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THE ROLE OF A PRIVATE UNIVERSITY IN FOSTERING PEACE AND DEVELOPMENT: A NIGERIAN CASE STUDY

Jelena Zivkovic, American University of Nigeria

CASE OVERVIEW

This is a case that dares students to confront the economic and cultural issues that have continually troubled northern Nigeria over the years. The northern part of Nigeria has in the recent past experienced numerous terrorist attacks. This situation has led to a lot of social harm, political unrest and financial destruction in this part of Nigeria. This wave of terror has spread to a private university located on the Cameroonian border. Accordingly, students have been urged to become more proactive in fighting terror and promoting peace. The challenge is for students to strategize on how they are going to contribute to the university's aim of becoming a leading developmental university. Students are advised to spend sometime away from normal class hours, to research on the impact of terror on the society and the prospects for peace. This case study is appropriate for undergraduate students.

CASE SYNOPSIS

This case-study requires students to devise peace strategies. These strategies should reflect a growth-based university that serves the needs of the society. The university's president is charged with the responsibility of developing a plan of five years that will see the university attain its target. The faculty will cooperate with the students to contribute to the growth of the university into what its founder desired it to be. The results of this case study will have an impact on northern Nigeria, whole of Nigeria and Africa at large.

OVERVIEW

The university has developed a strategic plan to run for five years, beginning in 2011 with the approval of the board. The main goal of the university is to become an institution that promotes development in Nigeria and Africa at large. In this way, the faculty and students are motivated to work towards attaining this goal. In particular, students are encouraged to take up leadership courses that can prepare them to lead the community and the country in future. By taking up these classes, students will use the knowledge acquired to transform the society and bring about peaceful co-existence.

THE SITUATION

The university must devise a peace initiative, the first of its kind in Nigeria, to bring about peace and harmony in northern Nigeria. This peace initiative was occasioned by the rise in terrorism and violence among communities living in this region.

SNAPSHOT OF NIGERIA

Nigeria is situated in Africa to the west and is one of the largest countries in that region. Today, Nigeria is reported to be the most highly inhabited country in Africa. Nigeria has had its fair share of challenges since independence. Governance and the fight against poverty have proved to be an uphill task for the country that ranks second in oil production in Africa. Nigeria has been haunted by lack of democracy, which has led to a civil war and a chain of martial autocracies, coupled with religious intolerance.

Majority of Nigerians are very poor, despite the country being one of the major oil producers in the continent. The rich and powerful end up with all the wealth from oil sales, through corrupt dealings. As a result, social amenities in Nigeria, such as roads are in a deplorable condition. Employment is hard to secure in Nigeria, with many people working in the informal sector.

Despite all this, Nigerians attach high value to education. The education system is such that a person spends six years in primary education, three junior and three senior years in secondary, and four years in university. Presently, there are over 18 million students enrolled at different levels of education.

SNAPSHOT OF THE PRIVATE UNIVERSITY

The main goal of this university is to equip learners with expertise on how to fight social and economic issues, negatively affecting Nigeria. In order to achieve this goal, the university largely depends on a highly qualified faculty to transform the university into a developmental institution. With students who are willing to learn and change the community, enough funding, and state-of-the-art technology, the university hopes to achieve its developmental goal.

Six years since inauguration, the university has roughly 1400 students. The 85 members of staff have seen to the graduation of two classes of scholars. The university is reputed as an institution that offers an American style curriculum and teaching and learning education experience. The former Vice President of Nigeria founded this University of Nigeria to offer the American type of education to the natives of Nigeria (Development at AUN, 2012). Atiku himself underwent the system of education of the Americans, which may have modeled him into the man he is today. This education system emphasizes on the need for small classes, decisive judgment, critical thinking and student involvement in learning. This ensures that students are adequately prepared to combat social problems and are ready for the job market.

UNIVERSITY PROJECTS

The university, in its quest to become a leading developmental university in Nigeria has taken various decisive actions. This university ensures that its students are offered holistic education, covering all disciplines. This university believes that conventional teaching methods make students narrow- minded and hinder them from attaining their full potential. Accordingly, the university has close partnerships with local businesses owners and members of various institutions, who mentor students to solve financial, cultural, and political issues affecting their community.

CONCLUSION

The problems facing Nigeria and especially the northern part are numerous. Much needs to be done to ensure that northern Nigeria recovers from this downward trend that is threatening its very existence. What Nigeria needs is strong and resilient leadership to salvage the country from destruction. It is with this in mind, that the university has come up to spearhead development in Nigeria by producing level-headed students, capable of transforming the country positively. With courses such as entrepreneurship, information technology and leadership, the university aims to change the current situation in Nigeria for the better. All that is needed is government support and increase in the profile of the university to attain international recognition. When this happens, Nigeria will celebrate peace and development and the spill effect will be felt around the continent.

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UTILIZING A SUCCESSIVE, COMPREHENSIVE CASE IN INTRODUCTORY ACCOUNTING

Daniel W. Law, Gonzaga University

ABSTRACT

This case represents a three-part comprehensive exercise designed to assist students effectively master the entire accounting process from transaction analysis to basic financial statement analysis. Each part of the case requires students to tackle all the financial accounting functions for a fictitious company. Students examine the information provided and record all journal entries (including adjusting and closing entries), post these to T-accounts, prepare an adjusted trial balance, prepare all four general purpose financial statements, and do basic financial statement analysis. While each part of the case is similar in format and identical in requirements, each successive exercises represents a new company and adds a layer of complexity relative to newly covered material in the course. The primary learning objectives of this successive case are to help students master required course material and to gain confidence in their abilities to synthesize important financial accounting concepts and procedures within the context of the entire accounting process.

Key Words: introductory financial accounting, case studies, pedagogy

SMITHFIELD MOTORS: A CASE IN LENDING, STRATEGY, AND VALUE

Steve A. Nenninger, Sam Houston State University

CASE DESCRIPTION

The primary subject matter of this case is financial statement analysis. Issues examined include analysis of risk, pro forma statement construction, business valuation, strategic planning, and small business growth. The case has a difficulty level of three to four, appropriate for junior or senior level. The case is designed to be taught in 2 to 3 class hours and is expected to require 4 to 6 hours of outside preparation by students, depending on their level of understanding of financial statements.

CASE SYNOPSIS

This case describes the lending relationship between an independent car dealership and a community bank. It describes a series of loan renewals and credit requests over a three year time period. Smithfield is a successful business with significant growth, but this growth also poses some issues for bank. The case is designed to be used in three parts, with new issues presented in each which demonstrate how lending relationships change over time. Part 1 can be used as a stand-alone introductory lending case, or it can be easily incorporated into part 2 for a slightly more advanced stand-alone case. Alternatively, the cases can be assigned in order to provide students a progression in dealing with a single client. Students learn how to present and analyze financial statements and how credit risk changes over time. They also develop an understanding of the complexities of pro forma statements.

Part 1: Loan Review

Current Date: January 2011

Smithfield Motors is a used car dealership that has operated in Webster, TX for the past five years. Smithfield is a Limited Liability Partnership, equally owned by David Smith and Roger Field. David and Roger worked for about 10 years a local Ford dealership, where they were consistently top salesmen. They then decided to open their own dealership specializing in late model, low mileage, high quality used vehicles. The have been renting a 40,000 square feet sales lot close to the town square for $1500 per month. Roger and David are the primary salesmen. They also hired an office manager to handle title transfers, take credit applications, and complete other office duties. Their staff also includes a part time sales person. The combined salaries of their two employees are $55,000.

First Bank of Webster (FBW) works with Smithfield in two main areas. First, Smithfield maintains a line of credit with FBW that they use to purchase cars at auctions or through other channels. When a car is sold, the line is paid. Collateral for this line is the inventory of cars, for which the bank holds the physical titles. Titles are not actually put in the bank's name because that would delay the selling process; the bank simply holds all titles until the car is sold. Therefore, a car cannot be sold without the bank giving the title back to Smithfield. Roger and David maintain an inventory of around 30 cars, and the line currently has a limit of $400,000 which has been increased several times over the past 4 years as the business has grown. The line is also personally guaranteed by both owners.

The bank also benefits from the relationship with Smithfield by providing a large portion of the car loans to their customers. FBW is the primary lender to which they send their customers' credit applications, and the bank processes on average about 15 to 20 new car loans per month from Smithfield. Since they sell higher quality used cars, this has been a profitable business for the bank with very few losses on loans. On the rare occasion that a car is repossessed, Smithfield will sell the vehicle for the bank on their lot at no charge.

Roger and David use a local accountant to prepare their annual statements, and provide a copy to the bank each year. Sales have been increasing each year the company has been in business. In a recent meeting with the owners, they shared their thoughts on current operations and plans for the near future. Their current goal is to sell 30 cars per month, while also averaging an inventory of 30 cars. The average sales price varies, but is currently around $20,000. They try to make a gross profit of $1500 per sale, which is up from $1000 per vehicle over the past few years. In 2010, they began to try to increase the average sales price per vehicle and the gross profit per sale. They have also requested an increase in their line of credit to at least $450,000, but would rather see it increased to $500,000 so they can have more flexibility in expanding inventory as needed. They have never been late with a monthly interest payment.

Part 2: Building Purchase & Loan Request

Current Date: late January 2011

You have just met with the owners of Smithfield Motors to sign the paperwork for their loan renewal. During the meeting, the indicated they would like to purchase a lot and small building along a feeder road next to the interstate that runs along the edge of town. They would like to move from their rented lot to this location and believe the better visibility will improve sales, plus they can build more equity in the business by owning rather than renting. The purchase price is $250,000, and they will need to add about $50,000 in improvements to suit the lot and building to their needs.

They would like to borrow the full amount and set up a loan for a 20 year repayment. However, bank loan policy calls for at least a 20% down payment. If approved, the loan would be amortized on a 20 year basis, with equal monthly payments. The initial rate would be 7% to be adjusted annually.

With the larger lot and improved visibility, they believe average monthly vehicle sales will increase from the current volume of 30 vehicles per month to a target of 35 to 40 vehicles per month (a 20% to 25% increase). The new facility will also allow for continued growth over the next several years. Initially, they will keep the target gross margin the same, until the new location has been established and sales grow. They then plan to boost the margin as well. Operating expenses other than cost of goods sold should be about the same in 2011 as they were in 2010, with the exception of advertising which will increase to about $30,000 to promote the new location.

Concerning the balance sheet, inventory will increase about 20%, but other current assets (other than cash) will remain about the same. Liabilities other than the new bank loan will also remain about the same.

Part 3: Partner Buyout

Date: January 2012

Smithfield Motors had a very successful 2011, surpassing expectations of the owners. They acquired the new lot in January of 2011, and were up and running by late February. Total costs of acquisition and modifications to the land were $312,000. The bank loaned $240,000, each owner contributed $20,000, and the remaining $32,000 was supplied by cash in Smithfield's account. As the financial statements show, sales and profits were even better than projected expected for 2011 (exhibit 2). Income was so good, in fact, that the owners paid themselves each a $100,000 bonus, which is reflected in the increases in salaries.

Despite the success of the business, Mr. Smith has decided he would like to get out of the hectic car sales business and pursue other interests. He realizes that a successful business has value, so he would like Mr. Field to pay him for his half of the business which he helped to create. Smith believes the business will generate profits (excluding owner salaries) of at least $200,000 per year. Smith is familiar with some basic finance principals, and he believes a fair way to value the business is to discount the profits over the next 10 years back to today's value at a 10% discount rate. His figure is about $1.2 million for the value of the business, so he would like to be paid half of that amount, or $600,000.

Roger Field actually thinks this is a good idea. He believes he is the better salesman and business manager of the two and could run the business just as well by himself. He will have to hire another salesman at $50,000 per year, but total salaries will decrease to about $350,000. He believes that total sales will be at least as good in 2012 as there were in 2010, while the gross profit margin will be the same percentage as 2011. Other operating expenses will be about the same for 2012 as 2011. No significant new asset purchases are planned for 2012. Field has come to you to explain the situation and request a loan of $600,000.

AN ABSOLUTE ADVANTAGE IN INTERNATIONAL TRADE FOR THE UNITED STATES: THE MILITARY ARMS INDUSTRY

Charles A. Rarick, Purdue University Calumet
Roberta A. Brooke, Eastern Washington University
Claudia Costiuc Mich, Purdue University Calumet

CASE DESCRIPTION

The primary subject matter of this case concerns international trade and export advantage. Secondary issues examined include social responsibility and international relations. The case has a difficulty level of three, appropriate for junior level courses. The case is designed to be taught in one class hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

This case explores the growing international trade in military goods by the United States as the defense industry tries to accommodate a declining domestic market. The case explains the complexities in dealing with exports that require government approval, involve political jockeying, and are controlled by various governmental agencies. The case looks at military markets and manufacturers, and explores the legitimacy of exporting war machinery at record levels and at the same time promoting global peace.

INTRODUCTION

The United States is the world's largest manufacturer and exporter of military equipment. Not only is the United States the number one exporter of this equipment in terms of revenue, the exports are considered to be the best in the world. For all the talk by politicians in Washington about peace, human rights, and eliminating weapons of mass destruction, there could be a perceived paradox in the United States being the world's largest supplier of goods which kill people. The defense industry of the United States, however, is facing potentially difficult times ahead as two wars come to an end and federal budget deficits become an increasing concern.

NOT BUSINESS AS USUAL

The military weapons industry isn't like most. Selling tanks, drones, and attack helicopters isn't quite the same as selling soap or soda. While international business transactions may be more complex than domestic sales, the marketing and selling of war equipment is far more complex and regulated. While international business transactions may in some way be affected by politics, arms sales are especially affected by political activities. By the very nature of the business almost all sales are made to governments. Political changes can create or destroy market opportunities for weapons manufacturers. Politicians can be directly or indirectly involved in arms sales as well. While American embassies have for some time been marketing U.S. weapons to their host governments, the Obama administration has been especially active in promoting military equipment exports to strategically friendly countries. For example, at the 2012 NATO summit, President Obama was reported to have been personally pressuring the president of Turkey to purchase U.S. manufactured drones for his country. Earlier in the same year the President took the somewhat controversial move of adding South Sudan to the list of countries approved for military exports. South Sudan, the world's newest country broke away from Sudan in an effort to stop violence in the country. South Sudan faces threats from its neighbor to the north (Sudan) over oil reserves and revenue and has already been labeled a "pre-failed state". President Obama also moved to loosen controls over dual-use technology in order to boost exports. Dual-use technology can have both military as well as civilian applications.

International sales of military equipment are controlled by a number of government agencies who seek to protect national security and promote foreign policy objectives. In addition there are laws which regulate the sale of weapons abroad and Congressional oversight of those laws. In some cases the United States Congress may block the sale of military equipment when it feels the sale is not in the best interests of the country. The main piece of legislation covering arms sales abroad is the Arms Control Export Act. The Act authorizes the President to define military arms and to regulate their sale. Which goods and which countries can receive what goods are influenced by this presidential power. There is congressional oversight on sales over \$1M; however, large sales are sometimes broken into smaller orders to avoid the \$1M threshold and oversight. Congressional oversight can also be influenced by which political party holds power at the time of the controversial sale.

In addition to the Arms Control Export Act, there are other laws which can control military sales including the Trading with the Enemy Act of 1917. This law gives the President broad powers in terms of trade with hostile countries and could be relevant at times to the sale of arms. Additionally, there are countries sanctioned by the United States and trade is restricted with those countries for a variety of reasons. The United States is also a member of some multinational nonproliferation agreements and groups which can influence military trade such as the Missile Technology Control Regime (MTCR) and the Wassenaar Agreement.

MAJOR MARKETS AND MANUFACTURERS

With the easing of restrictions on foreign sales, increased tensions in some parts of the world, and some economies experiencing rapid economic growth, foreign weapon sales are at record levels. Newer weapons and security systems such as the unmanned drone, as well as the continued popularity of older products such as the F-15 fighter jet have boosted U.S. exports. Between 2000 and 2011 signed orders for military equipment for export tripled. Drones in particular may prove to be a popular export in the future with the government of Iraq already placing a large order, and serious consideration of large orders being pondered by Japan, Australia, Holland, Kuwait, Pakistan, and others. Drones equipped with weapons (or the weapons sold as attachments to existing drone) such as the Hellfire missile may soon also be sold to a select group of allied countries. Currently only Britain is eligible to purchase this technology, however, the Obama administration is seeking to expand sales of the weapon. Not everyone in Congress agrees with selling the latest in American military technology abroad including Senator Dianne Feinstein, chairman of the Senate Intelligence Committee.

Iran's efforts to enrich uranium have been good for military sales in the Middle East. Export markets for U.S. arms include Saudi Arabia, Kuwait, Iraq, the United Arab Emirates, Oman, Qatar, Turkey, and Israel. Southeast Asian countries are also good potential customers for American-made weapons. According to the Stockholm International Peace Research Institute, the sale of weapons to Southeast Asia has been growing very significantly, up some 185% in recent years. Three reasons account for the rapid increase in Southeast Asian military spending. One reason is the growing economies of the region and the ability to upgrade defense abilities. Another reason is the rapid rise in spending of China on its military. China's rise is seen by many in the region as a potential threat to their own security and sovereignty. While some countries in the region resented the influence of the United States in their part of the world, attitudes have changed a bit as China has advanced towards superpower status. Lastly, a potentially significant threat to peace in the region has emerged over a group of islands in the South China Sea which up until recently were not considered of much importance. The Spratly Islands, located in between Vietnam and the Philippines are claimed by a number of countries in the region, perhaps most significantly by Vietnam and the Philippines. China, using an old map referred to as "nine-dashed line" has claimed ownership of the islands. The islands are in the South China Sea (recently renamed the West Philippines Sea by the government of the Philippines) but are far from China's coast. The islands recently became of interest as their potential for delivery of a very significant quantity of hydrocarbons became known. The "nine-dashed line" has questionable legal standing; however, military strength could settle the argument. Consequently, while Vietnam, the Philippines, and other small countries in the region could not match China in military power, more modern weapons could send a signal to China that at least negotiations of legal claims to the islands is prudent. Vietnam has registered strong and vocal protests to China's claim and the Philippines is talking about its 1951 Mutual Defense Treaty with the United States.

The Treaty, in theory, would compel the United States to protect the Philippines if attacked by a foreign power such as China. The situation is potentially troublesome and complex, and its outcome far from certain, but additional military might looks appealing to countries in the region and both have increased their spending on military equipment.

In addition to the Middle East and Southeast Asia, another potentially large customer for U.S. military equipment is India. India is already the world's largest importer of military equipment, and future U.S. sales are promising. As a country allied with the United States, Indian military sales only became possible after 2001 when President George W. Bush lifted a ban on selling weapons to the country. India had been banned from purchasing American weapons due to development of its nuclear weapons program. In late 2011, Lockheed Martin sold India $900M worth of Super Hercules turboprop planes. Previously the Indian government purchased $2.1M worth of surveillance planes and $4.1B worth of Boeing transport planes. More orders from India appear to be on the way.

In the world of global arms manufacturing there are many manufacturers, but most of the manufacturing for export comes from five countries, with the United States being the largest manufacturer and exporter. Countries tend to establish relationships with other countries when it comes to arms sales due to historical reasons, political reasons, or the financing of the weaponry. For example, South Korea has been a major customer of U.S. arms, while India has in the past bought mostly from the Russians. The relationships are not static, however, as countries compete to sell their exports.

Four of the top five defense companies in the world are American with Lockheed Martin being the largest. Included in Lockheed Martin's military products are the Trident missile and the F-16 and F-22 fighter jets. In second place is a British company, BAE Systems. The British company also has an American subsidiary. BAE manufacturers the Bradley fighting vehicle, nuclear submarines, and other weapon systems. In third place is Boeing whose military line included aerial refueling tankers and the F-15 fighter jet. In fourth place is Northrop Grumman which manufacturers Nimitz-class aircraft carriers and their replacement super carriers, and different versions of unmanned drones. In fifth place is General Dynamics which produces the M1 Abrams tank, submarines, and other military products.

The sale of arms is a big global business from which the United States benefits in terms of profit and employment. There is a dark side to the global industry with arms sales made to dictators and tyrants who use the weapons to oppress their people, and a dangerous black market in mostly small arms (but not always) that can cause human suffering and social instability. The United Nations has been working on an agreement called the Arms Trade Treaty (ATT) to regulate international arms trading which currently has no international oversight. The treaty would prohibit sales to countries where there is a credible threat that the weapons would be used to violate international human rights, be used in acts of terrorism, or cause genocide. Earlier attempts at such a treaty in 2008 resulted in 133 member states voting in favor of the agreement, 19 countries abstaining, 41 countries not voting, and one country voting against the treaty, the United States.

THE GOOD, THE BAD, AND THE DANGEROUS

While few people in the United States would argue that creating more jobs is a bad thing, the recent boom in foreign weapon sales does have its supporters as well as its critics. Those supporting increased sales point to job growth and the fact that defense jobs tend to be well-paying work. Foreign sales, it is alleged, kept Boeing's St. Louis facility from closing and secured employment until at least 2018. Increased exporting also reduces the trade deficit of the United States. Supporters also posit that by arming our allies with better weapons the allies can do a better job of sharing the burden of international peacekeeping. Arming allies with more advanced and extensive weapons allows these countries to better handle conflict in their regions of the world and rely less on the United States to intervene in these matters. Weapon sales also can act as a bargaining chip in international negotiations.

Critics of the export boom in weapons feel that increased war machinery sales represent increased potential for death and destruction. They feel the more bombs, guns, and tanks exported to the rest of the world increases the chance that they will be used in hostile action. Critics also point out the fact that many foreign sales contracts require an offsetting countertrade agreement in which part of the production is performed in the buyer's country. Offset essentially acts as outsourcing of American jobs. The argument against export sales can also be fueled by the possibility of arming an enemy. If a friendly country has a drastic regime change the arms may fall into the hands of a hostile government. Also, the sale of military equipment to friendly countries may be used against the citizenry of those countries. For example, early efforts to suppress democratic reforms in Egypt in 2011 saw the use of American made tanks, tear gas, and fighter jets.

Supporters counter the arguments made by critics with sometimes compelling statements. For example, the weapon which is probably most responsible for most human deaths isn't made by the United States. The AK-47 and its different spinoffs is the weapon of choice of war lords, criminals, thugs, and terrorists. The AK-47, or Kalashnikov, named after its Russian inventor, was placed into service in 1947 and has killed far more people than drones, missiles, or tanks. Loved by some (even featured on the national flag of Mozambique) and hated by others (especially international peace groups), the AK-47 is a cheap assault weapon that when placed in the hands of war lords and their sometimes child soldiers can not only destroy human life but can also destroy a country through internal conflict and violence. Small arms manufactured in large quantities by low-cost countries can be very dangerous. As far as the problem with offsetting and outsourcing of jobs, supporters point to the fact that these agreements are necessary to secure business, and without them the contracts would go to competing countries. Decisions on selling military equipment to countries that may have a regime change, or use the equipment on its own citizens often involves a delicate balancing of national security priorities, it could be argued.

CASE QUESTIONS AND REFERENCES SUPPLIED UPON REQUEST

SMART MOVES NIGERIA, LTD

D.K. "Skip" Smith, Baze University

CASE SYNOPSIS

Mr. Albert Youngman is Head of HR at Smart Moves Nigeria, Ltd., a British-based consulting company operating in Nigeria. His boss, Mr. Kingsley Michaels, the Chairman of Smart Moves Nigeria (hence, SMNL), is notorious for making plans but then changing them at the last minute. The most recent example of this behavior: Late yesterday afternoon, Michaels asked Youngman to book him a first class ticket tomorrow night, to travel from Abuja Nigeria to London using Global Airlines, Ltd. (a real airline whose name, in this case, must be disguised). Using his contacts at the Global Airlines office in Abuja, and by calling in some favors from those contacts, Youngman had been able to get Michaels a confirmed first class ticket for tomorrow's flight. Getting the first class tickets on such short notice had been very tough; at the end of the day yesterday, however, Youngman had the tickets and had been pleased with the results of his efforts. This morning, however, in his just-concluded early morning meeting, Michaels indicated that he had changed his mind, and that Youngman should cancel the first class tickets he had worked so hard to procure yesterday afternoon. As indicated above, this is not an isolated incident; this sort of thing happens frequently. Youngman finds that the stress associated with Michaels' behaviors is not only giving him headaches but also keeping him awake at night. Youngman believes he needs to take action to address this situation; the alternatives he has identified include: 1) Continue on in his role at SMNL and live with the consequences of that decision; 2) Request a change in his role at SMNL; or 3) Resign from SMNL. At this point, he has not decided what action to take.

Additional data and information in the case include:

1. *Regarding the situation: Information on the dilemma Mr. Youngman is facing is provided.*
2. *Regarding the company: A bit of background is provided on the company.*
3. *Regarding Chairman Michaels: Information is provided on the background, characteristics, and accomplishments of the chairman.*
4. *Regarding Mr. Youngman: Information is provided on his background, characteristics, and accomplishments.*

MY DOG IS PROPERTY, NOT A PERSON IN NEW JERSEY?

Diane Y. Hughes, Rowan University

CASE SYNOPSIS

It is common for dog owners to consider their beloved pet a part of their human family. In addition to providing the necessary food, water and shelter, pet owners often depend upon animals for companionship and emotional well being. Unfortunately for many pet lovers ,the courts continue to maintain the position that regardless of the owner's emotional attachment, pets are simply personal property.

In July, 2012, the Supreme Court of New Jersey was presented with McDougall v. Lamm, wherein a dog owner sought to recover money damages for the emotional distress that stemmed from the observance of her pet dog's violent death. A plaintiff is entitled to damages if he or she observed the traumatic death of a close family member. See Portee v. Jaffee, 84 N.J.88 (1980). The plaintiff in McDougall argued that due to her close relationship with her dog, it should be considered a family member, thus entitling her to damages under Portee.

This case study should afford students the ability to (1) articulate the progression of case law pertaining to the recovery of money damages for emotional distress caused by the observation of harm to a loved one (2) understand the possible ramifications of extending the law to pets and (3) determine whether the current law is antiquated.

JOYCE MCDOUGALL V. CHARLOT LAMM

In 2007, the plaintiff witnessed her dog being attacked and eventually killed by the defendant's large dog. The plaintiff had owned the dog for over ten years having acquired it as a puppy. In later years she lived alone with the dog after her children moved and she and her husband separated. In addition to compensatory damages, plaintiff demanded recovery for the significant emotional distress she suffered as a result of being a witness to her dog's traumatic death. She asked that the court not consider the dog an item of personal property but instead a viable member of her family.

The trial court granted compensatory damages as a result of the defendant's negligent handling of her dog but dismissed the claim for emotional distress. It noted that the law in New Jersey does not provide for such relief when the item is personal property. This New Jersey court awarded the plaintiff $5,000 for the replacement and loss of her dog. Plaintiff appealed, however the Appellate Court affirmed the lower court's finding.

On appeal to the Supreme Court, the plaintiff argued the *Portee* doctrine in which a plaintiff is permitted to recover damages if four elements are met (1) that the defendant's negligence caused the death or serious injury (2) there was a familial, marital or intimate relationship with the injured or deceased person (3) that the plaintiff observed the commission of the harm and (4) the plaintiff suffered severe emotional distress. See *Portee,supra, 84 N.J. at 101* . Specifically, Plaintiff sought expansion of the *Portee* doctrine to include pets, arguing that a relationship with a pet is at a higher level than that with an inanimate item of personal property.

INSTRUCTOR'S NOTES

Background

Traditionally, an award for emotional distress was granted only if the plaintiff suffered a physical loss. See *Ward v. West Jersey & Seashore R.R. Co*., 65 N.J.L. 383 (1900). In *Ward*, the plaintiff was permitted to drive across a railroad crossing while a train was approaching. Before he could completely cross over, the gates began to close. The plaintiff argued that the action of the defendant" caused him to be shocked, paralyzed and otherwise injured." 65 N.J. 383. Basically, the fear of being injured caused the plaintiff to experience extreme mental distress. The court found that the injuries were not the proximate nor natural cause of the defendant's action as required to establish a cause of action in negligence.

The New Jersey court also noted public policy reasons for denying the plaintiff a recovery. It cited an earlier case wherein it was established that "if the right of recovery in this class of cases should be once established, it would naturally result in a flood of litigation in cases where the injury complained of may be easily feigned without detection, and where the damages must rest upon mere conjecture and speculation. The difficulty which often exists in cases of alleged physical injuries, in determining whether they exist, and if so, whether they were caused by the negligent act of the defendant, would not only be greatly increased, but a wide field would be opened for unrighteous or speculative claims." *Mitchell v. Railway Co.,151 N.Y. 107.*

In *Falzone v. Busch, 45 N.J.559(1965)*, the court refused to follow *Ward* and held that a plaintiff may recover damages for negligence where the plaintiff has been distressed for fear of her safety. While seated in a parked car, the plaintiff witnessed her husband being struck by defendant's motor vehicle and feared she would suffer the same fate. The plaintiff's traumatizing observation caused her to become physically ill. The court deviated from *Ward* and was of the opinion that it should no longer be followed. Specifically, it held that "where negligence causes fright from a reasonable fear of immediate personal injury, which fright adequately demonstrated to have resulted in substantial bodily injury or sickness, the person may recover if such bodily injury or sickness would be regarded as proper elements of damage had they occurred as a consequence of direct physical injury rather than fright." *Falzone v. Busch 45 N.J. at 569*. It cited the three cases inconsistent with Ward:

a. Where a woman who threw herself on a railroad platform to avoid injury from a passing train . She suffered physical injury as a result of her fright. *Buchanan v. West Jersey R.R, Co*, *52 N.J.L. 265*.
b. Where a woman witnessed a bridge collapse near her and became ill. She suffered from injury to her neck and eye. *Porter v. Delaware, Lackawanna W.R.R. Co. 73 N.J.L. 405*.
c. Also, *Kuzm Millinery Workers Union Local No. 24, 27 N.J. Super. 579*.

In *Portee v. Jaffee*, *84 N.J.88(1980),* the plaintiff and her seven year old son were tenants in a building owned by the defendants. The boy became trapped between the wall and the door of an elevator. He was eventually dragged up to the third floor where he was wedged and unable to remove himself. The plaintiff watched in anxiety as rescue workers attempted to free her son. Unable to be removed, the boy died as his mother witnessed his demise.

As a result of this ordeal, the plaintiff suffered from severe mental problems and attempted suicide. She sued the defendants for negligence and also for her own mental and emotional distress brought on by having to witness her son's painful death. The lower courts relied on *Falzone* and denied the plaintiff a recovery. Plaintiff appealed to the New Jersey Supreme Court , which noted other cases wherein liability was imposed for causing the mental or emotional distress absent a risk of physical harm. See *Caputzal v. The Lindsay Co.48 N.J.69 (1966*) and *Dillon v. Legg 68 Cal. 2d 728.*

McDougall v. Lamm

The court refused to include pets in a familial class that would enable an owner to recover for damages sought by the plaintiff. The court considered the following public policy and fairness issues:

(1) foreseeability -whether or not the injury to the plaintiff was foreseeable to the defendant
(2) societal reaction - whether society is willing to accept being held to a duty of care in situations presented in the case
(3) the possibility that finding in favor of the plaintiff and , thus, recognizing a new common law cause of action , would be opening the door to cases involving other personal property
(4) the financial impact on the veterinary profession

In justifying its decision, the court concluded (1) *Portee* principle of foreseeability should be preserved in fairness to all plaintiffs. *Portee* strictly limits the types of relationships for which emotional distress is a recoverable action. The court reasoned that it would be unfair to include the dog and human relationship but not extend it to other human relationships. (2) Permitting the plaintiff to recover would be inconsistent with statutory law. The Wrongful Death Act, N.J.S.A. 2A:31-5 limits recovery to actual money damages, not those for emotional distress. This act applies to the loss of human life. To permit the additional damages for the loss of a dog elevates the dog to a higher class than that of a human. In addition, the court noted that there is legislation regarding dogs and dog owners. (3) The plaintiff's argument that the dog is not mere property is insufficient to support a cause of action for emotional distress. Pet owners are permitted to recover both replacement and intrinsic value of the pet. (4) It is not clear as to which class or classes or pet owners should be included in the category allowed a recovery for emotional distress. (5) An expansion of *Portee* would open the door to claims of emotional attachment to all types of property, living and inanimate.

HOME MORTGAGE REFINANCING DECISION (TEACHING CASE PROBLEM)

Sang-Hoon Kim, Montclair State University

CASE DESCRIPTION

Under current low interest rates, the decision whether or not to refinance a mortgage is a timely and practically useful topic. Financial institutions provide different types of mortgage loans in terms of maturity (loan period), interest rate, processing cost, points (bank fee), and so forth. Several websites are available which can be used to aid making the refinancing decision. However, these websites programs are not explicitly geared towards selecting a low cost mortgage loan. Furthermore, these websites are limited in their usefulness due to inadequate assumptions or the difficulty of acquiring information required for the program. For example, a certain website requires information such as the expected future interest rate, the expected inflation rate, the standard deviation of mortgage interest rates, and so forth. To be practically useful, the assumptions should be simple and reasonably realistic. The objective of this case is to prepare, under certain assumptions, an Excel program which can select a low cost mortgage loan. From the case, students learn how Excel (or any spread sheet program) can be programed and used to analyze finance problems. This case can be used for introductory finance or finance case courses for both undergraduate and MBA students.

CASE SYNOPSIS

Mortgage loans can be refinanced with a mortgage whose maturity is longer, equal to, or less than the remaining period of the existing mortgage. The purpose of this case is to prepare an Excel program which can accommodate these three possible refinancing situations under simple but reasonably realistic assumptions so that users of the program do not need to provide information such as the expected future inflation. The assumptions made in this case are:

1. *Cash flows can be reinvested at the new mortgage interest rate.*
   To analyze the refinancing decision, an interest rate at which interim cash flows can be invested and discounted should be provided. However, it is not possible to correctly project future interest rates. Consequently, just as bonds are valued using equivalent bond yields prevailing at the time of bond purchase, the new interest rate at which the old mortgage loan is refinanced will be used as the discount rate.
2. *For reliable analysis, the amount of the new loan should include all refinancing costs (loan balance, various refinancing costs, and points) such that no additional cash outflow is required. The appendix shows derivation of the required loan amount.*
3. *Mortgage interest payments are not tax deductible.*

4. *The loan will not be paid off until the maturity of the new loan.*

This case problem highlights the ability of Excel to be programed to analyze finance problems. The assumptions can be changed easily to accommodate tax implications and possible early loan payment. However, it is better to start with simple assumptions without needless programming burdens. After finishing this case, instructors can revise the third and fourth assumptions to make the program more flexible. Using a typical a refinancing case, students are required to prepare an Excel program which can be used to select the most desirable mortgage loan.

CASE PROBLEM

John Smith bought a house five years ago, with a 30 year $200,433.89 home mortgage loan which requires a monthly mortgage payment of $1,700. John is considering refinancing the current loan (hereafter "old loan") with one of the three mortgage loans (hereafter "new loans") which have different loan periods of 30, 25, or 15 years respectively. Table 1 shows summary of the three mortgage loans.

Table 1: Summary of three mortgage loan loans

Mortgage loan	A	B	C
Maturity (loan period) (year)	30	25	15
Annual mortgage rate (%)	6.00	5.50	5.00
Bank fee (points)(%)	2.50	0.00	1.00
Application fee	$350	$500	$300
Appraisal fee	200	200	200
Title search	200	200	150
Title Exam	500	500	400
Survey cost	400	400	500
Attorney Fee	600	600	500
Credit report	40	100	80
Flood Certification	20	40	30
Recording fee	50	80	60
Pest Inspection	80	100	100
Other costs	400	500	500

Assuming that John has just paid the 60^{th} monthly mortgage payment, respond to the following: (Use Microsoft Excel for the solution)

1. Find the annual interest rate of the old loan.
2. Find the current loan balance of the old loan (CLB).
3. Find the total amount of new loan (NL) which includes the loan processing cost, bank fee, etc.
4. Find the monthly mortgage payment of the new mortgage loan.

5. If refinanced, what is the difference of monthly mortgage payment between the old and new loans?
6. What is the present value of the total savings from the refinancing?
7. What is the effective interest rate of the new mortgage loan against the loan balance of old mortgage?
8. Prepare a table showing the monthly mortgage payment and loan balance of the mortgage providing the largest savings (i.e. a monthly mortgage amortization schedule). The table should follow the following format:

Month No	Beginning Balance	Monthly Payment	Interest Payment	Principal Payment	Ending Balance
1	(Amount of new loan)	xxxx.xx	xxx.xx	xxxxx.xx	xxxxx.xx
2					
3					

Provide solutions for the 8 questions using the following solution template, and fill out the solution summary table.

Table 2: Solution Template

	A	B	C	D	E	F	G	H	I
1		Old Loan	Loan Amount	Monthly payment	Maturity (Year)	No of month elapsed			
2		Old Loan							
3		New Loan	Point (%)	Maturity (Year)	Interest Rate (Year%)	Application Fee	Appraisal Fee	Title Search	Title Exam
4		New Loan							
5			Survey Cost	Attorney Fee	Credit Report	Flood Certification	Recording Fee	Pest Inspection	Other Costs
6									
7									
8				Total Processing Cost of New Loan except the Point =					
9		Questions					Interim Solutions		
10	1	Find the annual interest rate of the old mortgage loan.				Monthly Rate =		Annual Rate =	
11		(First find monthly rate and convert to annual rate)							
12	2	Find the current loan balance (CLB).							
13	3	Find the total amount of new loan (NL)							
14	4	Find the monthly mortgage payment of the new mortgage loan.							
15	5	If refinanced, what is the monthly difference of the mortgage payments?							
16	6	What is the present value of the total savings from the refinancing?							
17	7	What is the effective interest rate of the new mortgage against the old loan?				Monthly Rate =		Annual Rate =	
18	8	Prepare the monthly mortgage amortization schedule:							
19									
20		Month No	Beginning Balance	Monthly Payment	Interest Payment	Principal Payment	Ending Balance		
21		1							
22		2							
23		•							
24		•							
25		•							

The template is divided into two areas: the area for information (above line 7: hereafter referred to as the "data entry area") and the area for the Excel program (below line 7: hereafter, the "solution area"). The data entry area is self-explanatory. Fill out light gray colored cells for the software program and solutions.

Table 3: Solution Summary

		Solution			
	Questions	Old Mortgage	Mortgage A	Mortgage B	Mortgage C
0	Total processing cost excluding the point				
1	The annual interest rate of the original mortgage loan				
2	Find the current loan balance (CLB).				
3	Find the total amount of new loan (NL)				
4	Find the monthly mortgage payment.				
5	The difference of the monthly mortgage PMT between old & new loans				
6	The present value of the total savings from the refinancing				
7	The effective interest rate of the new mortgage against the old loan				
8	Prepare the monthly mortgage amortization schedule:		Prepare a separate table		
	Select the mortgage which provides the largest saving	Mortgage A ( ) Mortgage B ( ) Mortgage C ( )			

DESIGN PROTOTYPES INC.'S ALPHA C306 PROJECT: SELECTION OF THE PROJECT TEAM

Patricia A. Lapoint, McMurry University
Carrol R. Haggard, Fort Hays State University

CASE DESCRIPTION

The primary subject matter of this case concerns project management. A secondary issue examined is office politics. This case can be used in Project Management, Operations Management, or Quality Management courses. The case has a difficulty level of three. The case is designed to be taught in two class hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

Raef Conley has just been assigned his first major project. Having worked on several small projects since joining Design Prototypes Inc., 9 years ago, Raef has never taken on a major project. This is a significant opportunity for him, one that could advance his career in many ways. Although he is excited about the opportunity, he is also somewhat anxious. as while there is the potential for career advancement, he is also cognizant of the fact that failure could mean the end of his career at Design Prototypes. Raef's first task is to assemble a project team. Raef needs to assemble a team of seven individuals selected from a pool of eleven. While all of the candidates have strengths, some appear to be better suited to the project than others. Three of the candidates have political connections which could influence their selection. Another candidate has a strong personal connection to Raef. While uncertain about his actual motives, Raef has a feeling that his boss has clear preferences toward two of the candidates. The case revolves around the questions of: How does Raef weigh technical competence with personal and political considerations? Who should Raef select for the team?

PANDORA INVESTMENTS WURUNDI, INC.

D.K. "Skip" Smith, Baze University

CASE SYNOPSIS

Mr. Mike Adams is Vice President and General Manager of Pandora Investments Wurundi Inc., the Wurundian subsidiary (Wurundi is a real country in Africa and Pandora is a real company; for purposes of this case study, however, both the country and the company must remain disguised) of a New York Stock Exchange (NYSE) listed U.S. multinational company called Pandora Investments Group, Inc. While it is listed on the NYSE, Pandora Investments Group has very substantial operations in the UK. Pandora Investments Wurundi, Inc. (hence, PIWI) recently completed (under a contract valued at approximately $2,000,000) a gas transportation network code for the parastatal company in Wurundi called Gasco Wurundi Ltd. (hence, GWL). GWL's role in Wurundi includes creating the hard and soft infrastructure needed to move natural gas around the country. While all the key stakeholders (management of GWL, management of PIWI, etc.) agree that PIWI has successfully completed the gas transportation network code project and that all the work done by PIWI and its consultants has been truly world-class, GWL has not yet paid PIWI for its work. Earlier today, a senior executive at GWL (his name is Mr. Jonas Adorande) indicated to Adams that before he (that is, Adorande) signs off on the project (one of the required steps in GWL's payment process), Adams will need to give him (in unmarked bank notes) approximately $50,000.

Additional data and information in the case include:.

1. *Regarding the project: an explanation of what a gas transportation network code is, and why a country having natural gas needs one.*
2. *Regarding the company (PIWI): Because PIWI has in the past operated extremely successfully in a very challenging developing world market (that is, Wurundi), information is provided on PIWI's business model plus the company's past and current performance and factors impacting that performance over the years.*
3. *Regarding the Wurundian parastatal (that is, PIWI's customer): Background information, current performance, and factors impacting that performance.*
4. *Regarding Wurundi: Like China and India and some other developing world markets, even during the current economic crisis, the economy of Wurundi has continued to grow vigorously. To give students a sense of the opportunities available in the developing world, a bit of information is provided on the country disguised as Wurundi and the performance of that country's economy over the last several years.*
5. *Regarding US and UK laws regarding the overseas behavior of US and UK corporations and executives: Summaries of the Foreign Corrupt Practices Act*

(FCPA) and the UK Bribery Act, plus implications of those acts for U.S and U.K. companies and businesspeople operating overseas, are provided. In addition, a discussion is provided regarding the difference between actions which are legal (or illegal) and actions which are ethical (or unethical).