

# 2013 COMMERCIAL ENTITIES OVERVIEW FOR KNOWLEDGE COACH USERS

## PURPOSE

This document is published for the purpose of communicating, to users of the toolset, updates and enhancements included in the current version. This document is not, and should not be used as an audit program to update the audit documentation of an engagement started in a previous version of this product

## WORKPAPER UPDATES AND ROLL FORWARD NOTES

### General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The **2013 *Knowledge-Based Audits of Commercial Entities*** has been updated to help auditors conduct audit engagements in accordance with the new clarified and redrafted auditing standards resulting from the ASB's Clarity Project and related guidance, including the requirements of SAS-127, Omnibus Statement on Auditing Standards—2013. Many new tips and examples have been incorporated. The 2013 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2013 edition of *Knowledge-Based Audits of Commercial Entities* includes the following updates:

### Knowledge-Based Audit Documents (KBAs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBA-101 Overall Audit Strategy</b>					
Modify	Section I, Reporting Requirements table				Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200
Modify	Section I, Audit Coverage, Subsidiary Table				Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with the table that was in KBA-201, please review for potential duplicates in KBA-200 and KBA-101.
Modify	Section I, Reliance on Others, Key Engagement Contacts Table				Responses to questions will now flow in from KBA-200, but you can still add data as well. The table in KBA-200 will be combined with the table that was in KBA-302 and KBA-302N, please review KBA-101 for potential duplicates. You can also add additional contacts if necessary.
Modify	Section III, Significant Change from Previous Year				Data in the Expected Effect on the Overall Audit Strategy

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					Column and the Workpaper Reference Column will not retain on update, due to the data is now flowing in from KBA-200. Publish this workpaper prior to update to ensure the ability to reference your existing data.
<b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b>					
Modify	Modified instructions to include guidance on potential effects of deficiencies noted by the auditor.	Instructions	Y	AU-C 265	
<b>KBA-104 Summary and Evaluation of Misstatements and Omitted, Inaccurate, or Incomplete Disclosures</b>					
New	Conclusion on whether disclosures met auditor expectations moved from KBA-400 to the conclusion section of this workpaper.	Procedures Steps	N		
<b>KBA-200 Entity Information and Background</b>					
New	New workpaper developed to capture relevant entity information and background details in one workpaper.	Table other than procedures	N		This is a new foundation workpaper that will capture, combine, and retain data entered into KBA-101, KBA-201, KBA-302 and KBA-302N. Due to the combination of data from multiple sources please review for duplicates and accuracy.
<b>KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities</b>					
Delete	Removed Part 1, Section I - Background and Basic Information, moved to KBA-200.	Table other than procedures	N		Data previously entered in this workpaper will be captured and retained on rollforward in KBA-200
<b>KBA-201N Client/Engagement Acceptance and Continuance Form: Noncomplex Entities</b>					
New	New workpaper developed to allow the auditor the option of documenting his or her client/engagement acceptance decisions in a memorandum format, based on the circumstances of the engagement.	Table other than procedures	N		
<b>KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts</b>					
New	This workpaper has been moved to a word document to better facilitate flow and rollforward retention in Knowledge Coach.	Table - other than procedures	N		
<b>KBA-302 Understanding the Entity and Its Environment: Complex Entities</b>					
Modify	Section I: Entity Information	Table other	N		Responses to questions will now flow in from KBA-200, data

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		than procedures			previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with tables that are in KBA-101, KBA-201 and KBA-302N, please review for potential duplicates.
Delete	Removed "No" from the Considered column.	Table other than procedures	N		
Delete	Removed duplicative considerations.	Table other than procedures	N		
Modify	Modified considerations to conform to AU-C 315.	Table other than procedures	Y	AU-C 315 and AU-C 240	
New	Added new consideration regarding management's belief that their level of authority justifies certain level of compensation and personal privileges.	Table other than procedures	Y	AU-C 240	
<b>KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities</b>					
Modify	Section I: Entity Information	Table other than procedures	N		Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with tables that are in KBA-101, KBA-201 and KBA-302N, please review for potential duplicates.
<b>KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures</b>					
Delete	Deleted column on "Did Management's Disclosures Meet the Auditor's Expectations." This question was moved to KBA-104. Modified instructions accordingly.	Table other than procedures	N		
<b>KBA-412 Understanding Controls Maintained by a Service Organization</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Added step regarding the evaluation of the date of Type 1 reports.	Table other than procedures	Y	AU-C 402	
Modify	Modified step regarding the time period covered by Type 2 reports to conform to the standards.	Table other than procedures	Y	AU-C 402	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBA-502 Summary of Risk Assessments</b>					
Modify	Modified instructions to provide clearer guidance on the auditor's approach.	Instructions	N		
<b>KBA-901 Financial Statement Disclosures Checklist</b>					
Modify	<p>This Annual Financial Statement Disclosures Checklist has been updated for disclosure and key presentation requirements in effect as of June 30, 2013, through <a href="#">Accounting Standards Update (ASU) No. 2013-07</a>, including:</p> <ul style="list-style-type: none"> <li>• <a href="#">ASU No. 2013-06, Not-for-Profit Entities (Topic 958) – Services Received from Personnel of an Affiliate</a>; and</li> <li>• <a href="#">ASU No. 2013-07, Presentation of Financial Statements (Topic 205) – Liquidation Basis of Accounting</a>.</li> </ul>	Disclosure Update	Y	Various	

### Audit Programs (AUDs)

- Audit programs have been reorganized and reordered for better workflow. Additionally, duplicative steps have been removed throughout the audit program series.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-100 Tailoring Question Workpaper</b>					
New	New tailoring questions have been added.	Tailoring	N	N/A	Review and answer. All of these new tailoring questions will impact other workpapers. Be sure to add additional audit areas (AUD 819-821) when applicable.
<b>AUD-101 Overall Audit Program</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
Modify	Moved much of the detailed information from substeps to practice points so that experienced users familiar with this program have the option to save the time spent reading the detail.	Procedure Steps	N		
Modify	<p>Combined steps to eliminate duplication; new step reads as follows:</p> <p>4. Evaluate, conclude on, and document whether auditor</p>	Procedure Steps	N		

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	has the ability to adhere to the fundamental principles and requirements of professional and ethics standards including: a. Integrity; b. Objectivity; c. Independence, d. Professional competence and due care; e. Compliance with firm policies; f. Confidentiality; and g. Professional behavior.				
Modify	Combined steps to eliminate duplication; new step reads as follows: 6. Perform client acceptance or continuance procedures in accordance with firm policy.	Procedure Steps	N		
Modify	Changed step to include directive to perform opening balance procedures. New step reads as follows: 8. Perform the preliminary engagement activities necessary to establish an appropriate audit strategy and audit plan, including the audit procedures necessary to obtain sufficient appropriate audit evidence regarding the opening balances.	Procedure Steps	N		
Delete	Moved project management step to practice point, deleting the following step: 16. Consider preparing a detailed list of information that is needed to perform the audit, for the client to prepare.	Procedure Steps	N		
Delete	Moved project management step to practice point, deleting the following step: 17. Consider preparing a budget for completion of the audit engagement.	Procedure Steps	N		
Modify	Modified materiality step to include AU-C 600 considerations. Modified steps reads as follows: 19. Determine materiality for the financial statements as a whole, the materiality level or levels for particular classes of transactions, account balances, or disclosures, if applicable, and performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit	Procedure Steps	Y	AU-C 600	

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	procedures. This determination should include component materiality and component performance materiality when those provisions of AU-C 600 apply.				
Delete	Deleted the following step: For entities with multiple locations or business units, determine tolerable misstatement at an amount that reduces to an appropriately low level the probability that the total of uncorrected and undetected misstatements would result in material misstatement of the financial statements.	Procedure Steps	N		This procedure step will be tailored into the audit program, if applicable.
Modify	Combined steps. New step reads as follows: 32. Identify and document the following: a. Potential litigation and claims; b. Commitments and contingencies; c. Concentrations of risk; d. Related-party transactions; e. Significant management estimates and judgments f. New or significant accounting issues; and. g. Other areas requiring special audit consideration.	Procedure Steps	N		
Delete	Deleted the following step: Identify financial and nonfinancial information that may be useful for performing substantive analytical procedures.	Procedure Steps	N		
Delete	Deleted the following step: For clients with multiple locations or business units, identify significant accounts, classes of transactions, and disclosures, and their relevant assertions based on the financial statements, and assess the risk of material misstatement to the financial statements to determine the extent to which audit procedures should be performed at selected locations or business units to obtain sufficient appropriate audit evidence about whether the financial statements are free of material misstatement.	Procedure Steps	N		
Delete	Added documentation to understanding step above and deleted this duplicate step: Document the understanding obtained of internal controls relevant to the audit and of each of the internal control	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	components, the sources of information from which the understanding was obtained, and the risk assessment procedures performed.				
Delete	Added documentation to step above and deleted this duplicate step: Document the controls related to the identified risks about which the auditor has obtained an understanding.	Procedure Steps	N		
Modify	Combined steps on response. Modified step reads as follows: 50. Design, document, and implement the auditor's overall responses to the assessed risks of material misstatement at the financial statement level.	Procedure Steps	N		
Delete	Deleted step: 51. Design, document, and implement overall responses to address the assessed risks of material misstatement at the financial statement level.	Procedure Steps	N		
Delete	Deleted step: 52. Determine whether it is necessary to make pervasive changes to the nature, timing, and extent of audit procedures to adequately address the assessed risks of material misstatement; such as: <ul style="list-style-type: none"> <li>• Increasing substantive testing of the valuation of numerous significant accounts at year-end because of significantly deteriorating market conditions; and</li> <li>• Obtaining more persuasive audit evidence from substantive procedures due to the identification of pervasive weaknesses in the entity's control environment.</li> </ul>	Procedure Steps	N		
Modify	Combined steps. New step reads as follows: Determine whether to test the operating effectiveness of internal controls over financial reporting. If testing the operating effectiveness of internal controls for significant audit areas, document the planned approach to testing, results of testing, and conclusions.	Procedure Steps	N		
Delete	Deleted the following duplicate step from the perform procedures section as it appears in the concluding section: Perform audit procedures to evaluate whether the overall	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.				
<b>AUD-603 Audit Program: Using the Work of An Auditor's Specialist</b>					
New	Added practice point on referring to the auditor's specialist in the auditor's opinion.	Practice Point	Y	AU-C 620	
<b>AUD-800's Audit Programs</b>					
Modify	Combined disclosures substep in all audit programs. Modified substep to read as follows: c. Financial information is appropriately presented and described and disclosures are clearly expressed at appropriate amounts.	Procedure Steps	N		
New	Materiality Summary Tables have been added to all workpaper. Data flows from KBA-301				
New	Tailoring has been added for the Operating Effectiveness Testing. This tailoring is on a per audit area basis.				Be sure to answer all tailoring questions in AUD-100 before starting the rest of your engagement.
<b>AUD-800 Audit Program: Custom</b>					
Modify	Modified practice point language for uniformity.	Procedures Steps	N		
<b>AUD-801 Audit Program: Cash</b>					
New	Added substep to petty cash procedure: e. We evaluated the petty cash turnover rate (times replenished) for propriety and reasonableness.	Procedure Steps	N	N/A	
<b>AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities</b>					Tailoring added and modified to reflect changes noted below.
New	4. We reviewed the entity's reconciliations of statements or data feeds from custodians to the accounting records and determined that: a. Reconciling items were resolved properly. b. Journal entries related to the reconciliations were appropriate and made by authorized persons.	Procedure Steps	N		
New	5. We reviewed any master netting arrangements and determined that all related financial instruments were recorded.	Procedure Steps	N		



Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
New	Substep added to valuation procedures: b. We determined that the method used to determine the fair value of the securities and derivatives was consistently applied across periods and evaluated any change in such method for propriety and management bias.	Procedure Steps	N		
New	Added substeps to impairment procedures: c. When the entity has recognized an impairment loss, we gathered evidence supporting the amount of the impairment adjustment recorded and (1) Determine that the write-down of the investment to a new cost basis was accounted for as a realized loss; (2) Tested the calculation of the loss recorded; (3) Determined that the new cost basis of investments previously written down is not changed for subsequent recoveries in fair value; (4) Reviewed a summary of investments written down for completeness and unusual items; (5) When applicable, evaluated management's assessment of the credit rating of the counterparty; and (6) Determined whether the entity has appropriately complied with the requirements of the applicable financial reporting framework.	Procedure Steps	N		
<b>AUD-803 Audit Program: Accounts Receivable and Revenue</b>					Tailoring added and modified to reflect changes noted below.
New	23. If improper revenue recognition was not identified as a risk of a material misstatement due to fraud, we documented the reasons regarding how that presumption was overcome.	Procedure Steps	Y	AU-C 240	
<b>AUD-804 Audit Program: Inventories and Cost of Sales</b>					
Modify	Modified inventory substep to read as follows: i. We toured the shipping and receiving areas and obtained information about inventory items therein. We determined whether they should be counted in or excluded from the inventory and traced/vouched them to the inventory records to determine that they were properly included/excluded.	Procedure Steps	N		
<b>AUD-805 Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
New	2. We evaluated the consistency of the application of accounting method from period to period (e.g., considered whether any items were treated as assets in one period and expense in the next, or vice versa).	Procedure Steps	N		
<b>AUD-806 Audit Program: Intangible Assets</b>					
Modify	Modified substep on impairment analysis. Modified steps read as follows: (2) We reviewed management's analysis of the recoverability of the carrying values for reasonableness.	Procedure Steps	N		
New	Added the following substep for intangible assets not subject to amortization: a. If the entity opts to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the asset is less than its carrying amount, we have reviewed and evaluated management's assessment and conclusion.	Procedure Steps	Y	ASU 2012-02	
<b>AUD-807 Audit Program: Property and Equipment, and Depreciation</b>					
Modify	Moved considerations for PPE summary into main step, eliminating 12 sign offs	Procedure Steps	N		
Delete	Deleted duplicate step: d. We scanned the detailed asset listing to determine whether the useful lives are reasonable and depreciation methods are in accordance with the applicable financial reporting framework.	Procedure Steps	N		
Delete	Deleted duplicate step: b. We reviewed the useful lives of the long-lived fixed assets to determine their reasonableness in the current operating environment.	Procedure Steps	N		
Delete	Deleted duplicate step: (8) Evidence is available of obsolescence or physical damage of an asset.	Procedure Steps	N		
<b>AUD-809 Audit Program: Payrolls and Other Liabilities</b>					
New	Added new step on analytical procedures, referencing AID-	Procedure	N		

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	841.	Steps			
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
Delete	Deleted a duplicative step on search for unrecorded liabilities, as this step is performed in AUD-808.	Procedure Steps	N		
<b>AUD-810 Audit Program: Income Taxes</b>					Tailoring added and modified to reflect changes noted below.
New	Added new step on whether the entity maintained appropriate documentation for the calculation and contents of tax accruals.	Procedure Steps	Y	AU-C 500	
<b>AUD-811 Audit Program: Debt Obligations</b>					Tailoring added and modified to reflect changes noted below.
Modify	Modifying the title of an analytical step to match AID- 833.	Procedure Steps	N		
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
Modify	Modified audit step regarding restrictive covenants to include the consideration of "cross default" provisions.	Procedure Steps	N		
Modify	Elevated a step (9) from substep level (7f).	Procedure Steps	N		
<b>AUD-814 Audit Program: Journal Entries and Financial Statement Review</b>					
Modify	Moved consideration for selecting journal entries to test into main step eliminating 5 sign offs.	Procedure Steps	N		
New	f. Whether items selected for testing should include journal entries made throughout the audit period.	Procedure Steps	N		
Modify	Moved consideration for selecting journal entries at components to test into main step eliminating 5 sign offs.	Procedure Steps	N		
Modify	Modified step for JE to test at period end. Modified step reads as follows: Items selected for testing included journal entries and other adjustments made in the course of preparing the financial statements and those made at the end of a reporting period.	Procedure Steps	N		
Delete	Deleted the following step as it duplicates step in another program:	Procedure Steps	N		

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	<p>We inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments, including:</p> <p>a. Accounting and data entry personnel about whether they were requested to make unusual entries during the audit period.</p> <p>b. Certain programmers and IT staff about the existence of any unusual and/or unsupported entries and whether they were initiated directly by top management outside the normal accounting process.</p>				
Delete	<p>Deleted the following step as it duplicates step in another program:</p> <p>We examined material journal entries and other adjustments made in the course of preparing the financial statements and performed the following procedures:</p> <p>a. We agreed any material journal entries or other adjustments to the underlying support for such entries.</p>	Procedure Steps	N		
Modify	<p>Combined steps on financial statement review to read as follows:</p> <p>9. We performed an overall review of the financial statements, including performing analytical procedures to evaluate our conclusions regarding significant accounts and disclosures and to assist in forming an opinion on whether the financial statements as a whole are free of material misstatement.</p>	Procedure Steps	N		
New	<p>a. The financial information and related disclosures are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.</p>	Procedure Steps	N		
<b>AUD-815 Audit Program: Related-Party Transactions</b>					Tailoring added and modified to reflect changes noted below.
Modify	<p>This audit program has been modified to only apply to Related-Party Transactions. The other sections were developed into their own audit programs for better usability and tailoring.</p>	Procedures Steps	N		
Modify	<p>Step 1 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and</p>	Procedure Steps	Y	AU-C 550	

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	modified substeps.				
Delete	Removed duplicative step on VIEs.	Procedure Steps	N		
Modify	Step 2 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and modified substeps.	Procedure Steps	Y	AU-C 550	
Modify	Step 4 modified to better reflect the required reassessment procedures required by AU-C 550, to include new and modified substeps.	Procedure Steps	Y	AU-C 550	
Modify	Substeps of fraud risk steps removed and replaced by modifications at step 2.	Procedure Steps	Y	AU-C 550	
Delete	Removed duplicative step on transactions not previously identified and on fraud risk.	Procedure Steps	N		
Modify	Reorganized the order of the audit procedures.	Procedure Steps	N		
New	Added new step on forming an opinion and the related evaluations.	Procedure Steps	Y	AU-C 550	
<b>AUD-816 Audit Program: Fair Value Measurements and Disclosures</b>					Tailoring added and modified to reflect changes noted below.
Delete	Removed duplicative steps.	Procedures Steps	N		
New	Added step on the evaluation of third-party pricing services.	Procedure Steps	Y	AU-C 540	
<b>AUD-817 Audit Program: Variable Interest Entities</b>					
New	Added practice point containing requirements for VIE to be consolidated.	Procedures Steps	N		
<b>AUD-818 Audit Program: Share-Based Payments</b>					
Delete	Removed step on reasonableness of the entity's valuation model, as this work is done in AUD-816.	Procedures Steps	N		
<b>AUD-819 Audit Program: Commitments and Contingencies</b>					AUD-815 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100. New tailoring question related to these steps. All answers and

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
					customizations will retain per your roll forward selections.
New	New audit program on Commitments and Contingencies.				
New	Added new step on obtaining an understanding of how the entity is complying with the applicable legal and regulatory framework.	Procedure Steps	Y	AU-C 250	
New	Added new step on obtaining sufficient appropriate audit evidence regarding material amounts that are determined by the provisions of laws and regulations that have a direct effect on the financial statements.	Procedure Steps	Y	AU-C 250	
Delete	Removed duplicative step on fraud, as the work is done in AUD-903.	Procedures Steps	N		
New	Added new step on the evaluation of the effect of legal counseling restricting the use of their report.	Procedure Steps	Y	AU-C 250	
New	Added new step on the auditor's consideration that obtaining a legal letter is not required, when the auditor has not identified actual or potential litigation, claims, or assessments.	Procedure Steps	Y	AU-C 250	
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
<b>AUD-820 Audit Program: Accounting Estimates</b>					AUD-815 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100. New tailoring question related to these steps. All answers and customizations will retain per your roll forward selections.
New	New audit program on Accounting Estimates.				
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
Delete	Removed duplicative steps.	Procedures Steps	N		
<b>AUD-821 Audit Program: Concentrations</b>					AUD-815 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100. New tailoring question related to these steps. All answers and

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
					customizations will retain per your roll forward selections.
New	New audit program on Concentrations.				
<b>AUD-901 Audit Program: Subsequent Events</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Added step on the auditor's responsibilities when he or she has identified subsequent events that require adjustment or disclosure.	Procedure Steps	Y	AU-C 560	
<b>AUD-902 Audit Program: Going Concern</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Added step on the auditor's consideration on conditions or events identified during the audit and whether those conditions or events were indicative of substantial doubt regarding the entity's ability to continue as a going concern.	Procedure Steps	Y	AU-C 570	
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
Delete	Removed duplicative steps.	Procedures Steps	N		
New	Added step regarding comparative financial statements in which there was substantial doubt regarding the entity's ability to continue as a going concern in the prior period, yet that doubt has been alleviated in the current period.	Procedure Steps	Y	AU-C 570	
New	Added step regarding the auditor's responsibilities when management has asked the auditor to reissue an auditor's report that eliminates the going-concern emphasis-of-matter paragraph.	Procedure Steps	Y	AU-C 570	
Delete	Deleted the yes/no conclusion as it was duplicative of the audit program.	Procedure Steps	N		
<b>AUD-903 Audit Program: Consideration of Fraud</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
Modify	Modified the instructions to include Sections and additional guidance.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding brainstorming meeting and added reference to KBA-303 where the work	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	is completed, eliminating 9 sign offs.				
Modify	Reorganized the order of the audit procedures.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding identified risks of material misstatement and added reference to KBA-501 and KBA-502 where the work is completed, eliminating 4 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding revenue transactions and added reference to AUD-803 where the work is completed, eliminating 5 sign offs.	Procedures Steps	N		
Delete	Deleted substeps related to unpredictability, retained top-level step, eliminating 4 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding accounting estimates and added reference to AUD-820 where the work is completed, eliminating 3 sign offs.	Procedures Steps	N		
Delete	Deleted the duplicative substeps regarding obtaining written representation and added reference to AUD-101 where this step is performed, eliminating 5 sign offs.	Procedures Steps	N		
New	Added a Results section to capture findings as a result of work performed on this audit program.	Procedures Steps	N		
<b>AUD-904 Audit Program: Compliance with Laws and Regulations</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
Delete	Removed duplicative steps.	Procedures Steps	N		
<b>AUD-905 Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
Modify	Modified the instructions to include Sections and additional guidance.	Procedures Steps	N		
New	Added a Results section to capture findings as a result of work performed on this audit program.	Procedures Steps	N		

### Auditor's Reports (RPTs)

- **NEW RPT-900 Auditor's Report Finder** a new questionnaire that assists the auditor in determining the proper auditor's report to use based on the conditions identified during the audit engagement.



- **NEW RPT-922 Unmodified Opinion: Single Year Financial Statements in Year of Adoption of Liquidation Basis of Accounting** sample illustrative report provided for reporting on financial statements prepared in accordance with the liquidation basis of accounting, single year presentation.
- **NEW RPT-923 Unmodified Opinion: Comparative Financial Statements in Year of Adoption of Liquidation Basis of Accounting** sample illustrative report provided for reporting on financial statements prepared in accordance with the liquidation basis of accounting, comparative year presentation.
- **RPT 922 Unmodified Opinion: Single Year Financial Statements in Year of Adoption of Liquidation Basis of Accounting** through **RPT-955 Unmodified Opinion: Special-Purpose Financial Statements Prepared Pursuant to Reporting Provisions Established by a Regulatory Agency—Adverse Opinion: U.S. GAAP (Intended for General Use)** renumbered accordingly to accommodate RPT-922 and RPT-923.
- **RPT-1004 Adverse GAAP Opinion, Unmodified Special-Purpose Opinion: Special-Purpose Financial Statements Prepared Pursuant to Reporting Provisions Established by a Regulatory Agency** removed.
- **RPT-1032 Unmodified Opinion: U.S.-Form Report on Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use In the United States** renumbered to RPT-1031.
- **RPT-1033 Unmodified Opinion: U.S.-Form Report on Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use Only Outside the United States** renumbered to RPT-1032.

### Correspondence Documents (CORs)

- **2013 Knowledge-Based Audits of Commercial Entities** illustrative example correspondence documents have been updated throughout to include new practice points and examples, and to adopt the new terminology used in the clarified standards.
- **COR-200 Series** has been reorganized to better reflect the order in which these correspondences may be used during the audit engagement, as follows:

2013	2012	Title
COR 203	COR-201	Entity Consent and Acknowledgment Letter
COR 206	COR-202	Successor Auditor Acknowledgment Letter
COR 207	COR-203	Representation Letter from Successor Auditor to Predecessor Auditor
COR 201	COR-204	Audit Engagement Letter
COR 202	NA	Audit Engagement Letter When Also Performing Reviews of Interim Financial Information
COR 208	COR-205	Inquiry Letter from the Component Auditor to the Group Engagement Team

COR 209	COR-206	Group Engagement Team's Response Letter to Inquiries from the Component Auditor
COR 210	COR-207	Group Engagement Team's Request for Representations from Component Auditor Who Audits the Financial Statements of a Component
COR 211	COR-208	Group Engagement Team's Request for Component Auditor's Confirmations When the Component Auditor Performs Certain Audit Procedures
COR 214	COR-209	Group Engagement Team's Request for Documentation from Component Auditor
COR 217	COR-210	Communication to Client When the Auditor Is <i>Not</i> Required by Law, Regulation, or Audit Contract to Provide Access to the Audit Documentation
COR 218	COR-211	Letter to Regulator Prior to Allowing a Regulator Access to the Audit Documentation
COR 219	COR-212	Auditor's Agreement with and Request for Representations from the Auditor's Specialist Who Performs Certain Audit Procedures
COR 204	COR-213	Communication with Predecessor Auditor Prior to Client/Engagement Acceptance
COR 205	COR-214	Request from Client to Predecessor Auditor to Release Information to Successor Auditor
COR 212	COR-215	Component Auditor's Confirmation Response to Group Engagement Team
COR 216	COR-216	Communication with Those Charged with Governance during Planning
COR 215	COR-301	Letter to Component Auditors Regarding Related Parties
COR 213	COR-302	Group Engagement Team's Letter of Instruction to the Component Auditor Who Performs Certain Audit Procedures or Audits the Financial Statements of a Component

- **NEW COR-202 Audit Engagement Letter When Also Performing Reviews of Interim Financial Information** provides a sample illustrative engagement letter to be used when the auditor is performing reviews of interim financial information, in accordance with AU-C 900, *Interim Financial Information*, in addition to the audit engagement.
- **NEW COR-218 Letter to Regulator Prior to Allowing a Regulator Access to the Audit Documentation** replaces COR-301.
- **NEW COR-219 Auditor's Agreement with and Request for Representations from the Auditor's Specialist Who Performs Certain Audit Procedures** replaces COR-302.
- **COR-301** no longer in use.
- **COR-302** no longer in use.
- **COR-803 Request for Confirmation of Securities Held by Brokers or Other Third Parties When Listing of Securities Is Included in the Confirmation Request** added new column for Maturity Date to table.
- **COR-813 Request for Confirmation of Notes Payable** added new consideration of the nature and details of actual or technical defaults on debt.
- **COR-814 Request for Confirmation of Mortgage Debt** added new consideration of the nature and details of actual or technical defaults on debt.
- **COR-822 Confirmation of Sales Terms** added new confirmation of sales terms.
- **COR-906 Communication to Board of Directors of Material Weaknesses: Ineffective Oversight by Those Charged with Governance** modified introductory paragraph and reformatted this letter to confirm to clarified format.

### Practice Aids (AIDs)

- All AIDs have been updated with formulas that perform automatic calculations, wherever applicable.
- **AID-201 Nonaudit Services Independence Checklist** added practice point on Exposure Draft – Omnibus Proposal – AICPA Professional Ethics Division, Interpretations and Definitions.
- **AID-301 Preliminary Analytical Procedures: Fluctuation and Ratio Analysis** columns added to “Fluctuation” tab to document the auditor’s expectations and the basis for the auditor’s expectation. Additionally, three new ratios have been added to the “Ratio Analysis” tab.
- **AID-701 Audit Sampling Worksheet for Test of Controls**
  - **Rollforward Note:** Step 9b: Determining the Selection technique will not retain its answers from the prior year. Please review and respond with the appropriate selection.
- **AID-801 Audit Sampling Worksheet for Substantive Tests of Details** has been moved to a word document to better facilitate flow and rollforward retention in Knowledge Coach.
- **AID-903 Audit Report Preparation Checklist** developed to help determine whether the auditor’s report contains the elements required by professional standards when the auditor is not using the provided illustrative report examples.

### Resource Documents (RESs)

- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and realignment of workpaper numbering schemes.
- **NEW RES-020 Example of Conditions or Events That May Be Indicative of Risks of Material Misstatement of the Group Financial Statements** New resource document providing examples of conditions and events that may be indicative of risk of material misstatements of the group financial statements.
- **NEW RES-021 Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance** New resource document providing examples of factors to be considered when documenting client/engagement acceptance and continuance.
- **KCO-001 2013 Commercial Entities Title Overview for Knowledge Coach Users** formally **RES-KCO** has been added as a reference document for the workpaper update information, along with list of related workpapers for the title.

**In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:**

New literature, standards, and developments, reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

SAS-127, *Omnibus Statement on Auditing Standards – 2013*

FASB Accounting Standards Codification as of March 31, 2013, and through Accounting Standards Update No. 2012-07—*Entertainment—Films (Topic 926)*.

## RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

Related workpapers are Knowledge Coach Word workpapers where information flows in or out of tables within the workpaper. Some of these related workpapers are Foundation workpapers or associated workpapers.

Foundation Workpapers include most of the Communication Hub workpapers, which are central to the Knowledge-Based Audit Methodology used by the Knowledge Coach titles. Associated workpapers require you to associate them with custom values, such as audit areas, specialists, service organizations, and other items. Workpapers require an association when you need to have more than one instance of a particular Knowledge Coach workpaper in your binder for each type of item to which the workpaper is related. Making this association allows Knowledge Coach information to flow properly between workpapers.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
<b>KBA</b> s	<b>KNOWLEDGE-BASED AUDIT DOCUMENTS</b>		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud		
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Inventory		
KBA-405	Understanding Activity-Level Controls: Property, Plant, and Equipment		
KBA-406	Understanding Activity-Level Controls: Other Assets		
KBA-407	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-408	Understanding Activity-Level Controls: Payroll		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-412	Understanding Controls Maintained by a Service Organization		X

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
KBA-905	Review and Approval Checklist: Interim Review of Financial Information		
<b>AUDs</b>	<b>AUDIT PROGRAMS</b>		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X
AUD-801	Audit Program: Cash		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Accounts Receivable and Revenue		
AUD-804	Audit Program: Inventories and Cost of Sales		
AUD-805	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-806	Audit Program: Intangible Assets		
AUD-807	Audit Program: Property and Equipment, and Depreciation		
AUD-808	Audit Program: Accounts Payable and Purchases		
AUD-809	Audit Program: Payroll and Other Liabilities		
AUD-810	Audit Program: Income Taxes		
AUD-811	Audit Program: Debt Obligations		
AUD-812	Audit Program: Equity		
AUD-813	Audit Program: Other Income and Expense		
AUD-814	Audit Program: Journal Entries and Financial Statement Review		
AUD-815	Audit Program: Related-Party Transactions		
AUD-816	Audit Program: Fair Value Measurements and Disclosures		



<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-817	Audit Program: Variable Interest Entities		
AUD-818	Audit Program: Share-Based Payments		
AUD-819	Audit Program: Commitments and Contingencies		
AUD-820	Audit Program: Accounting Estimates		
AUD-821	Audit Program: Concentrations		
AUD-901	Audit Program: Subsequent Events		
AUD-902	Audit Program: Going Concern		
AUD-903	Audit Program: Consideration of Fraud		
AUD-904	Audit Program: Compliance with Laws and Regulations		
AUD-907	Interim Review Program: Review of Interim Financial Information		
<b>AIDs</b>	<b>PRACTICE AIDs</b>		
AID-302	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering Reliance on the Work of Internal Auditors		
AID-702	Results of Tests of Controls		
AID-801	Audit Sampling Worksheet for Substantive Tests of Details		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AID-901	Differences of Professional Opinion		
AID-903	Audit Report Preparation Checklist		

### Additional Information for Associated Workpapers

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

Workpaper Requiring Association	What is it associated with?		
	Workpaper	Table/Question	Association Item (Custom Value)
KBA-412 Understanding Ctrls: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the client use service organizations? Shows the "Document the service organizations used by the entity." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the entity.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Are any of the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors? is "Yes" Shows the "Document the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the multiple components, multiple locations, or segments expected to be audited by other independent (component) auditors.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Do we expect to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Auditor's Specialist from the Type of Specialist Column	Specialist Firm Name
AUD-604 Audit Program: Management's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Do we expect to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the Type of Specialist Column.	Specialist Firm Name
AUD-800 Audit Program: (Custom)	AUD-100 Tailoring Question Workpaper	What financial statement audit areas are applicable to this engagement? "Customize Audit Area" link within the answer selection box.	Custom Audit Area