

2013 CONSTRUCTION CONTRACTORS AND RELATED 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 Construction Contractors and Related 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 pending auditing standards and 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 U.S. GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™. The 2013 edition of *Knowledge-Based Audits of Construction Contractors and Related 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
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	Modified instructions to include guidance on potential effects of deficiencies noted by the auditor.	Instructions	Y	AU-C 265	
KBA-104 Summary and Evaluation of Misstatements and Omitted, Inaccurate, or Incomplete Disclosures					
New	Conclusion on whether disclosures met auditor expectations moved from KBA-400 to the conclusion section of this workpaper.	Procedures Steps	N		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Delete	Removed "No" from the Considered column.	Table other than procedures	N		
Delete	Removed duplicative considerations.	Table other	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
		than procedures			
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	
New	Added new consideration of multiemployer benefit plans.	Table other than procedures	N		
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
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		
KBA-401 Understanding Entity-Level Controls: Complex Entities					
New	Added new control objective: A process is designed and implemented to identify, account for, and disclose compliance with applicable laws and regulations in accordance with the applicable financial reporting framework.	Table other than procedures	N		
KBA-412 Understanding Controls Maintained by a Service Organization					
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	
KBA-502 Summary of Risk Assessments					
Modify	Modified instructions to provide clearer guidance on the auditor's approach.	Instructions	N		
KBA-901 Financial Statement Disclosures Checklist					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	This Financial Statement Disclosures Checklist has been updated for disclosure and key presentation requirements in effect as of June 30, 2013, through Accounting Standards Update (ASU) No. 2013-07 , including: <ul style="list-style-type: none"> • ASU No. 2013-06, Not-for-Profit Entities (Topic 958) – Services Received from Personnel of an Affiliate; and • ASU No. 2013-07, Presentation of Financial Statements (Topic 205) – Liquidation Basis of Accounting. 	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
AUD-100 Tailoring Question Workpaper					
New	New tailoring questions have been added.	Tailoring	N	N/A	Review and answer. All of these new tailoring questions will impact other workpapers.
AUD-101 Overall Audit Program					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	Combined steps to eliminate duplication- new step reads as follows: 4. Evaluate, conclude on, and document whether the auditor has the ability to adhere to the fundamental principles and requirements of professional and ethical standards including: a. Integrity; b. Objectivity; c. Independence,	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	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 procedures. This determination should include component materiality and component performance materiality when those provisions of AU-C 600 apply.	Procedure Steps	Y	AU-C 600	
Delete	Deleted the following step: For entities with multiple locations or business units,	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	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.				
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 components, the sources of information from which the understanding was obtained, and the risk assessment procedures performed.	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
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"> • Increasing substantive testing of the valuation of numerous significant accounts at year-end because of significantly deteriorating market conditions; and • Obtaining more persuasive audit evidence from substantive procedures due to the identification of pervasive weaknesses in the entity's control environment. 	Procedure Steps	N		
Modify	Combined steps. New step reads as follows: 57. 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 presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-603 Audit Program: Using the Work of An Auditor's Specialist					
New	Added practice point on referring to the auditor's specialist in the auditor's opinion.	Practice Point	Y	AU-C 620	
AUD-800's Audit Programs					
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 and at appropriate amounts.	Procedure Steps	N		
AUD-800 Audit Program: Custom					
Modify	Modified practice point language for uniformity.	Procedures Steps	N		
AUD-801 Audit Program: Cash					
New	Added substep to petty cash procedure: e. We evaluated the petty cash turnover rate (times replenished) for propriety and reasonableness.	Procedure Steps	N		
New	Added: Trace payroll ACH debits to the payroll tax returns for selected periods, or at year-end.	Procedure Steps	N		
New	Added: If the contractor has a material amount of held checks, consider reclassifying those checks to accounts payable. Also consider disclosing or separately reporting those held checks.	Procedure Steps	N		
AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities					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	Procedure	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	recorded.	Steps			
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) Determined 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 (6) Determined whether the entity has appropriately complied with the requirements of the applicable financial reporting framework.	Procedure Steps	N		
AUD-803 Audit Program: Accounts Receivable and Revenue					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	
AUD-804 Audit Program: Inventories and Cost of Sales					Tailoring added and modified to reflect changes noted below.
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	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	to determine that they were properly included/excluded.				
New	<p>Added LIFO steps as follows:</p> <p>For LIFO inventory cost calculations, we performed the following procedures:</p> <ul style="list-style-type: none"> a. We obtained an understanding of the pricing elections made when the entity initially adopted LIFO, including: <ul style="list-style-type: none"> (1) The method used to determine the LIFO cost of the current year's increase in inventory (e.g., earliest, latest, or average acquisition cost). (2) The method of valuing LIFO inventories (i.e., specific goods method or dollar-value method). (3) The pools (i.e., the method of accumulating or grouping similar inventory items) used, including a description of each pool. (4) If the dollar-value LIFO method is used, the technique of computing the LIFO value of the dollar-value pools (i.e., double extension, index, or link chain). <p>We recorded in carryforward schedules the various layers of LIFO inventory cost.</p> <p>If the specific goods LIFO (also known as "unit LIFO" or "specific item LIFO") was used, we reviewed the client's schedules for year-end quantities. We reconciled unit costs per the entity's schedules to the carryforward schedules by layers for quantities not in excess of the preceding year's quantities.</p> <p>If dollar-value LIFO was used, we priced all or a portion of the closing inventory at current-year cost and at base-year cost, and computed an index of aggregate current-year cost to base-year cost.</p> <p>We tested prices and clerical accuracy of the final inventory</p>	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>listing at current-year cost.</p> <p>We also tested the calculation of the index used for conversion from current-year cost to base-year cost.</p> <p>We agreed base-year costs with carryforward LIFO working papers and agreed quantities with the final inventory listing.</p> <p>We stated the closing inventory in terms of base-year cost for each LIFO pool. If base-year costs have not been extended 100%, they may be extended by applying the index to inventory totals at current-year cost.</p> <p>We performed the following procedures to test for slow-moving and obsolete items:</p> <ol style="list-style-type: none"> a. We obtained an understanding from the client with respect to the criteria and calculation used to determine what constitutes slow-moving and obsolete items. b. We noted dates per vendors' invoices during the inventory price tests, being alert for slow-moving items. c. We traced listing of slow-moving and obsolete inventory items noted during the inventory observation to proper inclusion in the client's final listing of slow-moving and obsolete inventory. d. We compared items noted during the current period's review of slow-moving and obsolete items to the prior year's listing. e. We ensured that significant items written down in prior years were not written up in the current year and determined whether further write-downs might be required. <p>We performed the following procedures to determine lower of cost or market value applications:</p> <ol style="list-style-type: none"> a. For purchased inventory items, we compared, on a test basis, the unit price used in the final inventory listing summary to current price lists, recent sales invoices, or recent vendor invoices. 				

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	<p>b. For work in process and finished goods manufactured by the entity, we compared, on a test basis, inventory carrying amounts and recent selling prices or sales invoices; ascertained stage of completion, estimated cost to complete for work-in-process items and estimated costs necessary to make the sale; and ascertained that such carrying amounts are not in excess of market value.</p> <p>c. We compared the inventory turnover ratio and gross profit percentage of the current period to prior periods.</p> <p>d. We compared quantities on hand for selected items with quantities noted on the sales invoices to determine that the quantities on hand are not excessive.</p>				
AUD-805 Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets					
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		
AUD-806 Audit Program: Intangible Assets					
Modify	Modified substep on impairment analysis. Modified steps reads 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	
AUD-807 Audit Program: Property and Equipment, and Depreciation					
Modify	Moved considerations for PPE summary into main step-	Procedure	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	eliminating 12 sign offs	Steps			
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		
AUD-809 Audit Program: Payrolls and Other Liabilities					
New	Added new step on analytical procedures - referencing AID-841.	Procedure Steps	N		
New	We considered the need to obtain an IRS Form 2848, Power of Attorney, and confirm the payments made for federal payroll liabilities, the filing of the proper tax forms (i.e., 941s, and annual 940), and outstanding liabilities.	Procedure Steps	N		
Delete	Deleted a duplicative step on search for unrecorded liabilities, as this step is performed in AUD-808.	Procedure Steps	N		
AUD-810 Audit Program: Income Taxes					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	
AUD-811 Audit Program: Debt Obligations					Tailoring added and modified to reflect changes noted below.
New	Added: We confirmed whether the debt obligations are part of an interest rate swap agreement. We obtained calculations from the lender whether the loan obligation(s) were in an asset position or were in a net liability position. We considered the disclosures required for the interest rate swap obligations.	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	Modifying the title of an analytical step to match AID-833.	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		
AUD-814 Audit Program: Journal Entries and Financial Statement Review					Tailoring added and modified to reflect changes noted below.
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: 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: a. Accounting and data entry personnel about whether they were requested to make unusual entries during the audit period. 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.	Procedure Steps	N		
Delete	Deleted the following step as it duplicates step in another program: We examined material journal entries and other adjustments made in the course of preparing the financial statements and	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	performed the following procedures: a. We agreed any material journal entries or other adjustments to the underlying support for such entries.				
Modify	Combined steps on financial statement review to read as follows: 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.	Procedure Steps	N		
New	a. The financial information and related disclosures are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.	Procedure Steps	N		
AUD-815 Audit Program: Related-Party Transactions					Tailoring added and modified to reflect changes noted below.
Modify	Step 1 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	
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		
New	Added new step on forming an opinion and the related evaluations.	Procedure Steps	Y	AU-C 550	
New	Added new step on obtaining an understanding of how the entity is complying with the applicable legal and regulatory	Procedure Steps	Y	AU-C 250	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	framework.				
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	Modified practice point language for uniformity.	Procedures Steps	N		
AUD-816 Audit Program: Fair Value Measurements and Disclosures					Tailoring added and modified to reflect changes noted below.
New	Added step on the evaluation of third-party pricing services.	Procedure Steps	Y	AU-C 540	
AUD-817 Audit Program: Variable Interest Entities					
New	Added practice point containing requirements for VIE to be consolidated.	Procedures Steps	N		
AUD-818 Audit Program: Share-Based Payments					
Delete	Removed step on reasonableness of the entity's valuation model, as this work is done in AUD-816.	Procedures Steps	N		
AUD-901 Audit Program: Subsequent Events					
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	
New	There are significant changes to estimates within the financial statements being reported on.	Procedure Steps	N		
New	Added step: Schedule of completed and uncompleted contracts.	Procedure Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-902 Audit Program: Going Concern					
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	
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		
AUD-903 Audit Program: Consideration of Fraud					
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 is completed - eliminating 9 sign offs.	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	Procedures	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	representation and added reference to AUD-101 where this step is performed - eliminating 5 sign offs.	Steps			
New	Added a Results section to capture findings as a result of work performed on this audit program.	Procedures Steps	N		
AUD-905 Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report					
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-0956 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-0957 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.
- **NEW RPT-0958 Unmodified Opinion: Since Inception Report—Development Stage Entity** sample illustrative report provided for reporting on financial statement prepared by a developmental stage entity since inception.
- **RPT-1004 Adverse GAAP Opinion, Unmodified Special-Purpose Opinion: Special-Purpose Financial Statements Prepared Pursuant to Reporting Provisions Established by a Regulatory Agency** removed.

Correspondence Documents (CORs)

- **2013 Knowledge-Based Audits of Construction Contractors and Related 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 Letter to Component Auditors Regarding Related Parties** no longer in use.
- **COR-302 Group Engagement Team's Letter of Instruction to the Component Auditor Who Performs Certain Audit Procedures or Audits of the Financial Statements of a Component** 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-825 Request for Confirmation of Multiemployer Defined Benefit Plan Information** added new confirmation of multiemployer defined benefit plan information and 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)

- **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-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-021 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.

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 December 31, 2012, and through ASU No. Accounting Standards Update No. 2013-05—*Foreign Currency Matters (Topic 830)*.

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>
KBAs	KNOWLEDGE-BASED AUDIT DOCUMENTS		
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-201	Client/Engagement Acceptance and Continuance Form		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		
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		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Revenue; Contracts, Retentions, and Accounts Receivable; and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Inventory, Purchases, Job Costing (of Inventory Items) and Work in Process		
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 and Subcontractors Payable, Cash Disbursements, and Job Costing		
KBA-408	Understanding Activity-Level Controls: Payroll and Job Costing		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Estimating and Project Management		
KBA-412	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-413	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
KBA-905	Review and Approval Checklist: Interim Review of Financial Information		
AUDs	AUDIT PROGRAMS		
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		
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Contracts, Retentions, Accounts Receivable, Revenues, and Contract Billings		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-804	Audit Program: Inventories, Work in Process, and Job Costing of Inventory Items		
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, Retainages, Subcontractors Payable, and Job Costing		
AUD-809	Audit Program: Payroll and Job Costing (of 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, Joint Ventures, Commitments and Contingencies, Estimates, and Concentrations		
AUD-816	Audit Program: Fair Value Measurements and Disclosures		
AUD-817	Audit Program: Uncompleted and Completed Contracts		
AUD-818	Audit Program: Variable Interest Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-819	Audit Program: Share-Based Payments		
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		
AIDs	PRACTICE AIDs		
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-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 Ctrl: 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, contracts, or segments, or joint venture contracts expected to be audited by other independent (component) auditors? is "Yes" Shows the "Document the multiple components, multiple locations, contracts, or segments, or joint venture contracts 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, contracts, or segments, or joint venture contracts 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