



**FINANCIAL AUDIT**

(170)

**REGIONAL 2021**

**Presentation Points \_\_\_\_\_\_\_\_\_\_ (140 points)**

**Specification Points \_\_\_\_\_\_\_\_\_\_ (20 points)**

**TOTAL POINTS \_\_\_\_\_\_\_\_\_\_ (160 points)**

**Preparation Time: 20 minutes**

**Description**

Competitors will conduct analysis of a case study that highlights an issue discovered during a financial audit and prepare a recommendation based on Generally Accepted Audit Standards (GAAS).

**Regional Preliminary Scenario**

Alana, the owner of Tate’s Jewelry, meets with you before you begin your annual audit of her company. Alana expresses frustration that despite her best efforts, cash flow continues to be an issue. This was to be expected during the pandemic when sales had slowed significantly, but even though sales had increased back to almost pre-pandemic levels, Tate’s Jewelry cash position continued to be precarious. You suspect that Alana’s cash concerns are a result of increased costs in the post-pandemic environment. During your site visit, you discover that Alana was forced to let go of most of the Tate’s employees. The one non-family Alana kept on was Patrick, the long-time store manager. During the pandemic, Patrick took on the additional role of maintaining the cash receipts and sales records. As part of your audit, you meet with the Tate’s Jewelry’s CPA. The CPA mentions that he has noticed occasional shortages in the cash receipts records that seem larger than normal for a small business.

When you meet with Alana again, what red flags will you discuss with her and how will you suggest she strengthen her internal controls?

**A contestant will be DISQUALIFIED for violations of the Copyright and Fair Use Guidelines.**

**Contestants who do not submit an entry that follows this topic will be disqualified.**

**Potential judges’ questions?**

* What other questions would you ask Alana?
* What other information would you look for during your audit regarding this issue?
* Assuming the rest of the audit goes as planned, would you still feel it appropriate to give Tate’s Jewelry an unqualified opinion?