



# Revenue Recognition Testing Memo

<b>Client</b>	Meridian Capital Group, LLC
<b>Period</b>	FY 2025 (January 1 – December 31, 2025)
<b>Source Document</b>	Revenue Transaction Detail — FY2025 Export
<b>Source File</b>	meridian_revenue_fy2025.csv
<b>Source Context</b>	Exported from Meridian ERP (QuickBooks Enterprise) on Jan 15, 2026
<b>Reference</b>	RVT-2026-0302-143
<b>Prepared</b>	2nd March 2026

## I. Scope

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Source ... Revenue Transaction Detail – FY2025 Export  
(meridian\_revenue\_fy2025.csv)  
Period Tested ... FY 2025 (January 1 – December 31, 2025)  
Total Revenue Entries Tested ..... 820  
Tests Applied ..... 16  
Data Quality Score ..... 94%

The automated revenue recognition testing procedures documented in this workpaper were performed on the revenue transaction detail provided by management for the period under examination. These procedures are designed to identify potential data anomalies that may warrant further investigation by the engagement team. The analysis was performed with reference to the FASB Accounting Standards Codification and applicable professional auditing standards.

## Proof Summary

Metric	Value
Data Completeness	94%
Column Confidence	92%
Tests Executed	16
Tests Clear	2
Items for Review	86

## II. Methodology

The following automated tests were applied to the revenue GL extract in accordance with professional auditing standards (ISA 240: Auditor's Responsibilities Relating to Fraud — presumed fraud risk in revenue recognition, ISA 500: Audit Evidence, PCAOB AS 2401: Consideration of Fraud). Where contract data columns were detected, additional contract-aware tests were applied per ASC 606 / IFRS 15 revenue recognition standards. Results represent revenue anomaly indicators, not fraud detection conclusions:

Test	Tier	Description
Large Manual Entries	Structural	Flags manual revenue entries exceeding performance materiality threshold (ISA 240 fraud risk indicator).
Year-End Concentration	Structural	Flags revenue concentrated in the last days of the period, a common revenue recognition anomaly indicator.
Round Amounts	Structural	
Sign Anomalies	Structural	Flags debit balances in revenue accounts (normally credit), indicating potential mispostings.
Unclassified Entries	Structural	Flags revenue entries missing account classification (unmapped to chart of accounts).

Test	Tier	Description
Z-Score Outliers	Statistical	
Revenue Trend Variance	Statistical	
Concentration Risk	Statistical	Flags single accounts representing a disproportionate share of total revenue.
Cut-Off Risk	Statistical	
Benford's Law	Statistical	Applies Benford's Law first-digit analysis to revenue transaction amounts.
Duplicate Entries	Advanced	Flags revenue entries with identical amount, date, and account — potential duplicate postings.
Contra-Revenue Anomalies	Advanced	Flags elevated returns/allowances relative to gross revenue, a fraud risk indicator.
Recognition Timing	Advanced	
Contract Obligation Linkage	Advanced	
Modification Treatment	Advanced	
SSP Allocation	Advanced	

**Interpretive Context:** The results presented herein reflect automated data analytics and are intended to support, not replace, professional judgment. Identified anomalies may indicate areas requiring additional inquiry but do not, in themselves, constitute evidence of error, fraud, or material misstatement. The engagement team should evaluate each flagged item in the context of the overall engagement risk assessment and perform corroborating procedures as deemed necessary under applicable professional standards.

### III. Results Summary

Composite Risk Score .....	22.1 / 100
Risk Tier .....	ELEVATED
Total Revenue Entries Flagged .....	86
Overall Flag Rate .....	10.5%
High Severity Flags .....	14
Medium Severity Flags .....	44
Low Severity Flags .....	28

Test	Flagged	Rate	Severity
Round Amounts	28	3.4%	LOW
Year-End Concentration	18	2.2%	MEDIUM
Cut-Off Risk	7	0.9%	HIGH
Unclassified Entries	6	0.7%	MEDIUM
Z-Score Outliers	5	0.6%	MEDIUM
Large Manual Entries	4	0.5%	MEDIUM
Recognition Timing	4	0.5%	HIGH

Test	Flagged	Rate	Severity
Revenue Trend Variance	3	0.4%	MEDIUM
Duplicate Entries	3	0.4%	MEDIUM
Sign Anomalies	2	0.2%	HIGH
Contra-Revenue Anomalies	2	0.2%	MEDIUM
Contract Obligation Linkage	2	0.2%	MEDIUM
Concentration Risk	1	0.1%	HIGH
Modification Treatment	1	0.1%	MEDIUM
Benford's Law	0	0.0%	LOW
SSP Allocation	0	0.0%	LOW

## IV. Key Findings

1. 7 entries with potential cut-off risk — revenue recorded within 3 days of period end
2. 4 entries with recognition timing concerns (ASC 606 performance obligation not satisfied)
3. 18 entries concentrated in December — year-end revenue clustering
4. Single customer represents 38% of total revenue — concentration risk

## V. Authoritative References

Body	Reference	Topic	Status
FASB	ASC 606-10-25	Revenue from Contracts with Customers — Recognition	Current
FASB	ASC 606-10-32	Revenue from Contracts with Customers — Contract Costs	Current

## VI. Conclusion

Based on the automated revenue testing procedures applied, the revenue GL extract exhibits an ELEVATED risk profile. Select flagged entries should be reviewed for proper revenue recognition treatment and supporting documentation.

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This memo documents automated revenue recognition testing procedures per ISA 240 (presumed fraud risk in revenue recognition) and ISA 500. Results represent data anomalies identified through analytics and are not conclusions regarding internal control effectiveness, fraud, or material misstatement risk. The auditor must evaluate each flagged item in the context of the engagement and perform additional procedures as necessary per professional standards. This memo does not constitute audit evidence sufficient to support an opinion without corroborating procedures. Generated by Paciolus — Zero-Storage Audit Intelligence.