

GREEN AND BLACK VEHICLE DEALERSHIP, LLP Case Continuance – Part II and Part III

Part II
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EDITOR'S NOTE: Part I of this case series was published in issue 17-2.

The two case summaries published here have extensive teaching notes and other material available upon request. To prevent Part II and Part III from getting into student hands before the Part I case is discussed, we are providing only abstracts and some information how these additional cases can be used.

Abstract: The CPA firm, James and Elliott LLP, has now accepted Green and Black Vehicle Dealership as a client. At the close of business today, the CPA firm will obtain the dealership's current Parts Inventory List (i.e., the subsidiary ledger). The list will be available in Excel format and an abbreviated hard-copy format. Tomorrow the dealership will close so the CPA firm can take inventory of 100% of the parts on hand. Knowing which parts are on hand is necessary in determining the appropriate value of those parts.

Due to the CPA firm staff lacking knowledge in identifying specific car parts, they hire a parts specialist. The specialist will be used in identifying whether the parts on hand match the inventory listed on the dealership's current Parts Inventory List. In addition, the parts-specialist will identify whether each part is a new or used part. Because only new parts are used in repairing vehicles, used parts are considered worthless and should not be included as part of the dealership's inventory.

At the close of business today, the client's current General Ledger Parts Inventory account reflects an ending balance of \$201,189.20. The General Ledger account and the current Parts Inventory List should both agree with the parts on hand valuation.

Since clients, as well as court systems, depend on accountants' and or fraud examiners' determination of fraud dollars lost, it is imperative that students have hands-on exposure to a forensic accounting situation with a set of circumstances that makes it possible to determine a dollar value of fraud loss.

Case usage: Part II of this car dealership case extends Part I beyond evaluating a prospective forensic client and determining whether the engagement should be accepted. Part II includes the client's actual books and records that students must examine to determine whether a fraud has occurred. If elements of fraud (incentive, opportunity, and rationalization) are present and evidence indicates fraud has occurred, data analytics will provide the means of determining the severity of the fraud loss.

Part III involves the engagement wrap-up procedures and the preparation of a formal fraud report. This report is neither accusatory nor conclusive as to guilt. However, the report presents the findings of facts and indicates any fraud loss.