

# STERLING & ASSOCIATES

## Audit Workpaper - Revenue Recognition Testing

Client: Apex Global Industries | Period: Q4 | Prepared by: Audit Associate 1

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TESTING OBJECTIVE: Verify that revenue is recognized in accordance with ASC 606 (Revenue from Contracts with Customers). Revenue should be recognized when control of goods transfers to the customer, typically upon delivery.

Sample #	Invoice	Amount	Book Date	Ship Date	Delivery Confirmed	Result
1	INV-4801	\$420,000	Q4 Week 2	Q4 Week 1	Yes	PASS
2	INV-4812	\$185,000	Q4 Week 3	Q4 Week 3	Yes	PASS
3	INV-4825	\$310,000	Q4 Week 5	Q4 Week 4	Yes	PASS
4	INV-4838	\$890,000	Q4 Week 8	Q4 Week 12	No (Q1)	FAIL
5	INV-4844	\$675,000	Q4 Week 9	Q4 Week 13	No (Q1)	FAIL
6	INV-4851	\$520,000	Q4 Week 10	Not shipped	No	FAIL
7	INV-4859	\$715,000	Q4 Week 11	Not shipped	No	FAIL
8	INV-4802	\$340,000	Q4 Week 2	Q4 Week 2	Yes	PASS
9	INV-4830	\$195,000	Q4 Week 6	Q4 Week 5	Yes	PASS
10	INV-4848	\$150,000	Q4 Week 9	Q4 Week 9	Yes	PASS

### SUMMARY OF EXCEPTIONS:

	Amount
Total Revenue Tested	\$4,400,000
Revenue Properly Recognized	\$1,600,000
Revenue Booked Before Delivery (FAIL)	\$2,800,000
Exception Rate	63.6% of sample
Estimated Total Misstatement	\$2,800,000 (material)

CONCLUSION: Testing identified \$2.8M in HAVEN revenue booked in Q4 for units that had not been shipped or delivered as of quarter-end. Under ASC 606, this revenue should not have been recognized until control transferred to the customer. This represents a material misstatement.

NEXT STEPS: Escalate to Audit Senior. Request supporting documentation from Apex Financial Analyst. Determine if management override of controls occurred.