vote and 270 votes decide the president and vice president. Electoral College vote has been prevailing in the system before the start of democracy with the fact be considered that the US was founded as a Republic, not a pure democracy. Therefore, democracy only works if everyone believes in it, if not then it would lead a country to a distorted path instead. Therefore, I think the Electoral College vote should not be abolished but the country should come up with a way to work both popular and electoral votes to choose the president so that it is fair for the people of both big and small states. Abolishing the electoral vote would cause a big major state to dominate the smaller states whereas keeping the Electoral College vote would give small states voices to be heard. The founding father had seen the danger of putting people, who might get easily influenced into the power of choosing a leader that could also lead to the tyranny of the majority. Therefore, these reasons and looking at the harshest critics of the electoral vote I don't think the Electoral College vote system has produced many bad results so keeping the system that has been working for more than 200 years builds upon the value of the American people. Another question that this case is asking students is whether the country should add 1000 per adult and 300 per child. This idea was proposed as Universal Basic Income for the people in the

country so that they can participate in healthy living, start a business, educate themselves to stand out from the poverty line. I think adding 300 per child support will help the nation to lift up the poverty line and improve the well-being of the nation however, I also feel that there are some financials that the country should look upon in order to make it useful. The US economy is already pondering in trillion of loans and giving away more money could add another billion of debt. So, this idea could be possible only if the government comes up with a meaningful way to find out a sustainable way of budgeting for both the country and the marginal income family. Although, many countries like Finland, India have experimented with and implemented the UBI system, which has also proven to be beneficial to boosting the economy and encouraging workers to find better jobs, however, there is one thing that the government needs to figure out is a better way to fund for this program. If the government can come up with a better funding project and if it could be beneficial for the people, I think that adding 1000 per adult and 300 per child as UBI money would be helpful to grow the economy of the country.

## Case Study Six

### Career tips and advice

#### **Case Analysis**

In this case, students will get the opportunity to interact with people in the business community and analyze their experiences based on several questions that they will ask during the interview process. Students were assigned to select a person who is fairly established in their profession and interview them with the given prompt where they will be able to get insight into the career and experience the person has had throughout his/her career. By conducting this interview students are also able to analyze the views on the professional working world and understand what it really takes to have a successful career. Some of the questions asked during this interview will give the students an opportunity to not only learn about their professional life but also get insight into their personal life. Likewise, after the interview students will be able to get a deeper understanding of the professional working culture, necessary skills to have, the company culture, and skills that can be helpful for them in the future. Along with the interview, this case study is also a chance to network and build connections with professionals from the business world and learn more about the company that they are interested in. Similarly, this case study has helped me understand more about the career that I am interested in and gave me an opportunity to reflect on the experiences and skills necessary. The person that I choose for this interview is the Manager of the Tax department at FedEx WHQ, who has been working in the industry for 30 years now. I had an opportunity to work as a Tax Intern at FedEx WHQ past spring and worked with the team. This phone interview was a great opportunity for me where I was not only able to

get suggestions and tips from her to become successful in the industry but hear more about her experiences and ideas.

### **Background of the Interviewee**

For this case study, I scheduled a time for a phone interview with my Manager at FedEx WHQ in Tax and Compliance department. She has been working with FedEx for 20 years now and had worked at a big four accounting firms prior to this. She got her bachelor's degree at the University of Texas at Austin with a concentration in Accountancy and Finance. After that, she joined the master's program at the same university where she got her master's in accountancy degree. Prior to joining FedEx, she worked as a senior tax associate at Deloitte and later got promoted to senior state tax Analyst. Her interest in accountancy and Finance grew during her sophomore year after taking a few accountancy classes. She wanted to get an MBA degree but later she found that she was more interested in Tax Accounting so got her master's in accountancy. She was summer leader at the KPMG summer leadership program where she networked with a different professional which she believes is what shaped her mindset in further pursuing a career in Accountancy. She started her first job as Tax Associate at Deloitte and later got promoted to a Senior Tax Associate there. She enjoyed her time with Deloitte and the skills and knowledge she learned from there are what helped her in her future career. The most useful thing during her time at Deloitte was making connections and networking with people. After working at Deloitte for 6 years she came to work for FedEx as a Senior State Tax Project Advisor where she worked in this position for 4 years and now is working as Compliance and



Tax Manager at FedEx Services. Her life before college and starting a career was simple yet fun and she had a very close relationship with her parents when growing up. She grew up in a small nuclear family, her dad was a businessman, and her mom stayed home mom. She was a hardworking and studious student with good academic standing and was sure that she wanted to go to college and establish a career in the business world. She grew up in the suburbs of New Jersey, which was a closed community where people knew each other and looked out for each other. Since it was a very closed community, she had many friends growing up and still is good friends with many of them. She loved sports growing up and was also a part of the women's soccer team in high school. She was also a high school valedictorian and was also a good student in college.

### **Reflection and Tips**

The most important things she learned from all these years of experience are learning and doing better in a workplace is a continuous process and that there is a new thing to learn every day. According to her, the major thing that she learned from each position is being open and willing to learn and grow from every experience is a key to both personal and professional development. Likewise, as the technology and work environment are dynamic and ever-changing things it is important to do your best and keep yourself motivated to learn something new at every opportunity. She says that she enjoys what she does and loves her team so her work is like a second home. Besides work, she loves spending time with her family and her dogs. Her favorite thing to do after she gets home is to have dinner with her family together, read her favorite book or watch her favorite TV show with her husband. She also enjoys traveling with her family and

the best vacation she has gone on is to Hawaii with them. According to her, being a full-time mom, wife, and working as a manager, it can be sometimes challenging to balance work life and personal life. Therefore, she is constantly looking for ways to have a better balance in these two aspects of life, and something she wishes she could change is not trying for perfection but loosening up sometimes. When she was young, she knew where she was going and was always a straight-A student, but after coming to the workplace realized that in the workplace there is no grading system, and it is important to fall in love with what you do to be successful. And the most important advice that she would give her 21-year-old self is to try your best and sometimes it's important to pat yourself on the back and encourage yourself. She says, that when she was just starting her career she always searched for perfection and any failures would upset her, but later she realized that overcoming failure is a way to success and would like to advise students of my age to be proud of what we are doing and work hard towards reaching the goals. According to her, she is proud of her family and to be a part of a company that puts value on people and society first. A workplace is a dynamic place, and the magic happens when you have better communication, motivated staff, and many other things which play a vital role in success or failure. However, the biggest challenge in her generation that she thinks was the emergence of new technologies during the time of the internet and trying to incorporate them into the workplace. Whereas, for this generation, she feels that the impact of Covid19 and to see how it will shape the upcoming working culture could be something challenging. But she believes that due to the pandemic, there is more technological development to come at work which could be a positive factor and since most companies and employees feel positive about working from home this could be an opportunity for the companies to shape a new working environment for their employees.

## **Conclusion**

This case study has given the students the opportunity to connect with the people in the professional working world and learn from hearing their experiences. For me, it gave me an opportunity to connect back with my former manager and have both personal and professional conversations with her. I was able to not only listen to her experiences but also acquire knowledgeable tips to do better in my future career. The format and prompt of the interview case study are also helpful to get insights into what it is like working in the industry and get some helpful tips and suggestions. Students will also get an opportunity to make connections and network with professionals which will be beneficial for the future. The reflection and ideas from a person who is fairly established in the industry are valuable not just for career growth but for the personal growth of the students as well. Therefore, the interview case study on career tips and advice is an amazing opportunity to learn, network, and connect with professionals from the industry.

## Case Study Seven

Amazon

### **Introduction**

This week, we were asked to pick a company that is domiciled in the U.S. and has been publicly traded for at least five years. We were then assigned to research the company in order to gain a better understanding of its financial standing. We were encouraged to look at annual reports, articles from the news, and content from the University's databases. After researching, we were prompted to summarize the state of the business based on our findings before beginning our write-up.

Due to the rapid growth of online delivery services, our group decided to research and analyze the financial position of Amazon. Through our reading of various sources, we found that Amazon has been and continues to be a very successful company. Amazon has been one of the highest-performing stocks over the last decade, and it is continuing to grow at record rates. Even amidst an unprecedented year in business, their level of sales reached new heights. Such a great deal of success does not occur without a near-perfect execution of a company's goals. In order to understand how they have been able to maintain such a high level of success, it is essential to look at the core of the business.

### **Findings**

Amazon's business strategy focuses specifically on products that consumers tend to buy more frequently. They track engagement trends and consumer usage through their members and seek to increase their sales by improving customer experience. They also boast an impressive

inventory turnover, while managing to collect from their customers before meeting their obligations to suppliers. To continue to meet its customers' needs, Amazon seeks to increase the diversity of its products by offering a wider range of collections. The consumer-centric business is the main reason behind the success of Amazon, as it results in strong customer loyalty and high revenues. Evident in the yearly metrics, between 2018 and 2019, Amazon saw a 20 percent increase in net sales, and though financial reports have not been released for 2020, it is predicted that online sales saw a 32.4 percent increase from the previous year. Furthermore, Amazon has seen a large increase in shareholders, and the price of shares has more than quadrupled in the last four years. Amazon seeks to retain shareholders by not paying dividends, and by offering restricted stock in an effort to encourage both its shareholders and employees to have a long-term mindset. Lastly, Amazon aims at maintaining long-term growth through free cash flows.

Over the last decade, Amazon has significantly increased its investments in the advertising business. They have infiltrated the long-standing duopoly of Facebook and Google and will continue to grow their market share over the coming years. Advertising is the fastest-growing part of the company and is valued at around USD 400 billion. While this is considered to be a conservative valuation, that number could skyrocket over the coming years.

### **Conclusion**

Through our research, we began to understand more thoroughly why Amazon has become one of the most successful companies in the world, through reaching new heights in consumer management, the stock market, and overall growth. Amazon has been the leading delivery service that Americans relied upon during the COVID-19 pandemic, creating astronomical growth for the company in 2020. The company has also consistently outperformed the e-

commerce and online auctions industry as well as the majority of retailers. Amazon is now presenting itself as a threat to many other franchises for several reasons. Through Amazon, you are able to purchase most products that are sold in retail stores online, which has eased the difficulties presented by an ongoing pandemic. The company has made meeting one's needs simpler by offering the ability to purchase anything at any time, with a commitment to timely delivery. Despite the risk of intense competition and living in a state of constant uncertainty, it is evident that Amazon does not shy away from seeking to outperform other companies and adapting to the present circumstances, as they continue to reach new heights in sales and attract a loyal customer base that will undoubtedly continue to grow as time progresses.

## Case Study Eight

### Amazon's Financial Statement

#### **Introduction**

This week, we were tasked with auditing Amazon and analyzing the financial statement elements to check the relevant audit risks. First, we downloaded the 2019 10-K and began to discuss the risks associated with the different accounts in terms of their existence, completion, valuation, and presentation. After evaluating this, we chose the six accounts that we deemed the riskiest and began to create internal controls in order to help eliminate risk. We then came up with substantive tests for auditors to use to check the information and ensure that nothing is misstated. Finally, we brainstormed how we could use data analytics to improve accuracy and speed up these tests, as opposed to the substantive tests. Our write-up is a culmination of all of this, explaining what we discovered in our research and what we learned from it.

Through our research and discussion, we found that Amazon's riskiest accounts are Inventory, Unearned Revenue, PP&E, Revenue, Long-term Lease Liabilities, and Accrued Expenses. For a company as large and diverse as Amazon, it's difficult to keep accurate and up-to-date accounts of inventory. In an effort to minimize this risk, we recommend a bi-annual physical count of inventory by a third party. This helps to eliminate the conflict of interest of managers and other authorized personnel. We also think that inventory should be maintained by department, allowing inventory data to be double checked for more accurate information. Amazon can test this information by performing these third-party physical counts as well as performing an inventory turnover test, to ensure that actual inventory meets the results of this turnover test.

## **Findings**

We believe that unearned revenue is another risky account, as Amazon Prime memberships are constantly being obtained or canceled. In order to ensure the accuracy of membership records, Amazon should perform regular reconciliations to record and understand the day-to-day operations of services. Furthermore, there should be a separation of duties for keeping track of membership revenues and merchandise sales. Amazon can test the records that both managers of prime membership and managers of merchandise sales have by comparing the two to see if records agree. They can also use a data analytics system where details of memberships and product sales are both inputted manually by managers. The system automatically flags amounts that overlap incorrectly. Furthermore, if a product sale is bought in conjunction with prime membership and both the manager of prime memberships and manager of product sales input the transaction, the system flags it, and the correct accounting treatment follows.

Like inventory, tracking PP&E for a company as big as Amazon presents great difficulties. We recommend a similar approach to the valuation of PP&E as we had for the bi-annual inventory count. Allowing a third party to come in and perform the PP&E valuation for Amazon eliminates any conflict of interest. Records of these detailed valuations will be kept in order to see what maintenance has been done and is still required. Managers should also keep separate records of machines based on what they are used for (administrative, manufacturing, distribution, etc.). These third-party tests will help to maintain the accuracy of records by reassessing the life of the equipment and adjusting for potential changes in depreciation accordingly. Amazon can implement data analytics by using an automated instrument that records the number of hours a machine is in use. This helps make accurate estimates of depreciation in between valuations.



Another account that we feel imposes a greater risk to Amazon is its Revenue account. Amazon has many different streams of revenue and to help keep them accurate, we recommend having one manager per department who ensures that the auditors are held accountable for following the revenue recognition principle. Amazon should also have itemized receipts that detail when the item was purchased, from which warehouse it was distributed, and proof of confirmation of delivery of the physical product. This keeps the process very organized and helps to mitigate some of the risks attached to having multiple revenue streams. Amazon should perform regular tests to analyze transactions to ensure that revenues are recorded in the correct fiscal period as well as check the timestamps of all transactions.

Likewise, Amazon's Long Term Lease Liability is another riskier account. This account especially warranted our attention, as we found that there was a 30 billion dollar increase in lease liabilities from 2018 to 2019. A potential risk that we found is the possibility of a distortion of free cash flow because of the significant growth. We suggest that the company provides a detailed disclosure as well as maintains a detailed description of the company's plan to eliminate liability. The company can also introduce data analytics measures to accurately identify lease information and create a portfolio that can help with easing the management of long-term lease information. Improved lease management could have a positive impact on both the financial and operational areas of Amazon. Similarly, Amazon can also perform regular analysis of the account portfolio to ensure that the accounts are properly updated and contain detailed information regarding the current lease information. Furthermore, Amazon can also perform the debt-to-equity ratio to show the growth of capital, indicate stability, and prove they can pay their debts.

Accrued Expenses is the sixth and final account that we chose. This account was chosen because Amazon is such a vast company with numerous expenses that could easily get lost and miscommunicated through accrual. We suggest that the company analyze each year's allowance for doubtful accounts and ascertain whether the amounts are necessary and backed by former years' allowances. Amazon should also disclose what portion of accrued expenses is debt, as debt is an expense that Amazon is legally obligated to pay, and, thus, should be emphasized. We recommend that Amazon regularly test to see if the expenses recorded have been incurred in the fiscal time period. This way, the company can ensure that no expense has been overstated, expensed in another category, or otherwise improperly misstated. We also recommend that a breakdown of the way estimates are made for unused gift cards be disclosed. Gift cards are purchased every day, making it hard to keep track of purchased gift cards that have yet to be redeemed. There is not a system in place to monitor these transactions. Therefore, we propose that Amazon instate an algorithm through data analytics that records real-time use of gift cards rather than expensing gift cards as purchased. This would provide the necessary information to better establish estimates on gift card usage.

## **Conclusion**

During our assessment of Amazon's accounts, we found ways to minimize the company's risk by using data analytics to conduct tests on the accounts that we perceived as risky. Through these processes and others, we believe there are many ways to better streamline the management of risk associated with Amazon. Though this was a challenging assignment that tested our prior knowledge and introduced us to new concepts, we were able to learn how to analyze a company's 10-K and provide recommendations to improve the company of Amazon as a whole. Furthermore, we were able to better understand why some accounts might present more risk than

others. This case will undoubtedly be quite valuable in our futures, as it provided us with the unique opportunity to experience a small glimpse into the lives of public accountants.

## Case Study Nine

### Tax Strategy for Amazon

#### **Introduction**

This week, we researched the world of tax that surrounds corporations. We spent a portion of our time reading through various articles regarding the current state of tax legislation and the potential changes in taxes that are to come with the new administration in the White House. We also researched tax benefits that Amazon has access to in their industry. At the conclusion of our research and reading, we began to brainstorm ways through which Amazon could maximize their tax savings and minimize their tax liability. Throughout this case, we were able to better understand the ways in which taxes can both positively and negatively impact companies. Furthermore, as detailed below, we gained a better grasp on ways in which these companies can ethically and legally respond to the continual evolution of the tax laws.

#### **Findings**

The first tax strategy that we recommend is restructuring warehouses and distribution centers to use Warehouse Management Systems (Greenfield). This software helps companies become more cost-efficient and focuses more on the consumer. Though Amazon has already adopted a form of warehouse management, they can further utilize their WMS to help motivate their employees to find more efficient ways of distribution (Bowles). Experimenting with ways to improve their cost-efficiency can qualify as a research and development expense, which receives tax credits of 10 percent (BDO). In 2019, R&D costs were USD 36 billion which implies a potential tax credit of USD 3.6 billion (SEC.gov). With an increase of USD 10 billion in R&D costs, Amazon has

the potential of claiming a USD 4.6 billion tax credit in the next year. While far-fetched, Amazon's R&D expenses increased by USD13.4 billion from 2018 to 2019, making a USD 10 billion increase in the future a reasonable expectation. Furthermore, these increases in costs have significant benefits if the corporate tax rate increases to 28 percent. By increasing expenses that simultaneously offer tax benefits, the taxable income is lower, and the negative effects of President Biden's potential increase in corporation taxes is mitigated. This is a long-term consideration, as Amazon could continually increase their R&D expenses, and the potential increased corporate tax rate is likely to be in effect for several years to come.

Likewise, another potential tax credit that Amazon can utilize is the tax credit for charitable contributions (WooCommerce). Amazon is currently running a program called AmazonSmile that donates 0.5 percent of each sale to the charity of their customer's choice (AmazonSmile). Furthermore, there are millions of other products on its website that can be used for charity, providing some tax credits to the company. We recommend that Amazon increase the percent of each sale to donate more money through AmazonSmile. We also suggest that Amazon utilize the FBA donation program to get tax benefits from donating its excess and obsolete inventory.

Our final tax strategy recommendation for Amazon is focused on distribution. We recommend streamlining their Prime delivery service, taking out the middleman of other delivery services. By using their Prime delivery vans instead of FedEx or the USPS, Amazon's distribution will become more efficient and provide tax credits. Currently, Amazon has a fleet of 30,000 delivery vehicles. With a tax write-off of 57.7 cents per mile and each van travelling 75-100 miles a day, the company could save approximately \$130 million a year in taxes. Additionally, if Amazon expanded their fleet with electric vehicles, the company could receive a \$7,500 write-off for every vehicle purchased. With Amazon's recent purchase of 100,000 electric vans from Rivian,

the company saved around \$750 million in taxes. With a fleet expansion, Amazon can create more jobs in the United States and, thus, take advantage of the 10 percent tax credit incentivizing new job creation. If their income tax in 2020 is similar to the \$162 million in 2019, Amazon could earn approximately \$16 million in tax credit.

### **Conclusion**

Throughout this week's case, our group faced challenges. We are making recommendations with little expertise, compared to the vast number of tax professionals that Amazon has access to at any given time. Furthermore, we are making recommendations for a company that has already achieved unmatched success and continues to do so each day. With this in mind, it is no surprise that some of our recommendations have, in some way, already been implemented into Amazon's course of business. However, we found that there are many ways to take tax strategies a step further and maximize benefits. Despite the challenges of lack of working with a company that has seen overwhelming success, our group gained a deeper understanding of the ways in which companies use strategic tax practices and how professionals work with these companies to help them achieve maximum benefit. Through this case, we were able to take a step into our futures and have the opportunity to experience a taste of the world of public accounting.

## Case Study Ten

### Amazon's Business

#### **Introduction**

This week, we investigated the core business of Amazon more deeply. Instead of reading and analyzing numbers without much context, we looked at the bigger picture and tried to find ways to thwart the company's biggest threats. We began by looking at Amazon's core operations and mission statement. After giving ourselves a better understanding of the company, we looked into Amazon's previous financial statements in order to help us identify the strongest competitors and threats to Amazon. We then started to brainstorm and create strategies aimed at handicapping these competitors while still aligning with the company's mission statement.

Amazon's main focus in business is e-commerce, and, with the purchase of Whole Foods, Amazon also conducts business in stores across the country. Furthermore, Amazon offers its Prime membership, sells online advertising, and offers third-party sellers an opportunity to sell directly from Amazon's website (Sec.gov). The company is headquartered in Seattle, Washington, and Arlington, Virginia, and there are hundreds of fulfillment facilities and offices throughout the United States and internationally (Sec.gov). Amazon's mission is to deliver their customers products and services in a timely and cost-efficient manner (Sec.gov). Their strategy is to be consumer-focused rather than competitor-focused (Sec.gov). To that extent, Amazon "seeks to be the Earth's most customer-centric company" (Sec.gov).

## **Findings**

Amazon uses e-commerce to serve their customers through online services. They focus on different product categories; these products are mainly supplied by outside companies wanting to increase revenues by selling their products on Amazon. Most Amazon's customers are individual consumers who choose to take advantage of the free shipping offered on most products; however, small businesses also frequent Amazon by utilizing Amazon Business. The demand for products on Amazon is based on glance views, sales history, and projected demand (Johnson, 2). Because the business model of Amazon is, in theory, easy to imitate, the company has several strong competitors. These competitors include large e-commerce companies, brick-and-mortar businesses, or grocery stores that offer the same products that Amazon sells. Specifically, companies like Walmart, eBay, Target, and Costco compete with Amazon for business. Furthermore, any kind of subscription service, including those that offer access to movies, television shows, music, or free delivery, are a threat to Amazon. Like Amazon, companies such as Netflix, Hulu, Spotify, and Walmart+ are all competing for subscribers. Fortunately, they are not competing against one specific company, as each company lacks the vast array of services that Amazon offers.

Amazon must become more local as they become more global. As last year proved, local businesses need local support. Their customers are attracted by the ease and accessibility of Amazon, but many people have and will start to take issue with the monopolistic-like image of the company. We recommend Amazon increase the number of brick-and-mortar stores in the United States. The feeling that a customer has walking into his or her neighborhood grocery is far different than the feeling a customer has when clicking "add to cart" on Amazon. Through physical stores, Amazon can become more local, and communities can become more familiar



with the company. Furthermore, having customer service available in the same town as the purchased product can provide extreme benefits. Physical stores can also increase Amazon's awareness of their company's effects on the business and economic environment, as they are more physically present with their customers and competitors. In doing so, Amazon's assets, liabilities, and revenues will increase every year as the company adds more and more stores. Amazon's asset turnover ratio will fluctuate over the five-year span while staying in the same range, as they continue to add more stores. However, given Amazon's previous asset turnover ratios, this is typical. Their return on assets and profit margin falls at first, but they begin to trend upwards starting in year four. While these increases are small, they will continue to grow year after year as Amazon gets bigger and better. There is also the intangible asset of bettering the public perception of the company, which will help generate more revenue.

Amazon has been achieving great success and has learned how to dominate, even in a pandemic. Although their business is growing, another major threat is competitors imitating Amazon's vision. Though Amazon started as a unique company, the advancement of technology has caused the idea that was once specific to Amazon to easily be duplicated. There are a rising number of e-commerce businesses entering the market every day. These new entrants that are imitating Amazon's business practice pose a threat to Amazon. Similarly, the success and growth of Amazon's business could be another major threat to the future of the company. Amazon is successful at offering the biggest selections and best online shopping experience to their customers. However, because Amazon is a standardized platform, it will be challenging to give that unique and special experience for every single product that they sell. To combat the threat of imitation, as well as the threat of losing their ability to provide quality services, we suggest that Amazon continue to stay ahead of the curve and gain more trust among their customers. Amazon

must use R&D to discover new markets, opportunities, and customer needs while improving its product selection and services. Through new and improved models developed through R&D, Amazon can make themselves more competitive with their prices and even more accessible in the market. Through this strategy implementation, we predict that the typical increases and decreases in assets, liabilities, revenue, expenses, and operating income will follow in the coming years. This is largely because the focus of this strategy is to continue to stay ahead of Amazon's competitors. Because Amazon already excels in this, we do not foresee a striking difference in overall numbers. We expect return on assets and profit margin to increase over the years, with slight decreases in some years. Furthermore, we predict that asset turnover will have a similar performance as in recent years; however, based on our predicted numbers, this strategy causes a slight decrease in turnover. However, given Amazon's history of fluctuation in turnover, we do not see this as a major deterrence. Overall, through the implementation of a strategy that focuses on bettering its business, Amazon could continue to achieve great success and avoid losing its business to competitors who are taking advantage of Amazon's innovative ideas.

## **Conclusion**

In our advising work for Amazon, we began to realize that there are a vast number of possibilities to recommend to our company to help them succeed. Our advice is meant to expand Amazon's core businesses and to increase profits. While we know we are not fully equipped to provide positively accurate numbers, we believe our suggestions will help Amazon grow and flourish in the years to come. Through identifying Amazon's greatest competitors and threats, we have been reminded that this company is unlike any other, which makes recommending improvements all the more challenging. This case has proven to be very valuable to our careers,

as it has given us the opportunity to apply our knowledge and experience to the advisory practice of public accounting.

## Case Study Eleven

### Amazon's Financial Ratios

#### **Introduction**

This week, we were tasked with analyzing Amazon's financial ratios. We began by looking at historical data, including Amazon's closing stock price in 2020, their stock's earnings per share, and their price to earnings ratio. Along with further research, these numbers helped us gain a better understanding of Amazon's past performance so that we could more accurately predict Amazon's future, given our recommended advisory and tax strategies. We then computed future earnings per share and multiplied those numbers by our historical price-to-earnings ratio to predict changes in the stock price over the next five years. We used these predictions to confirm the validity of our recommended strategies and assess the future risk and cost of capital Amazon. The analyses of our recommendations are detailed below and affirm our continued belief that Amazon is a company that will likely continue to achieve great success.

#### **Findings**

Our first advisory recommendation is to become more local as the company becomes more global. Thus, our recommendation is for the company to invest in brick-and-mortar retail stores in order to make customers feel as if Amazon is closer to home than they might have originally seemed. With significant increases in buildings, equipment, inventory, and other assets early on, net income only increases marginally. However, net income grows more and more each year, as Amazon continues to establish retail stores and generate revenue. Our recommendation does not include issuing more stock, but we continued to slightly increase outstanding stock based on

historical averages. EPS slightly increases each year, which results in a yearly increase in Amazon's projected stock price. Furthermore, our calculation of Amazon's ROA for the next five years steadily increases year after year and, thus, validates our projected increases in stock price.

For our second recommendation in advisory, we suggest that Amazon continue to stay ahead of their competition by using R&D to further growth. Since Amazon's business model is theoretically easy to duplicate, Amazon will continue to flourish by staying ahead of the curve and continuing to research new ways to provide goods and services to its customers. Because the company is seeing much success, we believe their overall numbers will continue to grow at about the same rate as in previous years. Through continuous research and development, we predict that Amazon will see higher expenses, but also higher revenues due to the continued expansion of the company through R&D. Net income will continue to grow, causing earnings per share to rise, as we did not recommend any stock issuances. Furthermore, we predict that the stock price will continue to grow; this is based on the stock's closing price at the end of the 2020 fiscal year. In our calculation of the future ROA for our recommendation, this ratio increased year after year, which reaffirmed our beliefs that our recommendation for Amazon boosts their stock price and the company's overall growth. This recommendation is not considered risky because Amazon does not have to make drastic changes to the way that the company operates.

Similarly, our first tax recommendation for Amazon is to continue to use more and more domestic distribution centers to use Warehouse Management System (WMS) more efficiently. By using WMS to experiment with ways to improve cost efficiency, Amazon can qualify for up to 10 percent of tax credits for future years. After looking at the historical data, by increasing expenses, Amazon can continue to receive more tax credits that might help the company offset

some of their tax expenses to be incurred in the future years. For 2021 through 2025, we calculated that this tax credit decreases taxable net income, which consequently increases the total net income after the corporate income tax calculation. As the net income grows every year, the expected stock price and common shares outstanding are also increasing which results in an increase of the expected stock price. Additionally, taking advantage of this tax benefit helps in the growth of projected stock forecasts for upcoming five years. However, for a big company like Amazon it is difficult to predict the valuation of the stock price with 100 percent accuracy. However, based on the historical data, we believe that effectively utilizing this tax strategy has the possibility to positively impact Amazon's expected stock price.

Our second tax recommendation revolves around increasing Amazon's delivery service. By increasing Amazon's fleet of delivery trucks, they can create more jobs for Americans as well as take out the third-party delivery service. This not only saves them money within operations but also gifts Amazon with tax credits for creating more American jobs. These tax credits increase after-tax net income and, thus, cause the projections for EPS and stock price to increase in the coming years. Though the increases are not as significant as other strategies, they are still important to consider. Amazon's risk likely increases with this strategy because of the large investment expected to occur with their purchase of electric cars. Furthermore, their cost of capital is also likely to increase. Lastly, it is important to note that this strategy will likely be effective over a limited amount of time. This is due to the switch from gas vehicles to electric vehicles. However, the short-term implications of the EPS and stock price make this strategy important to consider.

## **Conclusion**

Throughout this case, our group faced challenges. This aspect of the competition was unlike anything we had ever attempted. Though we did have previous knowledge of financial ratios, we struggled to apply our knowledge to our assignment. However, as time progressed, we began to understand the implications of our past predictions, and, with corrections and guidance, we were able to predict the future of Amazon more accurately. This case provided us with an opportunity to not only compute financial ratios but also understand the true meanings of the numbers.

Furthermore, as we began to gain a more mature and developed understanding of

## Case Study Twelve

### The Study of Financial Crisis

#### **Introduction**

In this case study, students will get the opportunity to study and learn about the impact of government and financial institutions on society. Students are assigned to watch videos, movies and read articles and make analyses of the cause of the 2008 financial crisis. These are great sources for us as they capture video interviews from scholars, economists, CEO of financial institutions, University professors, and other professionals who have closely worked with the institutions or have been involved with them in some sort. Some of the questions asked during this interview will give the students an opportunity to not only learn about the financial sectors but also help them reflect on the right and wrongdoings of the government. Likewise, after the case, students will be able to get a deeper understanding of their role as tax-paying citizens and raise awareness about what is happening in the political and financial sector. The decisions that the government makes have a significant impact on the lives of common people. This case study has helped me understand more about how the misuse of power, greed, and capitalism has made a powerful country like the USA itself go into trillion-dollar debt where the money is with the top 1 percent of people while the rest are surviving on minimum wage. The materials that have been provided for this case have broadened my knowledge not only about the current financial situation in the US but it made me feel concerned and question if the government is acting in the best interest of its people or in the best interest of top rich institutions. It was an eye-opening study for me and made me realize the bad impacts of deregulation of financial institutions on the economy as a whole. This case study overall was a great opportunity for me where I was not



only able to raise my awareness about politics but also was an opportunity to get an insight into the major problem in the finance, economics, and accounting sector of the government.

### **Findings**

The government should be working in the best favor of its people not in the favor of corporations or big financial institutions. We can learn from the videos that the existence of Crony Capitalism is against the favor of society or people. Capitalism is the exchange of goods and services between two independent parties whichever can provide the most competitive price. However, in Crony capitalism the government pays the high price and buys products from the agent who lobbies the committee, corporate HQ participates in the committee, or whoever promotes the lobbying to retiring members of the committee. This is the failure of the government and is the root of the problem that has created an unfair trade in the market and violated the sacred principle behind the formation of congress to protect the people. By buying from corporations at higher prices the government is unnecessarily spending the taxpayer's money. It costs society tens of billions of dollars more when they participate in Crony capitalism. It is in favor of the government and its committee, not its people. This made me lose trust in the system and that the government is acting in its self-interest rather than the interest of the people. In another material, Thomas Sowell hits the nail on the main reason for the economic recession of 2008 in the US. According to him, he believes that the sole problem in the housing market that had trillions of dollars invested in it failed in 2006 which caused the economy to collapse in 2008. It was the problem in the real economy that started the problem in the financial sector as people couldn't pay their mortgages and millions of them lost their homes, job, and savings. The interference from the politicians caused this problem when they made changes in the rules and enacted the affordable home act that making the mortgage riskier than it was ever before. When asked if the

crisis happened in an accident or was it created, Sowell responds by saying that it was caused due to the government's meddling in the real estate and housing market. After watching this I think the government's action created this bubble in the housing and financial markets and this created shockwaves in the US economy.

### **Government favoring financial institutions**

Another material that we watched for this case is 'Inside Job' which provides an analysis of the global financial crisis of 2008, that cost over USD 20 trillion dollars, caused millions of people to lose their jobs with the worst recession since the Great depression. The movie starts by showing the situation in a country named Iceland where its once-booming economy went to the brink of collapse after the government deregulated the financial sectors of the country by privatizing the three major banks and letting big multinational companies exploit the country's geothermal and hydroelectric energy sources. After being privatized, the bank borrowed 120 billion dollars ten times the size of Iceland's economy and showered money to themselves, family members, and loaned hundreds of millions to millionaires who looted the money and spent it on expensive properties abroad. The bank collapsed in 2008 and unemployment tripled in only six months, people lost their savings and the bank asked people to withdraw money and invest in markets. A similar situation is happening in the US right now by deregulating the big financial institutions. The 40th president of the US, Ronald Regan, built relationships with Wallstreet and the financial sector and deregulated the savings and loan companies. The regulators, businessmen, and politicians created the threat in the financial market from the unregulated market. They started luring people's money in real estate and financial markets by selling the false impression that it has low risks and high profit when it was a high-risk investment. The big investment banks like Morgan Stanley spent billions of dollars to pay their

CEOs and even paid the rating companies millions of dollars each year to get them AAA ratings and lobby the government to act in their favor of themselves. The largest insurance company AIG shut down and one of the top investment sectors Lehman brothers went bankrupt which triggered the world's economy and created a global economic crisis. This led to the collapse of the world's largest economy in 2008. As a student studying accountancy, I cannot emphasize more transparency and be governed by principles. This movie made me think that the hard-working people who work every day to make money are made a fool by the financial investing sectors and the government is hiding this under the rug and not being honest with the public. Before the crisis started the federal regulation had the power to regulate the financial market but refused to use the power and favored the investment banks. When millions of people went homeless the CEOs of those big investment companies took billions of dollars when they closed. Investment banking has been made so big now that this has created the recipe for mass destruction in the US economy and it can also be analyzed that this is a similar pattern seen in Iceland's downfall of the economy.

### **Conclusion**

Yes, there are parallels between the politics that has been happening right now and the interest of financial institutions. The millions of dollars of tax cuts given by the Trump administrations to the big corporations is another example that people in power and government do not act in the best interest of the people. Before that when Obama came in he talked about reforming the financial institutions but later on hired the same people who created these problems in his office and did very little regulating the institutions. If the rich one percent people can save millions in taxes because of favoritism, then who are they really accountable to. Even in the time of the pandemic, it took the government several months to pass relief bills and paid as low as \$1600 to

USD 600 one-time relief to the public. This shows that the government is broke and doesn't have money. The money is with the top financial institutions, big corporations who clearly have more power, money, and influence than the government. And all other Americans are working long hours, taking two jobs, and working at low wages to survive and look after their families. This is a sad truth and it made me frustrated to learn that even some of the education system has been corrupted to act in the best interest of financial institutions. If we don't learn about the reality and if students are given false information to protect the financial system, where is the hope of changes happening? I think the solution to this problem would be transparency in the government, regulate the financial institution, and stop paying billion-dollar salaries to CEOs when other common people are making less than 10 dollars per hour. There is an urgent need to give more power and voice to the public and establish a national authoritarian figure to regulate the government and the financial institutions. There should also be more tax and no loopholes to get an income tax credit for people earning millions of dollars in income. Government should be for people and act in the best interest of people because if the middle class rises then society will rise again and this case study has changed my perception of society, government and made me more aware that there is a need for accountability in the government.

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