

# 2015 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 **2015 *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 2015 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. The 2015 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 are revised financial statement disclosures checklists that provide a centralized resource of the current required and recommended U.S. GAAP disclosures and key presentation items for real estate entities, using the style referencing under the FASB Accounting Standards Codification™.

The 2015 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
<b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b>					
Modify	Minor wording modification (customer request), first sentence now reads: This form has been designed to accumulate internal control deficiencies identified in the audit, and to evaluate their severity and classify each deficiency as a (a) material weakness, (b) significant deficiency, or (c) deficiency in internal control.	Purpose	N		
Modify	Modified instructions and column header (column 14 and 15).	Instructions ; column heading	N		Column 14 of table will reset on roll forward.
Modify	Instructions for column 15 (customer request) now read: Column 15. Based on the preceding steps, conclude	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	as to whether the control deficiency, either individually or when combined with other deficiencies, should be classified as a material weakness, significant deficiency, or deficiency in internal control.				
Modify	Instructions for column 14 (customer request)now read: If the control deficiency, either individually, or when combined with other deficiencies, would not be considered a material weakness based on the preceding steps, consider whether the deficiency is nevertheless important enough to merit attention by those charged with governance. If the answer is “Yes”, then the deficiency is a “significant deficiency” that should be reported to management and to those charged with governance. If the answer is “No”, then the deficiency is a “deficiency in internal control” that should be reported to management, if it is of sufficient importance to merit management’s attention and if it has not been communicated to management by other parties.	Instructions	N		
<b>KBA-200 Entity Information and Background</b>					
Modify	Minor wording modifications to improve consistency and flow of information (KBA-302; KBA-302N)		N		
<b>KBA-302 Understanding the Entity and Its Environment: Complex Entities</b>					
Modify	Minor wording modifications to improve consistency and flow of information (KBA-200).	Text	N		Data flows in from KBA-200
<b>KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities</b>					
Modify	Minor wording modifications to improve consistency and flow of information flow (KBA-200).	Text	N		Data flows in from KBA-200
<b>KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures</b>					
Added	Added a “Potential Error Diagnostic” in KBA-400 to note if an audit area has a significant or fraud risk but no risk has been identified this will notify the user to a potential error.	Table	N		
Removed	Removed "Potential Error Diagnostic" on last column (Control Understanding / Testing Workpaper) of Table 1 in KBA-400 when the user selects to add a, "Custom	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Value" option. The user would only select a "Custom Value" option if they're using a memo or non-KC workpaper to document their understanding of activity level controls. This diagnostic will continue to show if the user selects any other options and has not included the recommended workpaper option.				
<b>KBA-401 Understanding Entity-Level Controls: Complex Entities</b>					
Modify	Conclusion table answer selections for "Functioning" modified from (Y, N) to (Y, N, N/A)	Table, other than procedures	N		
<b>KBA-401N Understanding Entity-Level Controls: Noncomplex Entities</b>					
Modify	Conclusion table answer selections for "Functioning" modified from (Y, N,) to (Y, N, N/A)	Table, other than procedures	N		

## Audit Programs (AUDs)

- Updated for consistency with CORE and with added practice points and practice alerts.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-806 Audit Program: Intangible Assets</b>					Tailoring added and modified to reflect changes noted below.
Modify	<p>Added Practice Alert:</p> <p><b>Practice Alert:</b> In December 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-18, <i>Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination</i>, which is a consensus of the Private Company Council. ASU No. 2014-18 provides private companies with an accounting alternative for the recognition of certain intangible assets acquired in a business combination. Under this accounting alternative, a private company would no longer recognize the following intangible assets separate from goodwill: (a) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business, and (b) noncompetition agreements.</p> <p>Many customer-related intangible assets, because they are not capable of being sold or licensed independently from the other assets of the business, would not be separately recognized under</p>	Purpose/Instructions	Y	ASU No. 2014-18	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>this accounting alternative. However, some customer-related intangible assets that are capable of being sold or licensed independently would continue to be separately recognized, such as mortgage servicing rights, commodity supply contracts, core deposits, and customer information (e.g., names and contact information).</p> <p>The decision to adopt the accounting alternative in ASU No. 2014-18 must be made upon the occurrence of the first transaction within the scope of this accounting alternative. If the transaction occurs in the first fiscal year beginning after December 15, 2015, the adoption will be effective for that fiscal year's annual financial reporting and all interim and annual periods thereafter. If the transaction occurs in fiscal years beginning after December 15, 2016, the adoption will be effective in the interim period that includes the date of that first transaction and subsequent interim and annual periods thereafter. Early application is permitted for any interim and annual financial statements that have not yet been made available for issuance.</p> <p>An entity that elects the accounting alternative in ASU No. 2014-18 must adopt the private company alternative to amortize goodwill as described in ASU No. 2014-02, <i>Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill</i>, (discussed above). However, an entity that elects the accounting alternative in ASU No. 2014-02 is not required to adopt the amendments in ASU No. 2014-18.</p>				
Modify	<p>Added new substep 1.c. under the <b>“Policy for Intangibles Subject to Amortization”</b>:</p> <p>If the entity elected the accounting alternative for not recognizing certain intangible assets acquired in a business combination separate from goodwill, we evaluated whether the intangible assets meet the criteria for such election (i.e., customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business; and noncompetition agreements).</p>	Procedures steps	Y	ASU No. 2014-18	
Modify	<p>Added new substep 9.f. under <b>“Accounting Policy – Goodwill and Intangibles Not Subject to”</b>:</p> <p>If the entity elected the accounting alternative for not recognizing certain intangible assets acquired in a business combination separate from goodwill, we evaluated whether the intangible assets meet the criteria for such election (i.e., customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business; and noncompetition</p>	Procedures steps	Y	ASU No. 2014-18	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	agreements).				
Modify	<p>Added new substeps 12.a–h under the section “<b>Goodwill Impairment Testing More Frequently than Annually</b>”:</p> <ul style="list-style-type: none"> <li>a. Macroeconomic conditions such as deterioration in general economic conditions.</li> <li>b. Limitations on accessing capital.</li> <li>c. Fluctuations in foreign exchange rates or other developments in equity and credit markets.</li> <li>d. Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development.</li> <li>e. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.</li> <li>f. Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.</li> <li>g. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation.</li> </ul> <p>Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.</p>	Procedures steps	Y	ASU No. 2014-18	
<b>AUD-818 Audit Program: Variable Interest Entities</b>					
New	Added the following four NEW Practice Alerts:	Purpose/	Y	ASU No.	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p><b>Practice Alert:</b> In March 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-07, <i>Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements</i>, which provides private companies with an accounting alternative in applying variable interest entity (VIE) guidance to lessor entities under common control.</p> <p>Under current U.S. GAAP, a reporting entity is required to consolidate an entity in which it has a controlling financial interest. The assessment of controlling financial interest is performed under either: (a) a voting interest model, or (b) a VIE model. Under the VIE model, a reporting entity is deemed to have a controlling financial interest (i.e., deemed to be the primary beneficiary) when it has: (a) the power to direct the activities that most significantly affect the economic performance of the entity, and (b) the obligation to absorb losses or the right to receive benefits of the entity that could be potentially significant to the entity. To determine which model applies, a reporting entity must first determine whether it has a variable interest in the entity being evaluated for consolidation and whether that entity is a VIE.</p> <p>Under the accounting alternative in ASU No. 2014-07, a private company could elect not to apply the VIE guidance to a lessor entity under common control if all of the following criteria are met:</p> <ol style="list-style-type: none"> <li>The private company lessee and the lessor entity are under common control;</li> <li>The private company lessee has a leasing arrangement with the lessor entity;</li> <li>Substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities; and</li> <li>If the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor entity related to the asset leased by the private company, then the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity.</li> </ol> <p>Under the accounting alternative, a private company lessee would not be required to provide the VIE disclosures about the lessor entity. Instead, the private company lessee would disclose (a) the amount and key terms of liabilities recognized by the lessor entity that expose the private company lessee to providing financial support to the lessor entity, and (b) a qualitative description of circumstances not recognized in the financial statements of the lessor entity that expose the private company lessee to providing financial support to the lessor entity.</p> <p>If elected, the accounting alternative should be applied to all current and future lessor entities under common control that meet the above criteria. The accounting alternative should be applied</p>	Instructions		2014-07; ASU No. 2014-10; ASU No. 2014-13; ASU No. 2015-02	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>retrospectively to all periods presented, and is effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance.</p> <p><b>Practice Alert:</b> In June 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-10, <i>Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation</i>. The amendments in this ASU remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the removal of ASC Topic 915, <i>Development Stage Entities</i>, from the Codification. In addition, ASU No. 2014-10 removes an exception provided to development stage entities in ASC Topic 810, <i>Consolidation</i>, for determining whether an entity is a variable interest entity. The elimination of this exception will require all reporting entities that have an interest in a development stage entity to apply consistent guidance for transactions that are economically the same or similar. Therefore, the same guidance will be applied for determining whether an entity is a variable interest entity and whether the variable interest entity should be consolidated, regardless of whether that entity has commenced planned principal operations or has significant revenue from its principal operations.</p> <p>The amendments in ASU No. 2014-10 related to the consolidation guidance (ASC Topic 810), which should be applied retrospectively, are effective for annual reporting periods beginning after December 15, 2015 (and interim periods therein) for public business entities. For all other entities, the amendments to the consolidation guidance are effective for annual reporting periods beginning after December 15, 2016 and interim reporting periods beginning after December 15, 2017.</p> <p>Early adoption is permitted for public business entities for any annual reporting period or interim period for which the entity's financial statements have not yet been issued. For all other entities, early adoption is permitted for financial statements that have not yet been made available for issuance.</p> <p><b>Practice Alert:</b> In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-13, <i>Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity</i>. The amendments in this ASU apply to a reporting entity that is required to consolidate a collateralized financing entity (e.g., a collateralized debt obligation or a collateralized loan obligation entity) under the "Variable Interest Entities" guidance when: (1) the reporting entity measures all of the financial assets and the financial liabilities of that</p>				

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	<p>consolidated collateralized financing entity at fair value in the consolidated financial statements based on other ASC Topics, and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings.</p> <p>The fair value of the financial assets of a collateralized financing entity, as determined under U.S. GAAP, may differ from the fair value of its financial liabilities even when the financial liabilities have recourse only to the financial assets. Before ASU No. 2014-13, there was no specific guidance in U.S. GAAP on how a reporting entity should account for that difference. The amendments in ASU No. 2014-13 provide an alternative to ASC Topic 820, <i>Fair Value Measurement</i>, for measuring the financial assets and the financial liabilities of a consolidated collateralized financing entity to eliminate that difference. When the measurement alternative is not elected for a consolidated collateralized financing entity within the scope of ASU No. 2014-13, the amendments clarify that: (1) the fair value of the financial assets and the fair value of the financial liabilities of the consolidated collateralized financing entity should be measured using the requirements of ASC Topic 820, and (2) any differences in the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected in earnings and attributed to the reporting entity in the consolidated income statement.</p> <p>The amendments in ASU No. 2014-13 are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments are effective for annual periods ending after December 15, 2016, and interim periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of an annual period.</p> <p>Entities may apply the amendments in ASU No. 2014-13 either: (1) using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the annual period of adoption, or (2) retrospectively to all relevant prior periods beginning with the annual period in which the amendments in ASU No. 2009-17, <i>Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities</i>, were initially adopted.</p> <p>A reporting entity that consolidates a collateralized financing entity that does not meet the scope requirements in ASU No. 2014-13 because the fair value option in ASC Topic 825, <i>Financial Instruments</i>, was not elected to measure the eligible financial assets, financial liabilities, or both of the collateralized financing entity when it was initially consolidated, may elect at the date of adoption to apply the measurement alternative in ASU No. 2014-13 to those financial assets and financial liabilities, or to continue using the guidance in other ASC Topics to measure the financial assets and the financial liabilities of the consolidated collateralized financing entity. A reporting entity that does not elect to use the measurement alternative may not elect at the date of adoption to</p>				



Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>use the measurement requirements of ASC Topic 820, <i>Fair Value Measurement</i>, or otherwise change its basis for measuring the financial assets or the financial liabilities of the collateralized financing entity.</p> <p><b>Practice Alert:</b> In February 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-02, <i>Consolidation (Topic 810): Amendments to the Consolidation Analysis</i>, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations (public and private companies and not-for-profit organizations) that are required to evaluate whether they should consolidate certain legal entities. Among other matters, the amendments in ASU No. 2015-02:</p> <ul style="list-style-type: none"> <li>• Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities;</li> <li>• Eliminate the presumption that a general partner should consolidate a limited partnership; and</li> <li>• Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.</li> </ul> <p>ASU No. 2015-02 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the requirements are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period.</p>				
Modify	<p>Modified substep 14.a.; modified substep now reads:</p> <p>We evaluated whether the entity properly measured the assets, liabilities, and noncontrolling interests of the VIE at their fair values, including:</p>	Procedures steps	Y		
Modify	<p>Modified substep 14.b.:</p> <p>We evaluated whether, in connection with the reporting at fair value, the entity followed appropriate accounting treatments for such items as gains and losses and, when applicable, made necessary adjustments to asset values.</p>	Procedures steps	Y	ASU 2015-01	
Delete	<p>Deleted the following substep:</p> <p>We evaluated whether the entity properly accounted for</p>	Procedures steps	Y		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	the excesses (e.g., goodwill) described in applicable accounting principles.				
Delete	Deleted the following substep: We evaluated whether management has properly considered and concluded on whether to recognize an impairment loss for an other-than-temporary decline in the fair value of the VIE's individual assets below their respective carrying amounts.	Procedures steps	Y		
<b>AUD-902 Audit Program: Going Concern</b>					
Modify	<p>Added practice alerts addressing ASU 2014-15.</p> <p><b>Practice Alert:</b> In August 2014, FASB issued Accounting Standards Update (ASU) No. 2014-15, <i>Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern</i> to provide guidance under U.S. GAAP as to whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. Under generally accepted auditing standards (U.S. GAAS), the auditor's responsibility is to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time (AU-C Section 570, <i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i>) which is defined as "a period of time not to exceed one year beyond the date of the financial statements being audited." ASU No. 2014-15, requires the entity's management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the date the financial statements are available for issue, whichever is applicable.</p> <p>ASU 2014-15 is effective for annual periods ending after December 15, 2016 and for interim periods thereafter with early application permitted.</p> <p><b>Practice Alert:</b> AU-C 570.07 defines "reasonable period of time" as a period of time not to exceed one year beyond the date of the financial statements being audited, while ASU No. 2014-15, requires the entity's management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the date the financial statements are available for issue, whichever is applicable. In January 2015, the Auditing Standards Board issued four interpretations of AU-C 570 (see AU-C 9570). Interpretation No. 2 (<i>Definition of Reasonable Period of Time</i>) states that if under the entity's applicable financial reporting framework management is required to evaluate whether there are conditions and events that raise</p>	Instructions	Y	ASU 2014-15	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	substantial doubt for a period of time greater than one year from the date of the financial statements, the auditor's assessment of management's going concern evaluation would be for the same period of time as required by the applicable financial reporting framework.				
<b>AUD-908 Interim Review Program: Management Inquiries</b>					
Modify	Modified Practice Point (under step 16) now reads: <b>Practice Point:</b> Management is required to perform the assessment in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The failure to perform such an assessment and management's instructions to the auditor to not perform the assessment constitute a departure from U.S. GAAP, unless the entity is eligible to apply the accounting alternative in ASU No. 2014-07, <i>Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements</i> .	Procedures steps	Y	ASU No. 2014-07	

### Auditor's Reports (RPTs)

- **NEW RPT-940A Unmodified Opinion on Comparative Financial Statements with Emphasis of Matter Paragraph: Opinion on the Financial Statements of a Prior Period Is Revised to Reflect Adoption of a Private Company Council Accounting Alternative for VIEs That Results in a Change to a Previously Issued Report** sample illustrative report provided for reporting on comparative financial statements with emphasis-of-matter paragraph when the opinion on the financial statements of a prior period is revised to reflect adoption of a private company council accounting alternative for VIEs resulting in a change to a previously issued report.
- **RPT-0933 Unmodified Opinion on Current Year's Financial Statements: Qualified Opinion on Prior Year's Income Statement** modified sample illustrative report.
- **RPT-0985 Qualified Opinion: Departure from U.S. GAAP—Unconsolidated Variable Interest Entity (VIE)** modified; added new Practice Alert for ASU No. 2014-07.

### Correspondence Documents (CORs)

- **COR-220 Preapproval of Nonattest Services** *Preapproval of Nonaudit Services* title has been changed to *Preapproval of Nonattest Services*.

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-220	Modify	Title changed to "Preapproval of Nonattest Services"; minor wording changes.	Text	Y	Code
COR-901	Modify	Minor wording changes under "Information Provided."	Text		

## Practice Aids (AIDs)

- **AID-201 Nonattest Services Independence Checklist** added Practice Alert addressing the revised AICPA Code of Professional Conduct (Code); modified sample correspondence in accordance with revised CODE and the Nonattest Services Interpretation.
- **AID-801 Audit Sampling Worksheet for Substantive Tests of Details** modified functionality.
- **NEW AID-806A Investments in Debt Securities Analysis** Designed to record beginning balance, additions, disposals, gain/loss, and ending balance for entities that invest in debt securities such as mortgages.
- **AID-833 Analysis of Equity Accounts--Corporations Including REITS** modified title to: *Analysis of Equity Accounts—Corporations Including REITs*. Designed to reconcile the activity in equity during the period from the beginning balance to the ending balance for preferred stock, common stock, treasury stock, additional paid in capital, comprehensive income, and retained earnings for corporations including REITs.
- **NEW AID-833A** added: *Analysis of Equity Accounts: Unincorporated Entities*. Designed to reconcile the activity in equity during the period from the beginning balance to the ending balance--for unincorporated entities.

## Resource Documents (RESs)

- **RES-001 KBA Methodology Overview** minor modifications (added references to ASC 410, 605, 845, 855 to list of relevant real estate accounting literature that needs to be understood to deal with the unique aspects and considerations of real estate related issues).
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and modified workpaper titles.

**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:

FASB Accounting Standards Codification as of June 30, 2015, and through Accounting Standards Update No. through Accounting Standards Update (ASU) No. 2015-10, including:

- [ASU No. 2015-03, Interest—Imputation of Interest \(Subtopic 835-30\): Simplifying the Presentation of Debt Issuance Costs;](#)
- [ASU No. 2015-04, Compensation—Retirement Benefits \(Topic 715\): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets;](#)
- [ASU No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software \(Subtopic 350-40\): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement;](#)
- [ASU No. 2015-06, Earnings Per Share \(Topic 260\): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions;](#)
- [ASU No. 2015-07, Fair Value Measurement \(Topic 820\): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share \(or Its Equivalent\);](#)
- [ASU No. 2015-08, Business Combinations \(Topic 805\): Pushdown Accounting – Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115;](#)
- [ASU No. 2015-09, Financial Services—Insurance \(Topic 944\): Disclosures about Short-Duration Contracts;](#) and
- [ASU No. 2015-10, Technical Corrections and Improvements.](#)

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>
<b>KBA</b> s	<b>KNOWLEDGE-BASED AUDIT DOCUMENTS</b>		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud		
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: 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-904	Audit Documentation Checklist		
<b>AUDs</b>	<b>AUDIT PROGRAMS</b>		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X
AUD-801	Audit Program: Cash		
AUD-802	Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Receivables and Revenues from Real Estate Operations		
AUD-804	Audit Program: Receivables and Revenues from Timeshare Operations		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
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		
AUD-820	Audit Program: Commitments and Contingencies		



<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
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		
<b>AIDs</b>	<b>PRACTICE AIDs</b>		
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		
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 Ctrls: 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	Does the auditor expect to use a specialist on this engagement? 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	Does the auditor expect to use a specialist on this engagement? 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