

Planning Memo — Revenue & Cutoff (Risk: Elevated)

Greenleaf Organic Foods Inc. · FY2025 · Case #AUD-4410

Client: Greenleaf Organic Foods Inc. · CPG / wholesale

Period: Year ended December 31, 2025

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Materiality: Planning: \$860,000 · Performance: \$645,000

Risk assessment

Revenue (\$42.8M) flagged ELEVATED RISK for cutoff. Analytics show 22% of annual revenue recorded in the final week of December (Dec 25–31: \$5.1M). Management incentive: year-end bonus tied to revenue target.

Risk factor	Assessment	Audit response
Revenue magnitude	\$42.8M FY total	Substantive testing required
Cutoff concentration	22% in final Dec week	Expanded Dec 28–31 sample
Management bias	Bonus tied to revenue	Increased professional skepticism
Contract complexity	Mixed FOB terms	Inspect customer acceptance clauses

Planned procedures

- Test all shipments >\$250K in last 5 days of December (Dec 28–31 selected).
- For each item: inspect PO, bill of lading, FOB terms, and signed customer receipt / delivery confirmation.
- Evaluate control transfer under ASC 606 — FOB shipping point vs destination; customer acceptance dates.

