Case 26-5c

Green Dot Fuel

You have recently been assigned to the Green Dot Fuel (the "Company") audit engagement for the year ended December 31, 20X2. Green Dot Fuel is a public company specializing in the development, manufacturing, and distribution of fitness beverages worldwide. Operations are categorized into four regions. The Company's extensive customer base and diverse product lines contribute to its sales and accounts receivable (AR) balances.

You have been asked to work on the identification of significant accounts and the relevant assertions as part of identifying and assessing the risks of material misstatement (RoMMs) for the AR balance (see paragraph 59 of PCAOB AS 2110). Paragraph 60 of PCAOB AS 2110 highlights the qualitative and quantitative risk factors the auditor should evaluate by using audit evidence obtained. As part of identifying significant accounts and the relevant assertions, the auditor should determine the sources of potential misstatements that would likely cause the financial statements to be materially misstated. The auditor might determine the likely sources of potential misstatements by asking "What could go wrong?" within a given significant account (see paragraph 61 of PCAOB AS 2110). The assessed inherent risk related to a particular RoMM represents a judgment within a "lower-to-higher" range.

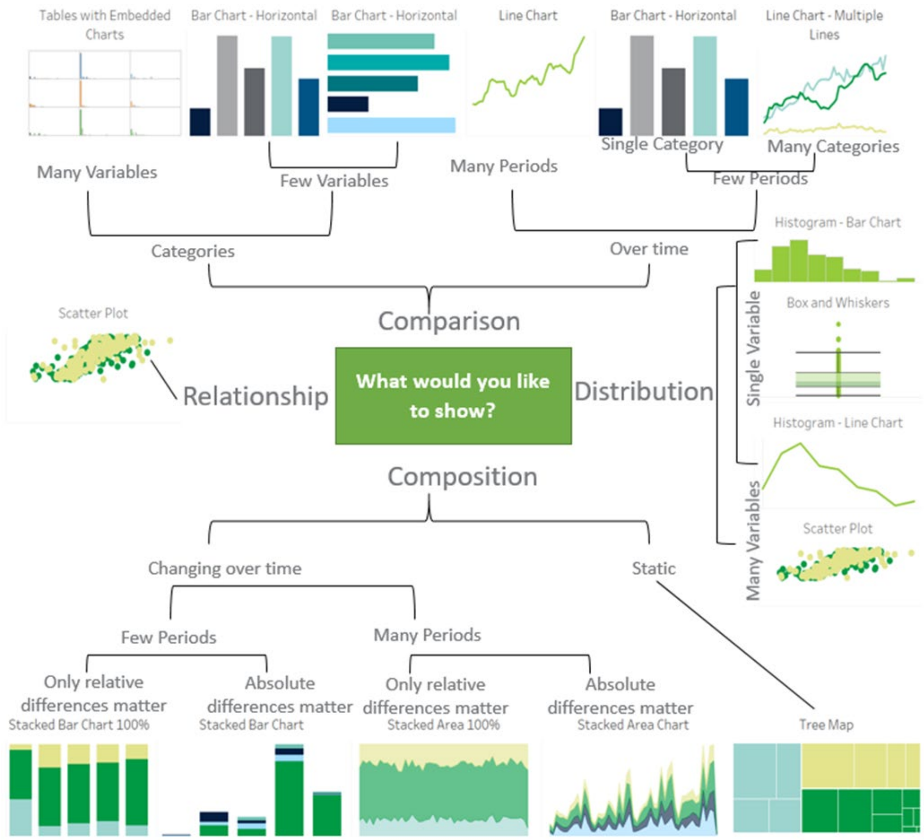
To help you get started, the audit engagement senior has e-mailed you the client's AR detail and requested that you focus on specific risk factors discussed in paragraph 60 of PCAOB AS 2110. As you evaluate these risk factors, use the AR detail to perform analytical procedures. Next, evaluate the analytics to identify and assess RoMMs within a lower-to-higher range given the team's conclusion that there is no significant risk related to AR.

Risk factors relevant to the identification of significant accounts include:

1. Size and composition of the account.
2. Volume of activity, complexity, and homogeneity of the individual transactions processed through the account.
3. Changes from the prior period in account.

Required:

1. Determine the type of visualization that would be appropriate for addressing each of the risk factors you were asked to evaluate. Note that there may be more than one option. Select the visualization that you think is most effective, and refer to the guide below to assist you.



2. Use Microsoft Power BI to upload the AR data and create the appropriate visualizations. If you get stuck, ask your professor for assistance or click here for additional guidance on how to use Power BI.

3. Next, you will take part in a role-playing scenario in which you are a member of the audit team. A new audit staff saw you working in Power BI to perform an analysis and create visualizations and remarked, “Why are you doing all that yourself? It would be a lot faster to have AI create the visualizations and perform the analysis for you.” Intrigued by this idea, you asked the staff to give it a try using the firm’s approved Artificial Intelligence tool. The staff forwards the AI output directly to you, writing “See attached. I included some background about the company and our objective to perform risk assessment of the AR balance. I also included a list of the risk factors we usually consider (size/composition/volume) and the total account balance. The analysis is ready to add to our working papers and complete our risk assessment. We’re going to be way ahead of the target date for manager review in the project plan. Thank me later.” Review the output (Green Dot Fuel_AI Analysis), and identify specific observations and considerations when using AI-generated outputs that you would focus on in a follow-up discussion with the staff member.

4. Evaluate the analytics to identify and assess RoMMs within a “lower-to-higher” range. Judgment as to where in the range the risk is assessed may involve taking into account the assessed likelihood and magnitude of the misstatement and inherent risk factors.

The higher the combination of likelihood and magnitude, the higher the assessment of inherent risk; the lower the combination of likelihood and magnitude, the lower the assessment of inherent risk. For a risk to be assessed as higher on the spectrum of inherent risk, it does not mean that both the magnitude and likelihood need to be assessed as high.

Note that this exercise provides limited information; form your responses by using only the information at hand. In practice, there will be many more factors to consider when determining the overall assessment of RoMMs for the account balance. Use the data in the Excel file provided to prepare the Power BI visualizations.

Case Facts:

- The audit team has determined that there are no significant risks related to this account.
- The audit team has calculated materiality at $3.5 million.
- For the year ended December 31, 20X1, the total number of open invoices as of year-end was 13,845, and the total AR balance was $23.5 million.
- For the year ended December 31, 20X1, there were no errors identified for AR.
- For the year ended December 31, 20X1, the AR balance and count trended consistently throughout the year with no major fluctuations. However, there was an increase of approximately 20 percent in the AR balance and count between November and December, which was consistent with prior years.