

2014 REAL ESTATE 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 2014 *Knowledge-Based Audits of Real Estate Entities* has been updated to help auditors conduct efficient and effective audit engagements in accordance with U.S. GAAS and is current through the most recent auditing standard, SAS 128, *Using the Work of Internal Auditors*. Our authors are always looking to improve the flow of the audit engagement through the addition of new tailoring questions, new tips, and new examples. Additionally, the 2014 edition of *Knowledge-Based Audits of Real Estate Entities* has been updated to incorporate the 2013 *Internal Control-Integrated Framework* (Framework) established by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The 2014 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 2014 edition of *Knowledge-Based Audits of Real Estate 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-101 Overall Audit Strategy					
New	Added a new Factor to Consider to Section I, Reporting Requirements, regarding users of the financial statements.	Table other than procedures	N		Data flows in from KBA-200
Enhancement	Enhanced the flow of content from KBA-200 to KBA-101 to eliminate duplication of work in Section I, Reporting Requirements.	Table other than procedures	N		
KBA-103 Evaluating and Communicating Internal Control Deficiencies					The flow of findings identified in the KBA-400 series of workpapers has changed due to the COSO Framework changes. Therefore, findings from will not flow into KBA-103. Publish KBA-103 prior to roll forward to ensure you maintain your data.
Modify	Modified instructions.	Instructions	Y	AU-C 265	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
New	Added a new column for Description of Potential Effect.	Table other than procedures	Y	AU-C 265	
Modify	Content update for 2013 COSO Internal Control – Integrated Framework.	Instructions Table other than procedures	Y	COSO	
KBA-200 Entity Information and Background					
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.
KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities					
Deleted	Part 1, Section I, Background and Basic Information – this information is now captured in KBA-200.	Table other than procedures	N		Data previously entered in this workpaper will be captured and retained on rollforward in KBA-200
KBA-201N Client/Engagement Acceptance and Continuance Form: Noncomplex Entities					
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		
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts					
Modify	Added Practice Point to emphasize auditor judgment regarding Rule-of-Thumb percentages.	Table other than procedures	Y	AU-C 320 AAG Sampling	
Modify	Updated Rule-of-Thumb percentages to better reflect current industry practice. See note above.	Component Materiality Worksheet	N		
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		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Modify	Section I: Entity Information	Table other	N		Responses to questions will now flow in from KBA-200, data

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
		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.
New	Added Factors to be Considered when performing group audit engagements (New Section IV).	Table other than procedures	Y	AU-C 600 Appendix B	
New	Added a new Factor to Consider to Section I, regarding users of the financial statements	Table other than procedures	N		Data flows in from KBA-200
KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities					
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.
New	Added a new Factor to Consider to Section I, regarding users of the financial statements	Table other than procedures	N		Data flows in from KBA-200
KBA-303 Inquiries of Management and Others within the Entity about the Risks of Fraud					
Modify	Modified instructions to emphasize that this document is a summary document and can be used to either summarize all of the auditor's inquiries or be used multiple times to document each individual inquiry interview.	Instructions	N		
Modify	Modified section on Inquiries of Internal Audit Function with a new Practice Point	Practice Point	Y	AU-C 610	
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
Modify	Content updated for 2013 COSO Internal Control – Integrated Framework.	Instructions Table other than procedures	Y	COSO	Most of the data in the Reconciliation Table and the Risk Table will retain, but some of the columns have been combined. Publish KBA-400 prior to roll forward to ensure you maintain your data. There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
					diagnostics.
New	Added new comments section for each audit area.	Table other than procedures	N		
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.
KBA-401 Understanding Entity-Level Controls: Complex Entities					
Modify	Content update for 2013 Framework, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	Data in this workpaper needs to be reassessed and reevaluated and will not roll forward due to the changes for the COSO framework. You will need to publish KBA-401 prior to roll forward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
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.
KBA-401N Understanding Entity-Level Controls: Noncomplex Entities					
Modify	Content update for 2013 Framework, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	Data in this workpaper needs to be reassessed and reevaluated and will not roll forward due to the changes for the COSO framework. You will need to publish KBA-401N prior to rollforward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
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.
KBA-402 Understanding General Controls for Information Technology					
Modify	Content updated to maintain consistency in functionality for the 400 series of workpapers, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	N		There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
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.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-403 Understanding Activity-Level Controls: Rental Revenue, Accounts Receivable, and Cash Receipts through KBA-410 Understanding Activity-Level Controls: Financial Reporting and Closing Process					
Modify	Content updated for 2013 <i>COSO Internal Control – Integrated Framework</i> , to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	Y	COSO	There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
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.
KBA-502 Summary of Risk Assessments					
New/Del eted	Risk/Area sections modified to correspond to the Audit Programs.	Table other than procedures	N		
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.
KBA-904 Audit Documentation Checklist					
New	New steps added for Internal Audit Function requirements.	Procedures	Y	AU-C 610	

Audit Programs (AUDs)

- Audit program steps, as applicable, have been enhanced to emphasize that the auditor evaluates or obtains information from management.
- New tailoring questions have been added to the audit programs to further enable user customization for the specific needs of each engagement.
- Updated program step assertions as needed.
- 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. Be sure to add additional audit areas (AUD 820-822) when applicable.
AUD-101 Overall Audit Program					
					Tailoring questions have been added to help facilitate a more

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
					efficient workflow.
New	Additional links to workpapers have been added to enhance the usability of the checklist.	Procedures Steps	N		
Deleted	Steps on “Differences of Professional Opinion” and “Review Audit Work” have been combined with “Complete the Audit by:” to reduce duplication.	Procedure Steps	N		
AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 300 AU-C 510	
AUD-601 Audit Program: Testing and Evaluating Internal Auditors’ Work					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 610	
Added	<p>Added the following steps to Section I:</p> <ul style="list-style-type: none"> We discussed the planned use of the work of the internal audit function with the internal auditors as a basis for coordinating respective duties. Our communication with those charged with governance of the planned scope and timing of the audit included how we plan to use the work of the internal audit function in obtaining audit evidence. We read the reports of the internal audit function which relate to the work of the function that we plan to use to obtain an understanding of the nature and extent of audit procedures the internal audit function performed and the related findings. We made all significant judgments in the audit engagement, including those related to assessing the risks of material misstatement and evaluating various matters such as the sufficiency of tests performed, significant accounting estimates, and the adequacy of disclosures in the financial statements. We determined that using the work of the internal audit function did not preclude us from being 	Procedure Steps	Y	SAS-128 – AU-C 610	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>sufficiently involved in the audit to fulfill our responsibility for the audit opinion expressed.</p> <ul style="list-style-type: none"> We documented our evaluation of the internal audit function performed above, the nature and extent of the internal audit work used and the basis for that decision, and the audit procedures we performed to evaluate the adequacy of the work of internal auditors used. 				
Added	<p>Added the following substeps to Section I: We evaluated the internal audit function, including the following:</p> <ul style="list-style-type: none"> The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors. The level of competence of the internal audit function. Whether the internal audit function applies a systematic and disciplined approach, including quality control. Whether the nature, timing, and extent of the internal audit functions' work was appropriate to meet our objectives and relevant to the overall audit strategy and audit plan. Whether workpapers adequately documented the work performed, including evidence of supervision and review. Whether any exceptions or unusual matters were properly resolved. 	Procedure Steps	Y	SAS-128 – AU-C 610	
Added	<p>Added or modified the following substeps to Section I: We tested some of the work performed by internal auditors by:</p> <ul style="list-style-type: none"> Examining some of the controls, transactions, or balances that the internal auditors examined, and reperforming some of the work; <p>We evaluated whether:</p> <ul style="list-style-type: none"> The work of the internal audit function had been 	Procedure Steps	Y	SAS-128 – AU-C 610	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>properly planned, performed, supervised, reviewed, and documented;</p> <ul style="list-style-type: none"> • Audit programs used were adequate and the evidence obtained by the internal audit function was sufficient and appropriate to draw reasonable conclusions; • Conclusions reached are appropriate in the circumstances and the reports prepared by the internal audit function are consistent with the results of the work performed; and • Management has responded to the findings and recommendations of the internal audit function regarding deficiencies in internal control relevant to the audit, whether and how such responses have been implemented, and whether they have been subsequently evaluated by the internal audit function. 				
Added	<p>Added the following steps to Section II:</p> <ul style="list-style-type: none"> • We have evaluated the existence and significance of threats to the internal auditors' objectivity, any safeguards applied to reduce or eliminate the threats, and the level of competence of the internal auditors who will be providing such assistance. • In determining the nature and extent of work that can be assigned to internal auditors providing direct assistance, we have considered: <ul style="list-style-type: none"> ▪ The amount of judgement involved in: <ul style="list-style-type: none"> • Planning and performing relevant audit procedures; and • Evaluating the audit evidenced gathered. ▪ The assessed risk of material misstatement; and ▪ The existence and significance of threats to the objectivity and level of competence of the internal auditors' objectivity, the effectiveness of the 	Procedure Steps	Y	SAS-128 – AU-C 610	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>safeguards applied to reduce or eliminate the threats, and level of competence of the internal auditors who provided direct assistance.</p> <ul style="list-style-type: none"> • Our communication with those charged with governance of the planned scope and timing of the audit included how we plan to use internal auditors to provide direct assistance. • We obtained a written acknowledgment from an authorized representative of the entity that internal auditors providing direct assistance will be allowed to follow our instructions, and that the entity will not intervene in the work of internal auditors in the performance of procedures on the engagement. • We obtained written acknowledgement from the internal auditors that they will keep confidential specific matters as instructed by us and inform us of any threat to their objectivity. • We determined that using internal auditors to provide direct assistance did not preclude us from being sufficiently involved in the audit to fulfill our responsibility for the audit opinion expressed. • We documented: <ul style="list-style-type: none"> – Our evaluation of the existence and significance of threats to the objectivity of the internal auditors, any safeguards applied to reduce or eliminate the threats, and the level of competence of the internal auditors used to provide direct assistance on the engagement; – The basis for the decision regarding the nature and extent of the work performed by the internal auditors; – The nature and extent of our review of the internal auditors' work, including the testing of some of the work performed by the internal auditors; – The written acknowledgments above 				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>obtained from an authorized representative of the entity and the internal auditors; and</p> <ul style="list-style-type: none"> - The working papers prepared by the internal auditors who provided direct assistance. 				
AUD-602 Audit Program: Involvement of a Component Auditor					
Added	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
Added	Consideration of whether the component auditor possesses an understanding of the financial reporting framework sufficient to fulfill his or her role in the audit engagement.	Table other than procedures	Y	AU-C 600	
New	Step 8 table to include whether it is impracticable for the group engagement team to be involved in the work of the component auditor.	Table other than procedures	Y	AU-C 600	
New	Added Step 9, regarding evaluations performed when the component entity reports on a different financial reporting framework than the group entity.	Table other than procedures	Y	AU-C 600	
Modify	Modified Step 16 to include: Reference will be made to the component auditor in our audit report and, <i>if the component audit uses a different financial reporting framework, disclosure will be made of the financial reporting framework used by the component and that we are taking responsibility for evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group.</i>	Table other than procedures	Y	AU-C 600	
AUD-701 Audit Program: Designing Tests of Controls					
Modify	Modified instructions to incorporate reference to a new AID-838 Dual-Purpose Testing Worksheet.	Instructions	N		
Added	Added "The reliability of the data on which the controls testing will be performed" to the determination and the extent of the tests of controls steps.	Procedure Steps	Y	COSO	
AUD-800's Audit Programs					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
New	Materiality Summary Tables have been added to all workpapers. 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.
AUD-803 Audit Program: Receivables and Revenues from Real Estate Operations					
Added	Practice Point added regarding ASU 2014-09, <i>Revenue from Contracts with Customers</i> .	Instructions	N		
Added	Ratio of customer discount to sales and ratio of gross profit to net sales, in total and by major product or division to substantive analytical procedures steps to correspond to analytics in AID-810.	Procedures Steps	N		
Delete	Deleted step on considering whether specialized skills are needed, as this question is addressed in planning and therefore duplicate.	Procedures Steps	N		
New	Added step: We were alert for transaction that indicate the earnings process may not be complete such as recording revenue from a sale before title has passed to the buyer or recognizing rental income before the beginning of the rental period.	Procedures Steps	N		
AUD-804 Audit Program: Receivables and Revenues from Timeshare Operations					
Added	Practice Point added regarding ASU 2014-09, <i>Revenue from Contracts with Customers</i> .	Instructions	N		
New	Added the following substeps for timeshare sales: <ul style="list-style-type: none"> We inquired of the entity's personnel (e.g., sales and marketing personnel or in-house legal counsel) about sales near period-end and whether they are aware of any unusual terms or conditions in connection with those transactions. When revenue transactions are electronically initiated, processed, and recorded, we tested controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded. We identified and tested large, complex, or unusual transactions, particularly those occurring around the 	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>end of the period.</p> <ul style="list-style-type: none"> • We investigated material cash payments to customers and inquired about the nature of such payments. • We identified and reviewed significant timeshare sales transactions executed with related parties and considered management's possible motivations for such transactions, including: <ul style="list-style-type: none"> – Lack of sufficient working capital or credit to continue the business. – An urgent desire for a continued favorable earnings record in the hope of supporting the price of the entity's stock. – An overly optimistic earnings forecast. – Dependence on a single or relatively few products, customers, tenants, or transactions for the continuing success of the venture. – A declining industry characterized by a large number of business failures. – Excess capacity. <p>Significant litigation, especially litigation between stockholders and management.</p>				
New	<p>Added step:</p> <p>We were alert for transactions that indicate the earnings process may not be complete, such as sales recorded before title has transferred to the buyer.</p>	Procedures Steps	N		
AUD-806 Audit Program: Intangible Assets					Tailoring added and modified to reflect changes noted below.
New	<p>Added new steps regarding the entity's election to amortize goodwill.</p>	Procedures Steps	Y	ASU 2014-02 and FRF for SMEs	
AUD-807 Audit Program: Real Estate, Property and Equipment, and Depreciation					
Modify	<p>Primary Objectives Table to align with audit guide content.</p>	Table other than procedures	N		
AUD-808 Audit Program: Accounts Payable and Purchases					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	Primary Objectives Table to align with audit guide content.	Table other than procedures	N		
AUD-809 Audit Program: Payroll and Other Liabilities					
Modify	<p>Moved Steps to Substeps within Payroll and Short-Term Employee Benefit Liabilities Immaterial to Financial Statements:</p> <ul style="list-style-type: none"> We compared the relationships of current -year payroll expense to operating costs and revenues with those of the prior year's and industry data. We compared with the prior year the relationship of (a) current-year employee benefits, including vacation and sick pay to gross pay, and (b) pension expense to number of covered employees. We computed average compensation divided by number of full-time equivalents (FTEs) and compared them with the prior year's and industry data. We computed payroll tax expense as a percentage of total wages and salaries and compared them with the prior year's and industry data. 	Procedures Steps	N		
AUD-811 Audit Program: Debt Obligations					
Modify	Primary Objectives Table to align with audit guide content.	Table other than procedures	N		
AUD-814 Audit Program: Other Income and Expense					
Added	Practice Point added regarding ASU 2014-09, Revenue from Contracts with Customers.	Instructions	N		
New	Added substeps the evaluation of whether incentive payments and product/service liabilities or warranty expenses are material.	Procedures Steps	N		
New	Added new a step regarding scanning the general ledger and inquiry of management to identify expenses from	Procedures Steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	transactions with related parties.				
AUD-816 Audit Program: Related-Party Transactions					Tailoring added and modified to reflect changes noted below.
Modify	This audit program has been modified to only apply to Related-Party Transactions. New separate audit programs were created for commitments and contingencies, accounting estimates, and concentrations.	Procedures Steps	N		
AUD-817 Audit Program: Fair Value Measurements and Disclosures					
Modify	Modified step “we obtained an understanding of the entity’s transactions and environment relating to fair value measurements and disclosure” substep c. to incorporate its substeps, reducing the number of signoffs required.	Procedures Steps	N		
AUD-818 Audit Program: Variable Interest Entities					
New	Added new substep to obtain a list of: Any identified variable interests in common control leasing arrangements that the entity is electing not to consolidate under the Private Company Council (PCC) VIE accounting alternative.	Procedures Steps	Y	ASU 2014-07	
Modify	Modified step to exclude VIE’s that the entity is electing not to consolidate using the PPC VIE accounting alternative: For VIEs for which the entity is the primary beneficiary and for which the entity is not electing the PCC VIE accounting alternative, we performed the following procedures to determine whether the entity has properly accounted in its consolidated financial statements for a VIE:	Procedures Steps	Y	ASU 2014-07	
New	Added new steps for VIEs for which the entity is electing the PCC VIE accounting alternative: 15. For VIEs for which the entity is electing the PCC VIE accounting alternative, we evaluated whether the VIE meets the following criteria for election: a. The entity has a lease arrangement with the lessor entity. b. The entity and the lessor entity are under common control. c. Substantially all activities between the entity and the lessor entity are related to the leasing activity (which	Procedures Steps	Y	ASU 2014-07	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>includes supporting leasing activities) between the two entities.</p> <p>d If the entity explicitly guarantees or provides collateral for any obligation of the lessor entity related to the leased asset, the principal amount of the obligation at inception of the guarantee or collateral arrangement is not more than the value of the leased asset.</p> <p>16. If the entity has elected the PCC VIE accounting alternative, we evaluated whether the entity: has properly applied it to all leasing arrangements meeting the above criteria.</p>				
Modify	<p>Modified step 19 as follows:</p> <p>19. When assessing whether additional audit evidence is needed for VIEs for which the entity is not electing the PCC VIE accounting alternative, we considered the following:</p>	Procedures Steps	N		
AUD-820 Audit Program: Commitments and Contingencies					
New	New audit program for Commitments and Contingencies.	Procedures Steps	N		<p>AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.</p> <p>New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.</p>
New	<p>Added the following steps:</p> <ul style="list-style-type: none"> We obtained an understanding of how the entity is complying with the legal and regulatory framework applicable to the entity and its industry or sector. We obtained sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of laws and regulations generally recognized to have a direct effect on the financial statements. 	Procedures Steps	N		
New	<p>Added new substeps to “inquire of management about the existence of or potential for environmental remediation liabilities” regarding:</p> <ul style="list-style-type: none"> Whether the entity has policies and procedures in 	Procedures Steps	Y		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>place to help identify environmental remediation liabilities;</p> <ul style="list-style-type: none"> • What steps management has taken to minimize the entity's exposure for environmental remediation liabilities; • How the entity disposes of hazardous substances; • How management tests and monitors for leakage; • Whether the entity has undergone any cleanup activities • How management monitors claims and assessments and then estimates its liabilities; <p>How management accounts for the costs of its environmental remediation efforts.</p>				
AUD-821 Audit Program: Accounting Estimates					
New	New audit program for Accounting Estimates.	Procedures Steps	N		<p>AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.</p> <p>New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.</p>
AUD-822 Audit Program: Concentrations					
New	New audit program for Concentrations.	Procedures Steps	N		<p>AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.</p> <p>New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.</p>
AUD-902 Audit Program: Going Concern					
New	<p>Added the following substeps on "other indicators of possible financial difficulties":</p> <ul style="list-style-type: none"> • Properties for sale below cost. • Significant lease concession given to new or renewing tenants. 	Procedures Steps	N		
AUD-903 Audit Program: Consideration of Fraud					Tailoring questions have been added to help facilitate a more

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
					efficient workflow.
Modify	Combined steps on inquiry of others to reduce the number of signoffs required.	Procedures Steps	N		
AUD-905 Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report					
New	Added headers to the program step list and added new tailoring questions to facilitate streamlining of the audit program.	Procedures Steps	N		
AUD-907 Interim Review Program: Review of Interim Financial Information					
New	Added cross references to other workpapers.	Procedures Steps	N		
AUD-908 Interim Review Program: Management Inquiries					
New	New review program for inquiries of management performed during a review of interim financial information.	Procedures Steps	Y	AU-C 930	

Auditor's Reports (RPTs)

- **NEW RPT-902 Unmodified Opinion: Comparative Financial Statements** sample illustrative report provided for reporting on comparative financial statements.
- **RPT-903-959** renumbered accordingly.
- **NEW RPT-985 Qualified Opinion: Departure from U.S. GAAP-Unconsolidated Variable Interest Entity (VIE)** sample illustrative report provided for providing a qualified opinion for an unconsolidated VIE.
- **RPT-986-1042** renumber accordingly.
- **RPT-1019 Disclaimer of Opinion: Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements** deleted, content incorporated into **RPT-1015 Disclaimer of Opinion: Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence**.
- **RPT-0957 Unmodified Opinion: Single Year Financial Statements in Year of Adoption of Liquidation Basis of Accounting** deleted in accordance with *FASB Accounting Standards Update 2014-010*.

Correspondence Documents (CORs)

- **COR-907 Pre-Approval of Nonaudit Services** has been renumbered to COR-220.
- **COR-820 Confirmation of Sales Terms** has been added to the toolset.

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-201	New	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-202	New	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-808	New	Added “description of the condition of the inventory”.	Confirm Text	N	
COR-809	New	Added: List the claims submitted that remain unpaid and the date of your response. Added: Describe the nature of the claims paid and the date of your response,	Confirm Text	N	
COR-811	New	Added section to confirm variable rate debt terms.	Confirm Text	N	
COR-813	New	Added: The financial institution may withdraw the line of credit under the following conditions [<i>describe the conditions as understood by the entity</i>].	Confirm Text	N	
COR-818	New	Added: 8. The following is a list of changes that our board has authorized subsequent to the fiscal year-end that are not contained in the plan’s latest actuarial valuation.	Confirm Text		
COR-901	New	Added illustrative representation regarding environmental remediation liabilities and long-lived assets.	Additional Guidance and Practice Points		
COR-907	Delete	Number no longer in use. (See bullet above)			

Practice Aids (AIDs)

- **AID-601 Considering the Use of the Work of Internal Auditors** modified to be compliant with SAS-128, *Using the Work of Internal Auditors*.
- **AID-602 Understanding and Preliminary Assessment of the Entity’s Internal Audit Function** designed to aid the auditor in obtaining an understanding and making a preliminary assessment of the entity’s internal audit function; documenting the auditor’s procedures for understanding the internal audit function’s organizational status; determining the nature and extent of the work of the internal audit function that can be used; evaluating the technical competence of the internal auditors; and evaluating whether a systematic and disciplined approach is used by the internal audit function.
- **AID-603 Component Identification and Analysis** designed to aid the auditor in identifying and analyzing significant component entities.
- **AID-837 Board Minute Review Checklist** designed to aid the auditor in documenting his or her review of the entity’s committee meeting minutes.
- **AID-838 Dual-Purpose Test Worksheet** designed to enable the auditor to document the sample items and test results when performing tests of internal controls attributes and substantive test criteria at the same time.
- **AID-901 Differences of Professional Opinion** added a signoff for the Engagement Quality Control Reviewer.

Resource Documents (RESs)

- **RES-002 Index of Audit Program, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and realignment of workpaper numbering schemes.
- **RES-008 Entity-Level Controls: Examples of Control Activities for Each Internal Control Component and Related Relevant Principles and Points of Focus** updated for COSO's 2013 Internal Control—Integrated Framework
- **RES-020 Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance** added Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance.

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-128, *Using the Work of Internal Auditors*

FASB Accounting Standards Codification as of July 1, 2014, and through Accounting Standards Update No. 2014-12— *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)*.

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements conducted using this product.

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-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: Rental Revenue, Accounts Receivable, and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Real Property and Equipment		
KBA-405	Understanding Activity-Level Controls: Other Assets		
KBA-406	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-407	Understanding Activity-Level Controls: Payroll and Other Liabilities		
KBA-408	Understanding Activity-Level Controls: Treasury		
KBA-409	Understanding Activity-Level Controls: Income Taxes		
KBA-410	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-411	Understanding Controls Maintained by a Service Organization		X
KBA-501	Team Discussion of the Risks of Material Misstatement		
KBA-502	Summary of Risk Assessments	X	

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-903	Tax Specialist Review Checklist		
KBA-904	Audit Documentation Checklist		
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: Receivables and Revenues from Real Estate Operations		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-804	Audit Program: Receivables and Revenues from Timeshare Operations		
AUD-805	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-806	Audit Program: Intangible Assets		
AUD-807	Audit Program: Real Estate, 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: Real Estate Project Costs and Operating Expenses		
AUD-814	Audit Program: Other Income and Expense		
AUD-815	Audit Program: Journal Entries and Financial Statement Review		
AUD-816	Audit Program: Related-Party Transactions		
AUD-817	Audit Program: Fair Value Measurements and Disclosures		
AUD-818	Audit Program: Variable Interest Entities		
AUD-819	Audit Program: Share-Based Payments		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-820	Audit Program: Commitments and Contingencies		
AUD-821	Audit Program: Accounting Estimates		
AUD-822	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		
AUD-908	Interim Review Program: Management Inquiries		
AIDs	PRACTICE AIDs		
AID-302	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering the Use of the Work of Internal Auditors		
AID-603	Component Identification and Analysis		
AID-702	Results of Tests of Controls		
AID-801	Audit Sampling Worksheet for Substantive Tests of Details		
AID-901	Differences of Professional Opinion		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
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-411 Understanding Ctrl: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the entity 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	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement." table in KBA- 101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	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