

NIO Auto Audit Case: Research on Financial Compliance and Audit Risks in an Innovative Business Model

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Abstract

With the rapid development of the new energy vehicle industry and the innovation of business models, the auditing of Internet car-making enterprises is facing unprecedented challenges. This paper takes NIO as the research object, focusing on the auditing disputes caused by its unique BaaS (Battery as a Service) business model. It combines two core cases, the short-selling event by Muddy Waters in 2022 and the securities fraud lawsuit by GIC in 2025, to analyze from the dimensions of audit risk identification, application of accounting standards, and execution of audit procedures. The cases involve key auditing issues such as the compliance of revenue recognition, the determination of related party control, and the auditing of off-balance sheet business. By deconstructing the transaction structure between NIO and its related party Wuhan Weiran, the paper explores the application boundaries of auditing standards and the optimization paths of auditing practices under innovative business models. The research finds that the auditing risks of Internet car-making enterprises are mainly concentrated in the rationality of revenue recognition methods, the substantive determination of related party relationships, and the financial information disclosure under heavy asset operations. Auditing institutions need to enhance the quality of auditing by strengthening the judgment of standard applicability, deepening the penetration verification of related parties, and introducing information-based auditing technologies. The conclusions of this paper can provide references for the auditing practice in the new energy vehicle industry and offer lessons for the financial compliance construction of innovative enterprises.

Keywords

Audit, BaaS, NIO, Risk

1. Case Background Introduction

1.1. Basic Overview of NIO Auto

NIO Auto was founded in 2014 and is one of the leading enterprises in China's new energy vehicle industry. It focuses on the research, production and sales of high-end intelligent electric vehicles, and has also established an energy service system featuring "rechargeable, replaceable, and upgradable". The company was listed on the New York Stock Exchange in September 2018 and listed on the Hong Kong Stock Exchange in March 2022, becoming the first Chinese new energy vehicle enterprise to achieve dual listing on both the US and Hong Kong stock markets. As of the first half of 2025, NIO has delivered over 1.5 million vehicles globally, established a sales network and battery swapping system covering major markets worldwide, and its innovative BaaS model has attracted widespread attention in the industry.

From a financial perspective, NIO exhibits the typical characteristics of an internet-based automotive manufacturer, namely "high financing, high investment, and high losses". Since its establishment, the company has accumulated financing of over 100 billion yuan, mainly used for technological research and development, battery swapping network construction, and market promotion, but the continuous large-scale investment has led to cumulative losses exceeding 100 billion yuan. This financial feature contrasts sharply with the relatively high market valuation, presenting special challenges for the auditing work, requiring the auditing institution not only to focus on the authenticity of financial data, but also to conduct in-depth assessment of the sustainability of the business model and the fair disclosure of financial information.

1.2. The Core Architecture of the BaaS Business Model

In August 2020, NIO officially launched the BaaS (Battery as a Service) battery rental service, pioneering a business model innovation in the new energy vehicle industry that separates the vehicle from the battery. The core architecture of this model is as follows:

Transaction parties: NIO as the vehicle manufacturer, Wuhan Weineng Battery Asset Co., Ltd. (referred to as "Weineng") as the battery asset holder, and the end users as the vehicle purchasers and battery rental parties. Weineng was established in August 2020 and was jointly funded by NIO, Guotai Junan, Hubei Science and Technology Investment Group, and Ningde Times.

Transaction process: When users purchase a NIO vehicle, they can choose not to purchase the battery and only pay the vehicle price (reduced by 70,000 - 128,000 yuan compared to the vehicle purchase price), with the battery ownership belonging to Weineng. Users sign a lease agreement with Weineng and pay the battery rental fee monthly (adjusted standard range battery pack 728 yuan/month, long-range battery pack 1128 yuan/month), obtaining battery usage rights. Weineng purchases battery packs in bulk from NIO and entrusts NIO to provide operation services such as battery monitoring, maintenance, upgrade, and replacement, and

pays service fees monthly.

Business value: For users, the BaaS model significantly lowers the initial purchase threshold and avoids risks such as battery degradation and technological updates; for NIO, this model not only enhances the product's market competitiveness but also strengthens customer loyalty through service binding, building the battery swapping network as a core competitive barrier; for Weineng, through large-scale battery procurement and conducting rental business, combined with asset securitization financing tools, a "purchase-lease-financing" commercial loop has been formed.

1.3. Audit Dispute Timeline

Since its introduction, the BaaS model of NIO has continuously faced market doubts regarding the compliance of its accounting treatment. It has undergone two major audit disputes:

2022 Grizzly Short Selling Incident: In June 2022, the US short-selling institution Grizzly Research released a short-selling report, accusing NIO of conducting financial manipulation through Weineng, including prematurely recognizing future revenues and transferring battery depreciation costs, which led to a 10% overstatement of revenue and a 95% overstatement of net profit in 2021. NIO immediately established a special committee composed of independent directors and hired top international law firms and legal accounting firms to conduct an independent investigation. In August of the same year, it released the investigation results, denying all accusations and claiming that the accounting treatment was in accordance with US Generally Accepted Accounting Principles. Many international investment banks also released research reports supporting NIO's accounting treatment method.

2025 GIC Securities Fraud Litigation: In October 2025, the Singapore Government Investment Corporation (GIC) filed a securities fraud lawsuit against NIO and its CEO Li Bin in the Southern District Federal Court of New York, accusing NIO of using improper accounting methods through Weineng to falsely increase at least 600 million US dollars in revenue and profits, causing significant losses to GIC. This lawsuit, as the first securities fraud lawsuit filed by a sovereign wealth fund against a Chinese company listed in the US, triggered a strong market reaction. NIO's Hong Kong-listed shares plunged by more than 13% in a single day, with a loss of over 10 billion Hong Kong dollars in market value, pushing the audit dispute under the BaaS model to a new height.

1.4. Research Methods and Research Framework

This case study employed the methods of literature research and qualitative investigation. The main data sources included government websites, the National Audit Office, enterprise financial reports, and China National Knowledge Infrastructure.

The case analysis consists of six parts:

1) Introduction to the case background. This part presents the basic overview of NIO Auto, the core architecture of the BaaS business model, and the timeline of the audit dispute event.

2) Analysis of the core audit disputes. This part examines the disputes regarding the compliance of revenue recognition, the disputes over related party control and consolidation scope, and the disputes over off-balance sheet business and financial information disclosure.

3) Identification and assessment of NIO Auto's audit risks. This part identifies and assesses the inherent risks, control risks, and inspection risks of NIO Auto.

4) Audit response strategies and implementation paths. This part introduces the audit response measures, strengthening risk-oriented audit planning in the audit planning stage, deepening substantive audit procedures in the audit implementation stage, and strengthening audit opinions and communication in the audit report stage.

5) Case implications and industry reference. For innovative enterprises, it is necessary to balance business model innovation and financial compliance; for auditing institutions, it is necessary to enhance the auditing ability for complex transactions; for regulatory authorities, it is necessary to improve the regulatory framework for innovative business models.

6) Conclusion.

2. Analysis of Core Dispute Focus in Audit

2.1. Dispute over Compliance of Revenue Recognition Based on ASC 606 Standards

Revenue recognition is the core focus of this audit dispute. The essence of the dispute lies in whether battery sales revenue in the BaaS model should be recognized as a one-time amount or in installments. The core basis is the ASC 606 "Customer Contract Revenue" standard in US GAAP.

When selling battery packs to Weineng, NIO recognized all battery sales revenue at the point of battery control transfer, which was the time of the end-user's vehicle delivery. Its accounting logic was that NIO signed a clear battery sales contract with Weineng, with a fixed transaction price. After obtaining battery control, Weineng could obtain continuous economic benefits by leasing the batteries to users, which met the revenue recognition conditions of ASC 606. This handling method led to a 133% year-on-year increase in revenue in the fourth quarter of 2020, rising from 28.5 billion yuan to 66.4 billion yuan, significantly improving the financial statement performance.

Both GIC and Grizzly believe that NIO's revenue recognition method violates ASC 606 standards. Firstly, the ultimate economic value of the battery needs to be realized through the user's lease payment for about 7 years. NIO recognized the potential future income as current income, which is essentially "borrowing in the current period to spend in the future", failing to reflect the true mode of revenue realization; Secondly, the battery leasing income of Weineng depends on the con-

tinuous payment of the end-user, which is uncertain. NIO did not consider this uncertainty and recognized all the income, which does not meet the “recovery” requirement of revenue recognition; Thirdly, Grizzly questioned that NIO oversupplied batteries to Weineng. As of September 2021, Weineng held 40,053 batteries, but the disclosed financing-related orders were only 19,000. Through false transactions, the revenue was inflated. After calculation, if the phased confirmation method proposed by the Grizzly Research is adopted, NIO’s revenue for 2021 should be reduced by approximately 5.8 billion yuan, and its net profit should be reduced by approximately 4.2 billion yuan. These reductions account for 8.7% and 92.3% of the originally disclosed amounts, respectively.

ASC 606 standard stipulates that revenue recognition should follow a five-step model, with the core being to determine “the manner of performance of the obligation” and “the time point of control transfer”. From the essence of the standard, the key of the dispute lies in whether Weineng constitutes NIO’s true customer. If Weineng is an independent third-party customer and obtains battery control rights, then NIO’s one-time revenue recognition is in line with the standard requirements; If Weineng is only a non-consolidated entity of NIO, then this transaction is essentially NIO’s own leasing business, and the income should be recognized in installments. In addition, ASC 606 requires that revenue recognition must meet the “recovery” requirement of the transaction price, and Weineng’s operation is highly dependent on NIO’s guarantee and support. Its own cash flow is difficult to independently support the battery procurement expenses, which has also become an important basis for the accusers to question the rationality of revenue recognition.

2.2. Controversy over Related Party Control and Consolidation Scope Based on ASC 810 Standards

The determination of related party relationships and the determination of the scope of consolidated financial statements directly affect the accounting of battery depreciation costs and the authenticity of financial statements. This is another core focus of the current audit dispute, mainly based on the ASC 810 “Consolidated Financial Statements” standard in US GAAP.

NIO disclosed in its financial report that Weineng is an associated party, but claimed that its shareholding ratio is only 19.8%, which is below the 20% threshold for significant influence, and the shareholders’ holdings are relatively dispersed, so it does not constitute control and does not need to include Weineng in the consolidated financial statement scope. This handling method enables Weineng’s tens of billions or even hundreds of billions of battery assets not to be listed in NIO’s financial statements, and the corresponding huge depreciation costs are not included in NIO’s operating costs, effectively improving NIO’s loss situation.

GIC, based on the “Variable Interest Entity (VIE)” model in ASC 810 standards, accused NIO of actually controlling Weineng and should include it in the consolidation scope. First, NIO directly controls about 55% of the economic interests of

Weineng through financial arrangements such as guarantees and accounts receivable, and bears the main risks and benefits of Weineng; second, the core decisions of Weineng, such as battery purchase specifications, quantities, pricing, and lease service fee standards, are all led by NIO, and its business activities are completely dependent on NIO's BaaS model, lacking independent decision-making ability and NIO holds the key veto power over Weineng. Among the 5 members of Weineng's board of directors, 3 are from NIO or its affiliated companies; third, several executives and directors of Weineng have worked at NIO before, and there is cross-control of personnel.

From the perspective of revenue composition, from 2021 to 2024, the revenue generated by NIO's related businesses accounted for over 98% of the total, while the revenue from third-party customers accounted for less than 2%. This indicates a lack of independent survival capabilities, further confirming its high dependence on NIO. The determination of control in ASC 810 standards emphasizes substance over form, rather than merely looking at the shareholding ratio. The auditing institution needs to determine whether NIO simultaneously meets the conditions of having the authority to lead activities that have a significant impact on Weineng's performance and bearing the main losses or enjoying the main benefits. From the actual situation, the establishment purpose of Weineng is to support NIO's BaaS model, its business is completely embedded in NIO's ecosystem, lacking independent survival ability, which makes the determination of the control relationship an area of high risk in auditing. If the auditing institution accepts NIO's non-control claim, it needs to obtain sufficient evidence to prove the independence of Weineng; if control is determined to exist, the consolidation scope needs to be adjusted, which will lead to significant changes in the asset scale, liability level and loss amount in NIO's financial statements.

2.3. Disputes over Off-Balance Sheet Business and Financial Information Disclosure

Internet-based automotive enterprises generally have off-balance sheet business risks. However, through the BaaS business carried out by Weineng, NIO has further increased the difficulty of auditing off-balance sheet business.

Weineng holds a large amount of battery assets. If these assets were included in the consolidated financial statements of NIO, it would significantly increase the asset size of NIO, but at the same time, it would also bring huge depreciation costs. By placing Weineng off-balance sheet, NIO successfully moved this heavy asset and depreciation costs out of the financial statements, beautifying the asset-liability ratio and loss situation. Additionally, the liabilities formed by financing through asset securitization by Weineng were not reflected in the financial statements of NIO, preventing investors from fully understanding the company's true financial risks.

There are multiple related party transactions between NIO and Weineng, including battery sales, operation service provision, and user default guarantee, but NIO did not fully disclose the pricing basis, rationality of transaction scale, and

essence of the related party relationship of these transactions in its financial reports. The accusers believe that NIO sold batteries to Weineng at non-marketized prices, further amplifying the effect of inflated revenue. The auditing institution needs to verify the fairness of related party transactions, determine whether there are situations of profit transfer or inflated revenue, but due to the lack of comparable independent market transaction prices, the fairness judgment becomes an auditing difficulty.

The BaaS model, as an innovative business model, faces multiple risks such as user default, battery technology iteration, and policy changes. However, NIO did not fully disclose these risks' potential impact on the financial statements. For example, NIO provided guarantees for the default of Weineng's users, and the amount of this contingent liability and risk exposure was not fully disclosed; the rapid iteration of battery technology may lead to the impairment of battery assets held by Weineng, but the disclosure of related impairment risks is insufficient. The auditing institution needs to assess the sufficiency of the enterprise's risk disclosure to ensure that investors receive adequate risk warnings.

3. Audit Risk Identification and Assessment of NIO Auto

3.1. Assessment of Inherent Risk

Inherent risk refers to the possibility that financial statements contain significant misstatements without considering internal controls. As an internet-based automotive manufacturer, NIO's inherent risks are mainly manifested in the following aspects:

First, the risk of criterion adaptation due to innovative business models. The BaaS model is an industry-first initiative, lacking mature accounting treatment precedents, and the economic essence of related transactions is difficult to judge. The application of ASC 606 and ASC 810 standards requires extensive professional judgment by auditors, and the subjectivity of the judgment increases the inherent risk of financial statement misstatements.

Second, the risk of fraud due to high loss pressure. NIO has accumulated losses exceeding 100 billion yuan and is under continuous pressure from the capital market regarding profitability. In this situation, the enterprise may have the motive to adjust financial data through accounting treatment to meet market expectations (Blay, Sneathen, & Kizirian, 2007). The complexity of the BaaS model provides an opportunity for such fraud, and the enterprise can increase revenue and reduce costs through related party transactions and adjustments to the timing of revenue recognition. The existence of this fraud motive significantly increases the inherent risk level.

Third, the financial risk of heavy asset operation and reliance on financing. The new energy automotive industry is a capital-intensive industry. NIO's battery network construction and battery production require continuous huge investments, resulting in a high dependence on financing. This financial characteristic may lead the enterprise to embellish financial statements to obtain financing, and the valu-

ation of heavy assets and the accounting treatment of financing activities, etc., all involve complex professional judgments, increasing the possibility of financial statement misstatements (Mubako & O'Donnell, 2018).

3.2. Assessment of Control Risk

Control risk refers to the possibility that the enterprise's internal controls fail to prevent or detect significant misstatements in financial statements. NIO's internal controls have obvious deficiencies in responding to the above inherent risks:

First, control deficiency in related party transactions. NIO has not established an effective internal control system for related party transactions, lacking clear approval processes and fairness assessment mechanisms for transactions with NIO. The determination of battery sales prices lacks independent third-party assessment, and the charging standards for operating service fees are not fully disclosed, leading to potential improper pricing risks in related party transactions (Baldauf, Steckel, & Steller, 2015). Moreover, the enterprise's identification of related party relationships is not comprehensive, and it fails to fully disclose the substantive control relationship with NIO, violating the internal control requirements for information disclosure.

Second, control deficiency in the financial reporting process. In key accounting policies such as revenue recognition and determination of the consolidation scope, NIO's internal controls lack professional argumentation and checks and balances mechanisms. For revenue recognition under the BaaS model, the enterprise did not fully consider the disputes over the application of the standards raised by the claimants and did not disclose the possible impact of different accounting treatments on financial data in the financial report.

Third, imperfect risk management system. NIO's risk management system failed to fully identify the financial compliance risks brought by the BaaS model and lacked sensitivity to external risks such as changes in accounting standards and regulatory policy adjustments. After the Grizzly Short Selling Incident in 2022, the enterprise conducted an independent investigation, but did not improve the internal control and risk management processes in response to the audit disputes, resulting in another similar litigation risk in 2025. Additionally, the enterprise lacks effective assessment and response mechanisms for user default risks, battery asset impairment risks, etc., and the related risks have not been timely transmitted to the financial reporting process.

3.3. Assessment of Examination Risk

Examination risk refers to the possibility that the auditing institution fails to detect significant misstatements in financial statements through the implementation of audit procedures. The examination risk for NIO's audit is mainly reflected in the following aspects:

First, professional judgment risk in the application of auditing standards. Due to the innovativeness of the BaaS model, when auditing institutions apply ASC

606 and ASC 810 standards, they need to make a large number of professional judgments. If the auditors do not have a deep understanding of the standards or fail to fully consider the economic essence of the transactions, it may lead to audit judgment errors. In the judgment of the timing of revenue recognition, if the auditing institutions only focus on the conditions of the transfer of control and ignore the dependence relationship between Weineng and NIO and the uncertainty of revenue realization, it may lead to the failure to detect the risk of misstatement in revenue recognition.

Second, the difficulty of identifying related party relationships through penetration verification. The equity structure of Weineng is complex, and there are multiple financing arrangements. Auditing institutions find it difficult to conduct a comprehensive penetration verification of its substantive relationship with NIO. Auditing institutions need to verify the economic control degree of NIO over Weineng through guarantees, accounts receivable, etc., but the relevant financial arrangements may involve complex contract terms and off-balance sheet businesses, making it difficult to obtain sufficient and appropriate audit evidence (Wang & Fargher, 2017). In addition, the battery assets of Weineng are distributed in the battery swapping network of NIO. Auditing institutions find it difficult to implement effective inventory observation procedures and cannot verify the authenticity and completeness of the battery assets.

Third, the insufficiency of the targeted nature of auditing procedures. For the auditing of Internet car-making enterprises, traditional auditing procedures are difficult to effectively respond to the risks brought by the innovation of their business models. For example, if the auditing institutions still adopt the conventional revenue cutoff tests and related party transaction verification procedures, they may not be able to detect the problem of inflated revenue under the BaaS model; in the inventory auditing, due to the special nature of the battery assets, the traditional observation procedures for inventory are difficult to verify the actual state and quantity of the assets, resulting in a higher inspection risk in inventory auditing. Before you begin to format your paper, first write and save the content as a separate text file. Keep your text and graphic files separate until after the text has been formatted and styled. Do not use hard tabs, and limit use of hard returns to only one return at the end of a paragraph. Do not add any kind of pagination anywhere on the paper. Do not number text heads—the template will do that for you (Fortvingler & Szívós, 2016).

4. Audit Response Strategies and Implementation Paths

In response to the aforementioned risks in the audit of NIO Auto, the auditing institution should optimize the audit response strategies at various stages, such as audit planning, audit procedure execution, audit evidence acquisition, and audit conclusion formation to ensure audit quality.

4.1. Audit Planning Phase: Strengthening Risk-Oriented Audit Planning

Conduct business model research. During the audit planning stage, the auditing

institution should deeply study the development trends of the new energy vehicle industry, the characteristics of the business model, and the regulatory policy requirements. Specifically, it should analyze the transaction structure, economic substance, and profit logic of the BaaS model. Through communication with industry experts and regulatory authorities, understand the common accounting practices and the disputes regarding the application of accounting standards under this model, identify potential audit risks, and provide a basis for the design of audit procedures.

Optimize audit resource allocation. Given the complexity and high risk of the NIO audit, the auditing institution should form a professional audit team, equipped with personnel with knowledge of the new energy vehicle industry, professional accounting standards, and experience in complex transaction audits. At the same time, external experts such as accounting standards experts and experts in the new energy industry can be hired to assist in the audit work, helping to solve professional judgment issues under the BaaS model and reducing audit risks.

Develop targeted audit risk response plans. Based on the assessment results of inherent risk and control risk, the auditing institution should develop special audit risk response plans, clearly defining key audit areas and audit procedures. For the risk of revenue recognition, design specific audit procedures to verify the compliance of revenue recognition; for the risk of related party control, develop a penetration verification plan to verify the substantive relationship between NIO and Weineng; for the risk of off-balance sheet business, design procedures to identify undisclosed off-balance sheet assets and liabilities.

4.2. Audit Implementation Phase: Deepening Substantive Audit Procedures

4.2.1. Revenue Recognition Audit: Focusing on Standard Application and Transaction Authenticity

Standard Application Verification. The auditing institution should re-evaluate the basis for revenue recognition under the BaaS model and, in accordance with the “five-step model” of ASC 606, verify the compliance of NIO’s accounting treatment. Focus on verifying whether Weineng is a real customer, including assessing the independence of Weineng, whether it assumes the subsequent market risks of the battery, and the fairness of the transaction price.

Transaction Authenticity Verification. In response to the concerns about excessive supply of batteries, the auditing institution should implement effective inventory observation procedures to verify whether the quantity of batteries held by Weineng matches the lease orders of end-users. Due to the battery assets being distributed in NIO’s battery swap network, a “sampling observation + system data verification” approach can be adopted, combined with the battery circulation records of the battery swap system, to verify the authenticity and completeness of the battery assets. At the same time, verify the battery sales contracts, delivery records, and collection vouchers between NIO and Weineng to ensure the authenticity of the transaction.

Revenue Cut-off Test. Focus on verifying the battery sales revenue before and after the balance sheet date to ensure that the recognition time point of revenue complies with the requirements of the standards and there is no cross-period recognition of revenue. Through verification of end-user delivery records and battery acceptance records of Weineng, verify the accuracy of the recognition time point.

4.2.2. Related Party and Consolidation Scope Audit: Penetrating Verification of Control Substance

Identification of Related Party Relationships. The auditing institution should go beyond the surface form of equity ratio and, based on the VIE model of ASC 810, comprehensively identify the related party relationships between NIO and Weineng. Focus on verifying NIO's equity structure, board member appointment rights, core decision-making dominance, the amount of guarantees provided by NIO to Weineng, the scale of accounts receivable, etc., the economic interest binding situation between the two parties, cross-appointment of personnel, the degree of dependence of Weineng on NIO, etc. Through these verifications, determine whether NIO has substantive control over Weineng.

Evaluation of Consolidation Scope. If the verification reveals that NIO has substantive control over Weineng, the auditing institution should require NIO to include Weineng in the consolidated financial statements and recalculate the consolidated data of assets, liabilities, income, and profits. The focus should be on evaluating the impact of battery asset depreciation on the consolidated profits, verifying the rationality of the depreciation policy, and ensuring that the depreciation costs are accounted for in accordance with accounting standards.

Audit of the fairness of related party transactions. Use the "market approach" or "cost approach" to assess the fairness of related party transactions between NIO and Weineng. For example, regarding the battery sales price, one can compare the price at which NIO sells batteries to other independent third parties, or calculate the fair price based on the production cost of the battery plus a reasonable profit margin; for operational service fees, one can refer to the charging standards of similar services in the market to assess the rationality of the transaction price. If it is found that the transaction price significantly deviates from the fair price, the enterprise should be required to make adjustments and disclose the impact of the related party transactions on the financial statements.

4.2.3. Audit of Off-Balance Sheet Business and Disclosure: Comprehensive Identification of Undisclosed Risks

Verification of off-balance sheet assets and liabilities. The auditing institution should review the financing documents of Weineng, the product descriptions of asset securitization, and the guaranteed contracts to identify the undisclosed off-balance sheet assets and liabilities of NIO. The key verification should focus on the scale of battery assets of Weineng, the liabilities formed by asset securitization financing of NIO, and the guarantee amounts provided by NIO, to assess the potential impact of these off-balance sheet items on NIO's financial position and operating results.

Audit of the sufficiency of financial information disclosure. Compare with accounting standards and securities regulatory requirements to verify whether the disclosure content of NIO's financial reports is sufficient and accurate. Focus on the disclosure of accounting policies, the disclosure of related party relationships and transactions, and the disclosure of risk factors. If it is found that the enterprise fails to fully disclose information such as accounting disputes under the BaaS model, related party control relationships, and risks of off-balance sheet business, the enterprise should be required to supplement the disclosure to ensure that investors obtain comprehensive financial information.

4.3. Audit Report Stage: Strengthening Audit Opinions and Communication Authors and Affiliations

Cautious judgment of audit opinions. Based on the sufficiency and appropriateness of the audit evidence, the auditing institution should carefully determine the type of audit opinion. If it is found that NIO's accounting treatment violates accounting standards and has a significant impact on the financial statements, an audit report with a qualified opinion or a disclaimer of opinion should be issued; if the audit scope is restricted, such as being unable to obtain detailed financial data of Weineng or implementing effective inventory supervision, an audit report with a qualified opinion or an inability to express an opinion should be issued; if the enterprise's financial treatment complies with accounting standards but there are issues of insufficient disclosure, an emphasis paragraph should be added to the audit report to remind investors to pay attention to the relevant risks.

Enhanced effective communication with the governance layer. The auditing institution should have sufficient communication with the board of directors and the audit committee of NIO regarding major audit risks, internal control deficiencies, accounting treatment disputes, etc. Key communication should focus on issues such as the application of accounting standards under the BaaS model, the determination of related party control relationships, and the disclosure of off-balance sheet business, and propose suggestions for improving internal control and financial disclosure to promote the enterprise to improve its financial compliance system.

Standardized preparation of audit working papers. In view of the complexity of the audit of NIO, the auditing institution should standardize the preparation of audit working papers, detailing the execution of audit procedures, the acquisition of audit evidence, and the basis for professional judgment. Especially for key areas such as revenue recognition and the determination of consolidation scope, detailed records of the argumentation process and final conclusions of different viewpoints should be made to ensure the traceability and retestability of the audit work.

5. Case Insights and Industry References

5.1. Insights for Innovative Enterprises: Balancing Business Model Innovation and Financial Compliance

Strengthen the application of accounting standards with adaptability. When in-

novative enterprises introduce new business models, they should communicate with auditing institutions and accounting standard-setting bodies in advance to clarify the compliance of accounting treatment. Enterprises should establish a professional financial compliance team and enhance the research and application of accounting standards to ensure the compliance and fairness of financial processing.

Improve the mechanism for handling related party transactions and information disclosure. Enterprises should establish a sound internal control system for related party transactions, clearly defining requirements for identification of related parties, transaction pricing, and approval processes, to ensure the fairness and transparency of related party transactions. In terms of information disclosure, they should follow the principle of substance over form, fully disclosing information such as the essence of related party relationships, the basis for transaction pricing, and risks of off-balance sheet business, to avoid misleading investors due to insufficient information disclosure.

Establish a comprehensive risk management system. Innovative enterprises should incorporate financial compliance risks into the overall risk management system, regularly assessing the risks of accounting standard application brought about by business model innovation, regulatory policy risks, and legal litigation risks. For high-risk areas, they should establish special risk prevention mechanisms and strengthen internal control and supervision.

5.2. Insights for Auditing Institutions: Enhancing Audit Capabilities for Complex Transactions

Strengthen professional knowledge in the industry and application of accounting standards. Auditing institutions should enhance their research on emerging industries such as new energy vehicles, accumulate industry expertise, and understand the characteristics and risk points of industry business models. At the same time, they should deepen their study of accounting standards, especially for the application of complex transactions, to enhance the professional judgment of auditors. Through industry training and hiring external experts, they can improve the professional quality of the auditing team to address the challenges brought by innovative business models (Adiyana & Juniarti, 2025).

Optimize the implementation of risk-oriented auditing. Auditing institutions should further strengthen the concept of risk-oriented auditing, fully assessing inherent risks brought by innovative business models in the audit planning stage; in the audit implementation stage, they should design targeted audit procedures for high-risk areas, such as using penetration verification to verify related party relationships, implementing inventory supervision using information technology, and hiring experts to assess the compliance of accounting treatment. At the same time, they should strengthen the acquisition and review of audit evidence to ensure the reliability of audit conclusions (Beattie, Brandt, & Fernley, 2005).

Strengthen communication and collaboration with regulatory agencies. In re-

response to audit disputes brought by innovative business models, auditing institutions should enhance communication and collaboration with securities regulatory agencies and accounting standard-setting agencies, promptly understanding regulatory policy orientations and standard interpretations to ensure the compliance of audit work.

5.3. Insights for Regulatory Agencies: Improving the Regulatory Framework for Innovative Business Models

Accelerate the update and interpretation of accounting standards. For business model innovations in emerging industries such as the new energy vehicle sector, accounting standard-setting institutions should promptly issue accounting standard interpretations or application guidelines, clearly specifying the specific requirements for accounting treatment, reducing the uncertainty in the application of accounting standards.

Strengthen supervision of Chinese-listed companies. The GIC lawsuit incident reflects the regulatory pressure faced by Chinese-listed companies in overseas markets. Regulatory agencies should strengthen the supervision of financial information disclosure of Chinese-listed companies, focusing on high-risk areas such as related party transactions, off-balance sheet business, and revenue recognition. At the same time, they should strengthen cross-border regulatory cooperation, establish an information sharing mechanism, and improve regulatory efficiency to protect investors' interests.

Guide industry standardized development. Regulatory agencies should guide the standardized development of the new energy vehicle industry through industry guidelines, regulatory conversations, etc., balancing business model innovation and financial compliance. For the BaaS model, they can introduce industry regulatory norms, clearly defining the ownership of battery assets, the basic principles of revenue recognition, and specific requirements for information disclosure, to promote industry healthy development.

6. Conclusion

The audit case of NIO reveals the collision and integration between the innovative business model and traditional auditing standards and regulatory frameworks, reflecting the complexity and high risks of auditing for internet-based car manufacturing enterprises. The core disputes of the case revolve around the compliance of revenue recognition under the BaaS model, the identification of related party control, and the disclosure of off-balance sheet business. These disputes not only reflect the deficiencies of enterprises in financial compliance but also expose the challenges faced by auditing institutions in dealing with complex transactions.

Through in-depth analysis of the case, this article argues that innovative enterprises should strengthen their financial compliance awareness while innovating their business models, ensuring that accounting treatments comply with accounting standards and fully disclose relevant risks; auditing institutions should en-

hance their auditing capabilities for complex transactions, adopt risk-oriented auditing methods, and strengthen audit procedures in high-risk areas to obtain sufficient and appropriate audit evidence; regulatory authorities should accelerate the update of accounting standards and the improvement of regulatory frameworks to provide clear regulatory guidance for innovative business models.

As the new energy vehicle industry continues to develop and business models keep innovating, similar audit disputes may still arise. This requires the collaboration of enterprises, auditing institutions, and regulatory authorities to jointly build a market environment that prioritizes innovation and compliance, promoting the healthy development of the new energy vehicle industry and protecting the legitimate rights and interests of investors. In the future, with the continuous improvement of accounting standards, the continuous upgrading of auditing technology, and the gradual improvement of the regulatory system, the audit risks under innovative business models will be effectively controlled, and the authenticity and fairness of financial information will be better guaranteed.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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