2017 DEALERSHIPS AUDIT 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 ***2017 Knowledge-Based Audits of Dealerships*** tools have been updated to take into account the latest literature, standards, and guidance applicable to audit engagements. The 2017 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 2017 edition of ***Knowledge-Based Audits™ of Dealerships*** includes the following updates:

Knowledge-Based Audit Documents (KBAs)

- **KBA-303** title has been modified to ***Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations***
- **KBA-501** title has been modified to ***Team Discussion and Consideration of the Risks of Material Misstatement***

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					
Modify	Modified step 3 now reads as follows: Users or expected users of the financial statements (e.g., owners – current or potential, stakeholders, lenders).				
Modify	Added: The auditor may use ***AID-603 Component Identification and Analysis*** to document the entity's components and the auditor's assessment of the significance of each component.	Section 1	N		
Modify	Added step 3, including comment table and Practice Point:	Section III	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	If applicable, the following is our rationale for concluding not to test operating effectiveness of controls: **Practice Point:** If the auditor is assessing control risk at maximum because testing controls would not be effective (as opposed to efficient), for example, the risk assessment procedures have identified controls that are not designed or implemented effectively, a control deficiency exists that must be evaluated and reported. ***KBA-103 Evaluating and Communicating Internal Control Deficiencies*** may be used to assess the severity of the deficiency.				
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	SAS-130 updates throughout; modified throughout; modified instructions accordingly; columns have been reorganized; added N/A option to column 15.	Purpose; Instructions; text; table	Y	SAS-130	All columns will retain on roll forward.
KBA-105 Review of Significant Accounting Estimates					
Modify	Modified table, adding new column ("Retrospective Review Performed, Yes, No) and Workpaper Reference column.	Table	N		All columns will retain on roll forward if user uses the default roll forward settings or the user selects to keep all responses.
KBA-200 Entity Information and Background					
Modify	Minor modifications for consistency with wording of related workpapers	Table	N		
Modify	Modified item 12, which now reads as follows: Describe the users or expected users of the financial statements (e.g., owners, stakeholders, lenders)	Instructions; text	N		
Modify	Modified step 17 to read as follows: Entity's banking and floor plan relationships	Text			
KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities					
New	The Tailoring Question, "Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?" has been added and will show step b in Section III if "Yes" is answered.				This TQ will flow the answer from AUD-100.
Modify	Part 2, Section I, added questions a, b, c, as follows: Management has not identified a main point of contact.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Management and those charged with governance do not care about our integrity. Management has not agreed to be available and is unwilling to answer questions and to provide clear answers or requested documentation in a timely fashion.				
Modify	Part 2, Section I, modified question t, which now reads as follows: Does management lack the commitment to adopt and apply appropriate accounting principles or demonstrate the desire to interpret accounting principles or demonstrate the desire to interpret accounting principles in an aggressive manner?	Table	N		This step will retain on roll forward using default settings.
Modify	Modified Section III table step “b”; now reads: If we have been engaged to perform an integrated audit, are we using the same suitable and available criteria as used by management for its assessment of the effectiveness of the entity’s internal control over financial reporting? (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). This step will show only when the TQ noted above is answered as “Yes”.	Table	Y	AU-C Section 940	
Modify	Part 2, Section III, modified step p, which now reads as follows: Are there any services that the firm has already provided, is in the process of providing, or will be providing, during the period of the professional engagement that might impair independence? (See ET Section 1.295, *Nonattest Services*, of the AICPA Code of Professional Conduct and SEC Rule 201(e)(4), if applicable.)	Table	Y	Peer Reviewer checklist (A107)	This step will retain on roll forward using default settings.
Modify	Part 2, Section III, modified step u, which now reads as follows: Are there any indications that our firm does (might) have a problem billing or collecting its fees and will all fees, billed or unbilled, or note(s) receivable arising from such	Table	Y	Peer Reviewer checklist (A111)	This step will reset on roll forward due to the content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	fees for any professional services provided more than one year prior to the date of the report be paid prior to the issuance of the report for the current engagement?				
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholders for Trivial Amounts					
Modify	Moved "Performance Materiality" section above "Lesser Materiality" on both the Component Materiality tab and the Materiality Calculations tab of the excel version. Also moved this in the word version.	Text	N		
KBA-302 Understanding the Entity and Its Environment: Complex					
Modify	Added: **Practice Point:** In an integrated audit, since risk assessment underlies the entire audit process for the audit of internal control over financial reporting described by AU-C Section 940, *An Audit of Internal Control over Financial Reporting That Is Integrated With an Audit of Financial Statements* (effective for integrated audits for periods ending on or after December 15, 2016), the risk assessment procedures described in AU-C Section 315 (and incorporated in this practice aid) support both the financial statement audit and the audit of internal control over financial reporting.	Instructions	Y	AU-C Section 940	
Modify	Section II, 1. Industry Conditions, added new factor c, as follows: Stability of the entity's franchisor (manufacturer).	Table	N		
Modify	Section III, 6, Financing, modified factor j as follows: Use of derivative financial instruments such as interest rate swaps.	Table	N		This step will retain on roll forward using default settings.
Modify	Added Practice Point in Section VII **Practice Point:** For an integrated audit, AU-C Section 940 states that when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to the requirements of AU-C Section 240; (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.	Table	Y	AU-C Section 940	
KBA-302N Understanding the Entity and Its Environment: Noncomplex					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Changed “property management company” throughout to “management company”	Text	N		
Modify	Added Practice Point: **Practice Point:** In an integrated audit, since risk assessment underlies the entire audit process for the audit of internal control over financial reporting described by AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (effective for integrated audits for periods ending on or after December 15, 2016), the risk assessment procedures described in AU-C Section 315 (and incorporated in this practice aid) support both the financial statement audit and the audit of internal control over financial reporting.	Instructions	Y	AU-C 940	
Modify	Added Practice Point under Section VI: **Practice Point:** For an integrated audit, AU-C Section 940 states that when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to the requirements of AU-C Section 240; (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.	Table	Y	AU-C 940	
KBA-303 Inquiries of Management and Others Within the Entity About the Risks of Fraud and Noncompliance With Laws and Regulations					
Modify	Modified title and Purpose and Instructions language from “risks of fraud” to “risks of fraud and noncompliance with laws and regulations.” Modified Practice Point, as follows: **Practice Point:** The auditor may wish to define fraud and noncompliance with laws and regulations as a lead-in to any inquiries. AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, states that fraud is “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit”. AU-C Section 240 specifically deals with the risk of material misstatement due to fraud and states that there are two types of intentional misstatements that are relevant to the auditor—misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Both of these should be considered by the auditor when assessing the risk of material misstatement.	Purpose; Instructions	Y	AU-C 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	AU-C Section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements,* refers to noncompliance with laws and regulations as "acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. Noncompliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity." **Practice Point:** For an integrated audit, AU-C Section 940, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements, states that when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to the requirements of AU-C Section 240; (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.				
Modify	Added items under Inquiries of Management: Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations? Are there any practices in the Finance & Insurance department that you believe may not be in compliance with local and federal laws?	Table	N		
Modify	Modified/Added under Inquiries of Management: Describe the entity's policies and procedures regarding compliance with laws and regulations, and for identifying, evaluating, and accounting for litigation claims resulting from noncompliance: Describe the entity's directives issued and periodic representations obtained from management at appropriate levels of authority concerning compliance with laws and regulations.	Table			The modified question will be retained on roll forward if user selects to keep all responses.
Modify	Added items under Others Charged with Governance, as follows:	Table	N		The modified question will be retained on roll forward if user selects to keep all responses.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations? Are there any practices in the Finance & Insurance department that you believe may not be in compliance with local and federal laws? Modified/added: Document the identity of the entity's related parties including changes from the previous year, the nature of the relationships between the entity and each related party, and the type and purpose of transactions entered into, including how these transactions are identified, accounted for, disclosed, authorized and approved:				
Modify	Added (under Inquiries of Internal Audit Function (if applicable): Are you aware of any noncompliance with laws and regulations? Are there any practices in the Finance & Insurance department that you believe may not be in compliance with local and federal laws?	Table	N		
Modify	Added (under Inquiries of Employees Involved in the Financial Reporting Process): Are you aware of any noncompliance with laws and regulations?	Table	N		
Modify	Added, under Inquiries of Others: **Practice Point:** Per AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, examples of others within the entity to whom the auditor may wish to direct these inquiries include: • Employees involved in initiating, authorizing, processing, or recording complex or unusual transactions (which may help in evaluating the appropriateness of the selection and application of certain accounting policies); • Employees with varying levels of authority within the entity, including, for example, entity personnel with	Table	Y	AU-C Section 240	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	whom the auditor comes into contact during the course of the audit (a) in obtaining an understanding of the entity's systems and internal control, (b) in observing inventory or performing cutoff procedures, or (c) in obtaining explanations for fluctuations noted as a result of analytical procedures; • Operating personnel not directly involved in the financial reporting process; • Marketing, sales, or production personnel, or other operating personnel not directly involved in the financial reporting process; • In-house legal counsel; • Risk management function; • Information systems personnel; • Chief ethics officer or the equivalent position; and • The person(s) charged with dealing with allegations of fraud.				
Modify	Added (under Inquiries of Others): Are you aware of any noncompliance with laws and regulations? Modified: Based upon the above inquiries, we investigated inconsistencies related to inquiries of management, those charged with governance, and others, and have considered their impact on our assessment of the risk of fraud and identified risks of material misstatement due to fraud that have been summarized at ***KBA-502 Summary of Risk Assessments*.**	Table	N		The modified question will be retained on roll forward if user selects to keep all responses.
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
Modify	Minor modifications throughout	Text; table, other than procedures	N		
New	New diagnostic in Table 2 if the user answers column 12, "Are Controls Functioning" as "No" but the user hasn't answered column 7, "If Column 6 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to KBA-103.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
New	New diagnostic in Table 3 if the user answers column 13, “Are Controls Functioning” as “No” but the user hasn’t answered column 8, “If Column 7 is “No” Describe the Control Deficiency Identified”. This will remind the user to describe the control deficiency if the controls aren’t functioning so there is no blank flow to KBA-103.	Table	N		
New	Added a comments column at end of Table 1: Scoping and Mapping. This column doesn’t have to be completed as it will not have an unanswered question diagnostic.				
KBA-401 Understanding Entity-Level Controls: Complex					
Modify	Added, to Instructions, after first paragraph: Obtaining an understanding of entity-level controls is a continuous, dynamic process of gathering, updating, and analyzing information throughout the audit. Identifying significant changes in entity-level controls from previous periods is particularly important in gaining a sufficient understanding of the entity and to identify and assess risks of material misstatement. To highlight significant changes in the current year, the auditor should designate the degree of change from the previous year. A significant change from the previous year may be an indication of a necessary modification to the assessment of risk and design of further audit procedures related to that item. While performing each audit, the auditor should continually update this form to update the knowledge gained in previous years. Entity-level controls vary in nature and level of precision and the extent to which the auditor may rely on them; therefore, the auditor should consider that: • Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls.	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	• Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls. • Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk.				
Modify	Modified bulleted text under "If "No," Identify the Type of Deficiency": *Material weakness*. A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: – *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely. – *Probable*. The future event or events are likely to occur. *Significant deficiency*. A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. *Deficiency in internal control.* A deficiency in internal control over financial reporting exists when the design or	Table	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in *design* exists when (*a*) a control necessary to meet the control objective is missing, or (*b*) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. Under If "Yes," Are Controls Selected for Operating Effectiveness Testing", modified Instructions for table: This column should be used to document the auditor's conclusion as to whether the control will be tested for operating effectiveness. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the auditor should test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting.				
KBA-401N Understanding Entity-Level Controls: Noncomplex					
Modify	Added: Entity-level controls vary in nature and level of precision and the extent to which the auditor may rely on them; therefore, the auditor should consider that: • Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	the nature, timing, and extent of procedures the auditor performs on other controls. • Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls. • Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk. Modified the text regarding AU-C 265, under "Procedures Performed to Evaluate the Control / Workpaper Reference", which now reads as follows: AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, defines deficiencies as follows: • *Material weakness.* A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:				

 KCO-001

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	– *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely. – *Probable*. The future event or events are likely to occur. • *Significant deficiency.* A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. • *Deficiency in internal control.* A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in *design* exists when (*a*) a control necessary to meet the control objective is missing, or (*b*) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. Under "Controls Selected for Operating Effectiveness Testing", added: For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the auditor should test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting.				
KBA-402 Understanding General Controls for Information Technology					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified Section III instructions under “If No, Identify the Type of Deficiency”: AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, defines deficiencies as follows: • *Material weakness*. A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: – *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely. – *Probable*. The future event or events are likely to occur. • *Significant deficiency*. A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. • *Deficiency in internal control.* A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in *design* exists when (*a*) a control necessary to meet the control objective is missing, or (*b*) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or when the	Table	Y	AU-C Section 265	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	person performing the control does not possess the necessary authority or competence to perform the control effectively.				
Modify	Modified: **If "Yes," Are Controls Selected for Operating Effectiveness Testing?** This column should be used to document the auditor's conclusion as to whether the control will be tested for operating effectiveness. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the auditor should test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting.	Table	Y	AU-C Section 940	
KBA-403 Understanding Activity Level Controls: Revenues, Receivables, and Cash Receipts through KBA-411 Understanding Activity Level Controls: Financial Reporting and Closing Process					
	Step 5 instructions, added: • If testing the operating effectiveness of controls, document the *Description of the Identified Key Controls* at ***AID-702 Results of Tests of Controls***. Table column 5 modified: *Description of the Identified Key Controls* *(Document in AID-702, if applicable)*	Table	N		
New	New diagnostic in the Subprocesses table if the user answers column 14, "Are Controls Functioning" as "No" but the user hasn't answered column 9, "If Controls Are Not Implemented, Not Designed Effectively, or Only Partially Effective, Describe the Control Deficiency". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to the Conclusion Section.	Table	N		
Modify	Column 5 header of the subprocess table was modified to read: Description of the Identified Key Controls (Document in AID-702, if applicable)				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	This part in parenthesis was added to remind the user where to document the key controls that may be tested.				
KBA-403 Understanding Activity-Level Controls: Revenue, Receivables, and Cash Receipts					
Modify	Under "Order Processing," modified the first activity-level control objective (for existence or occurrence), which now reads as follows: Customer sales contracts (vehicle purchases) and parts tickets / repair orders are valid. Modified the fifth activity-level control objective (for cutoff), to read as follows: Vehicle sales and parts/service orders are recorded in the proper period. Under "Distribution and Delivery," modified the first activity-level control objective (for existence or occurrence) to read as follows: Delivery of vehicles/service work and shipments of parts recorded represent valid goods delivered and shipped. Under "Invoicing," modified the second and third activity-level control objectives (for existence or occurrence) to read as follows: All invoices issued represent valid sales/services performed and supported by signed customer contracts. Sales invoices (signed customer contracts) evidencing delivery date are included in deal folders. Under "Accounts Receivable, Credit Authorization, Issuance of Credit Notes, and Adjustments, modified the first ALC objective (for existence or occurrence) to read as follows: Customers' statements are mailed periodically for wholesale parts receivable customers.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Under "Cash Receipts and Relief of Accounts Receivable," modified the sixth ALC objective (for cutoff) to read as follows: Cash receipts are recorded in the period in which they are received, and the related cash sales receivable account is reconciled and cleared on a timely basis.				
KBA-404 Understading Activity-Level Controls: Inventory					
Modify	Under "Inventory Costing," added an ALC objective (for accuracy, valuation, or allocation) to read as follows: Parts inventory is recorded at replacement cost, based upon monthly updates from the manufacturer.	Table	N		
KBA-405 Understanding Activity-Level Controls: Property, Plant, and Equipment					
Modify	Under "Purchases," added an ALC objective (for understandability, classification, presentation, and disclosure) as follows: Service loaner vehicles are properly amortized in accordance with the respective factory buyback plan. Under Disposals," added an ALC objective (for understandability, classification, presentation, and disclosure) as follows: Service loaner vehicles disposed of and transferred to used vehicle inventory are recorded at the correct cost, and gain or loss recognized is properly recorded.	Table	N		
KBA-407 Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements					
Modify	Changed the heading "Warranty Reserves" to "Warranty and Chargeback Reserves" and modified the first ALC objective (for existence or occurrence) as follows: Estimated warranty reserves are the result of valid transactions and represent future obligations of the entity (for any entity-specific warranty offered only). Estimates of potential chargebacks from finance and insurance products sold are based on proper estimates of future product cancellations.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Under “Warranty Reserves” modified the last ALC objective; now reads: Warranty reserves and chargeback reserves are estimated in accordance with the applicable financial reporting framework using a method that is consistently applied.				
KBA-408 Understanding Activity-Level Controls: Payroll and Other Liabilities					
Modify	Under “Processing and Recording Payroll and Withholdings,” added an ALC objective (for existence or occurrence), as follows: Service technician overtime is properly calculated – ensuring actual hours worked is considered versus just flagged hours.	Table	N		
KBA-409 Understanding Activity-Level Controsl: Treasury					
Modify	The heading “Borrowing and Issuance of Debt,” modified; now reads: “Borrowing, Floor Plan Liability, and Issuance of Debt” The ALC objectives below now read: Borrowings and floor plan liability are valid Borrowings and floor plan liability belong to the entity. All borrowings and floor plan liability are recorded and are not understated. Borrowings and floor plan liability are recorded in the right amount. Borrowings and floor plan liability are recorded in the proper period. Borrowings and floor plan liability are properly presented and all significant terms disclosed. Under the heading “Compliance with Covenants,” added new ALC (for understandability, classification, presentation, and disclosure) as follows: Floor plan agreement terms are maintained and vehicles are not “out of trust”	Table	N		
KBA-412 Understanding Controls Maintained by a Service Organization					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Added: **Practice Point:** In an integrated audit, if a service organization's services are part of an entity's information system, then they are part of the entity's internal control over financial reporting and the auditor should consider the activities of the service organization when determining the evidence required to support his or her opinion on the effectiveness of an entity's internal control over financial reporting. In such circumstances, the auditor is required to perform the procedures described in AU-C Section 402 with respect to the activities performed by the service organization and obtain evidence that controls at the service organization that are relevant to the auditor's opinion on internal control over financial reporting are operating effectively.	Purpose	Y	AU-C Section 402	
Modify	Added step 4: We inquired of management to determine if management is aware of any changes in the service organization's controls subsequent to the period covered by the service auditor's report, and evaluated the effect of any such changes on the audit. **Practice Point:** Changes in the service organization's controls may include: • Changes communicated to management from the service organization, including those related to the service organization's processes and information systems. • Changes in personnel at the service organization with whom management interacts. • Changes in the design or implementation of controls that were necessary to achieve the control objectives. • Changes in reports or other data received from the service organization. • Changes in contracts or service level agreements with the service organization. • Errors identified in the service organization's processing or incidents of noncompliance with laws and regulations or fraud.	Table	N		
New	New Tailoring Question, "Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?" that will flow from answer from AUD-100.				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Added step 6: In an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), we determined whether additional evidence about the operating effectiveness of controls at the service organization is needed based on (a) the procedures performed by management or us and the results of those procedures, and (b) an evaluation of the following risk factors: a. Deficiencies identified as a result of procedures performed. b. The elapsed time between the time period covered by the tests of controls in the service auditor's report and the "as of date" specified in management's assessment. c. The significance of the activities of the service organization. d. Whether there are errors that have been identified in the service organization's processing. e. The nature and significance of any changes in the service organization's controls identified by management or the auditor. f. If these or similar factors have been found to exist, we determined whether to obtain additional evidence about the operating effectiveness of controls at the service organization. This step will Show if the user answers "Yes" to the new TQ noted above.	Table	Y	AU-C Section 940	
Modify	Modified step 7, which now reads as follows: If we plan to use a Type 1 report as audit evidence to support the understanding about the design and implementation of controls at the service organization, we:	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified Conclusion; first step reads as follows: We evaluated whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the entity's internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of the risks of material misstatement, or whether we need to perform updating or other procedures with respect to the service organization. Modified step 2, removing the first sentence, which became new step 1 above; step 2 now begins as follows: We also determined whether we can rely on the service auditor's report or whether we need to perform updating or other procedures with respect to the service organization. We considered the following in making this conclusion:	Table	N		This step will reset on roll forward since it was combined with another step. Step 2 of the conclusion will retain the answer of this combined step from the prior year.
Modify	Added new step 3, under Conclusion: Our assessment of the risk of material misstatement for the affected audit area considers, or has been appropriately updated for, our conclusions reached based on our evaluation of the service organization. ***KBA 502 Summary of Risk Assessments***	Table	N		
KBA-501 Team Discussion and Consideration of the Risks of Material Misstatement					
Modify	Title modified to "Team Discussion and Consideration of the Risks of Material Misstatement" Added, to the Instructions: This document is designed to help the auditor respond to those risks and to document the auditor's consideration of fraud in accordance with AU-C Section 240.	Instructions	Y	AU-C Section 240	
Modify	Modified/added items, to the bulleted list in the Instructions, as follows: • The susceptibility of a material misstatement of the financial statements due to fraud or error that	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	could result from the entity's related-party relationships and transactions, including how related-parties may be involved in fraud, such as: – Entities formed to accomplish a specific purpose and that are controlled by management might be used to facilitate earnings management; – Transactions between the entity and an affiliate of a key member of management could be arranged to misappropriate the entity's assets; – Equity distributions or capital contributions that may be structured as loans; – Transactions between the entity and related parties that may be subject to period-end window dressing (e.g., a stockholder may pay a loan shortly before period-end, but the entity loans the same amount to the stockholder shortly after period-end); and – Certain entities (e.g., governmental entities or entities operating in regulated industries) may circumvent laws or regulations that curb their ability to engage in transactions with related parties.				
Modify	Added Procedures steps 1 to 5 under "Identification of Risks of Material Misstatement": 1. We discussed the following matters that may be relevant in identifying risks of fraud: a. Risk of omitted, incomplete, or inaccurate disclosures. b. Information from the results of procedures relating to the acceptance and continuance of entity relationships and engagements. c. Information from the results of reviews of interim financial statements. d. Inherent risk identified as part of the consideration of audit risk at the relevant assertion level.	Procedures steps	N		These steps will retain from AUD-903 if the user selects to keep all responses on roll forward. If KBA-501 wasn't included in the binder before roll forward please insert it so that these steps will retain on roll forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	2. We reminded all engagement personnel of the need to emphasize professional skepticism, recognizing the possibility that a material misstatement due to fraud may exist, notwithstanding past experience related to the honesty and integrity of management and those charged with governance. 3. We reminded all engagement personnel to critically assess audit evidence, and that if reason exists to doubt the authenticity of documents obtained from management or the contents of those documents, to consult with other team members or experts in the firm where appropriate. 4. We included the person with final responsibility for the audit and other key members of the audit team (e.g., managers, seniors) in the discussion of the risks of material misstatement, including fraud. 5. If auditor's specialists were assigned to the engagement, we considered involving such specialists in the brainstorming session.				
Modify	Added step at end of document as follows: We emphasized the need to discuss the risks of fraud throughout the audit, including when evaluating audit evidence at or near the completion of fieldwork				
KBA-502 Summary of Risk Assessments					
Modify	Added, under Section I: Financial-Statement-Level Risks: • Scrutinizing those accounting principles involving subjective measurements and complex transactions; • Evaluating the entity's selection and application of significant accounting principles; and				
Modify	Modified the first part of step 2 under Section II Assertion-Level Risks, now reads as follows: Document any identified risks specific to each area. The auditor should identify risks specific to an area because audit procedures especially designed to address those risks will often need to be performed. For example, the allowance for inventory obsolescence for an entity that sells highly perishable goods may be a specific risk. In				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	that case, the auditor should design audit procedures to address that risk rather than rely on audit procedures typically performed in audits of other entities. These specific risks may also be fraud risks or significant risks. In determining whether a specific risk should be assessed in this form, the auditor should (a) relate the risk to what can go wrong at the relevant assertion level; (b) consider the magnitude of the potential misstatement; (c) consider the likelihood of its occurrence; and (d) consider the pervasiveness of the risk (i.e., is the risk related to specific financial-statement account balances or classes of transactions and related assertions, or is it related to the financial statements as a whole). Note that the significant risks and fraud risks may have already been identified at ***KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures***. If not done already, the significant or fraud risks should also be identified at ***KBA-400***.				
Modify	Modified column 8 instructions: Column 8 to document the assessment of control risk. (*Note*: To assess control risk at less than maximum, the auditor should perform tests of operating effectiveness of internal controls. Where applicable, after testing the operating effectiveness of internal controls, the auditor should re-evaluate and modify, if necessary, the assessed level of control risk and determine whether any change in assessment would require any modification to the nature, timing, and extent of substantive audit procedures.)	Table	N		
Modify	Added Column 12 instructions and added a "Comments" column to the Section II table: Column 12 to provide additional comments, if necessary.	Table	N		
Modify	Modified table to reflect split of AUD-802 (now AUD-802A and 802B)	Table	N		
KBA-903 Tax Specialist Review Checklist					
Modify	Under "Tax Specialist Review," add new step:	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Provisions for unrecognized tax benefits (uncertain tax positions), including the related liability, penalties, and interest have been properly accounted for and disclosed.				
KBA-904 Audit Documentation Checklist					
New	New Tailoring Question, "Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?" that will flow from answer from AUD-100.				
Modify	SAS-130 Updates, steps 1 and 2, as follows: 1.a. The objective and scope of the audit of the financial statements or, if applicable, the audit of internal control over financial reporting that is integrated with an audit of financial statements ("integrated audit"); 1. e. A statement that because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS; and 2. For an integrated audit, we requested and obtained from management its written assessment about the effectiveness of the entity's internal control over financial reporting (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). Step 2 above will show if the TQ noted above is answered as "Yes". **Practice Point:** Management's refusal to provide a written assessment represents a scope limitation. See ***RES-001 Knowledge-Based Audit Methodology Overview*** for further guidance.	Table	Y		Due to the changes within step 1 it will reset on roll forward. Step 2 was added as a new step.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	SAS-130 Updates, step 5as follows: The audit documentation includes the following (AU-C 300; AU-C 940): The overall audit strategy for the audit of the financial statements or, if applicable, the integrated audit;	Table	Y	AU-C 300; AU-C 940	Due to the changes in step 5 and 5a these two steps will reset on roll forward.

Audit Programs (AUDs)

- Updated where applicable for consistency with the Commercial 2017 Title.
- **AUD-802A** title has been modified to **Audit Program: Investments in Securities**
- **AUD-804A** title has been modified to **Audit Program: Inventories and Cost of Sales: Parts and Other Inventories**
- **AUD-813** title has been modified to **Audit Program: Revenue and Expense**

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
AUD-100 Engagement-Level Tailoring Questions					
New	New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)? If this TQ is marked as “Yes” then the TQ, “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” will default to “Yes” and will be hidden. If his TQ is marked as “No” then the TQ, “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” will be left for user selection. TQ will affect other workpapers within the title.				If the TQ “Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?” was answered “Yes” in the prior year then after roll forward this question will be hidden by default but retains the “Yes” answer. The tailoring question above will only show in AUD-100 if you have answered “No” to this new TQ, “Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)?” After you answer this new TQ, the TQ, “What audit areas, applicable to the engagement, will you be performing tests of operating effectiveness of controls?” will show and retain your prior year response.
AUD-101 Overall Audit Program					
New	New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over				

	financial reporting that is integrated with the audit of financial statements)? TQ will flow from AUD-100. New TQ will show/hide multiple steps within AUD-101. Each of these are new steps for this title. TQ answer will flow from AUD-100.				
Modify	Modified first paragraph as follows: This overall audit program has been designed to help the auditor apply an audit methodology to an audit of financial statements (and, if applicable, an audit of internal control over financial reporting) in accordance with professional auditing standards by listing the steps that should typically be performed in each phase of an audit. This program is supplemented by forms and practice aids to help the auditor perform various audit process steps. In addition to this program and the accompanying forms and practice aids, the auditor will need to create additional audit documentation during the course of the audit.	Purpose	Y	ICFR	
Modify	Modified and updated throughout for ICFR and with new references and Practice Points where applicable. Added step (new step 3) and Practice Point: For an integrated audit, determine which suitable and available criteria has been used by management for its assessment of the effectiveness of the entity's internal control over financial reporting for use in our evaluation of the effectiveness of the entity's internal control over financial reporting. (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). **Practice Point:** The auditor should plan and perform the audit of internal control over financial reporting to obtain appropriate evidence that is sufficient to provide reasonable assurance about whether material weaknesses exist as of the date specified in management's assessment about the effectiveness of internal control over financial reporting. To achieve this objective, the auditor should use the same suitable and available criteria to perform the audit of internal control over financial reporting as management uses for its assessment of the effectiveness of the entity's internal control over financial reporting.	Text; procedures steps	Y	AU-C 940	

Modify	Modified item a in the Practice Point (in step 13) as follows: **Practice Point:** The required elements of the terms of engagement include: a. The objective, timing, and scope of the audit of the financial statements (and, if applicable, the audit of internal control over financial reporting); Modified references: ***COR-201 Audit Engagement Letter*** ***COR-201A Audit Engagement Letter: Integrated Audit*** ***COR-202 Audit Engagement Letter When Also Performing Reviews of Interim Financial Information*** ***COR-202A Audit Engagement Letter: Integrated Audit When Also Performing Reviews of Interim Financial Information***	Procedures step	Y	ICFR	
Modify	Added new step (14) and Practice Points: For an integrated audit, obtain from management its written assessment of the effectiveness of the entity's internal control over financial reporting. (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). Added step and Practice Point, step will show if the TQ above is answered "Yes": **Practice Point:** Management's refusal to provide the auditor with a written assessment represents a scope limitation. See ***RES-001 Knowledge-Based Audit Methodology Overview*** for further guidance. **Practice Point:** Management's assessment about internal control over financial reporting should include: (1) entities that are acquired on or before the date specified in management's assessment; (2) operations that are accounted for as discontinued operations on the date specified in management's assessment; and (3) for equity-method investment components, controls over the reporting in the entity's financial statements of the entity's portion of the investees' income or loss, the investment balance, adjustments to the income or loss and investment balance, and related disclosures.	Procedures steps	Y	AU-C 940	

Modify	Step 17 modified: Establish and document the overall audit strategy for the audit of financial statements, and if applicable, the audit of internal control over financial reporting, that sets the scope, timing, and direction of the audit, and that guides the development of the audit plan. Modified Practice Point: **Practice Point:** Elements of the overall audit strategy may include: • The characteristics of the engagement that define its scope, such as the components (e.g., locations) to be visited or the reliance on other auditors or internal auditors; • Reporting objectives, audit timing, and nature of communications; • Factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts; • The results of preliminary engagement activities; • Relevant knowledge gained on other engagements performed, when applicable; and • The nature, timing, and extent of resources necessary to perform the engagement. Added: **Practice Point:** For an integrated audit (AU-C Section 940*, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the following factors may assist the auditor in developing an audit strategy and planning the audit of internal control over financial reporting: • Knowledge of the entity's internal control over financial reporting obtained during other engagements performed by the auditor or, if applicable, during a review of a predecessor auditor's working papers; • Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes; • Matters relating to the entity's business, including its organization, operating characteristics, and capital structure; • The nature and extent of recent changes, if any, in the entity, its operations, or its internal control over financial reporting; • The auditor's preliminary judgments about financial statement materiality, risk, and other factors relating to the determination of material weaknesses;	Procedures steps	Y	AU-C 940	Step will reset on roll forward due to extent of changes.

	• Internal control deficiencies previously communicated to those charged with governance or management; • Legal or regulatory matters of which the entity is aware; • The type and extent of available evidence related to the effectiveness of the entity's internal control over financial reporting; • Preliminary judgments about the effectiveness of internal control over financial reporting; • Public information about the entity pertinent to the evaluation of the likelihood of material financial statement misstatements and the effectiveness of its internal control over financial reporting; • Knowledge about specific risks related to the entity that were evaluated as part of the acceptance and retention evaluation of the client; and • Complexity of the entity's operations. Updated references: ***KBA-101 Overall Audit Strategy*** ***AID-601 Considering the Use of the Work of Internal Auditors*** ***AID-602 Understanding and Preliminary Assessment of the Entity's Internal Audit Function*** ***AID-603 Component Identification and Analysis*** ***AUD-601 Audit Program: Testing and Evaluating Internal Auditors' Work*** ***AUD-602 Audit Program: Involvement of a Component Auditor*** ***AUD-603 Audit Program: Using the Work of an Auditor's Specialist*** ***AUD-604 Audit Program: Using the Work of a Management's Specialist***				
Modify	Step (23) modified: Hold a discussion among the engagement team, which should include the engagement partner and other key engagement team members, including any component auditors, to emphasize the need to use professional skepticism and to discuss the susceptibility of the entity's financial statements to material misstatements, whether due to error or fraud, and the application of the applicable financial reporting framework to the entity's facts and circumstances.	Procedures step	Y	ICFR	

Deleted	Deleted Practice Point: **Practice Point:** During the engagement team meeting, the auditor should: b. Discuss the susceptibility of the entity's financial statements to material misstatements. c. Discuss the entity's selection and application of accounting principles, including related disclosure requirements. d. "Brainstorm" about how and where the entity's financial statements might be susceptible to material misstatement due to fraud; consideration of known external and internal factors affecting the entity that might create incentives, pressures, and opportunities; how management could perpetrate and conceal fraudulent financial reporting and how assets of the entity could be misappropriated; and consideration of risk of management override of internal controls. The discussion should occur setting aside beliefs that management and those charged with governance are honest and have integrity. e. Emphasize the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement due to fraud and, when issues arise, remind engagement team members of the need to probe the issues, acquire additional evidence, and consult with other team members. f. Enable the engagement partner to determine which matters discussed are to be communicated to the team members not involved in the discussion.	Procedures step	Y	ICFR	
Modify	Added step (25) and substeps as follows: Obtain an understanding of the entity's business rationale for significant unusual transactions and whether that suggests the transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets. In obtaining such an understanding, consider the following: a. Whether the structure of such transactions is unnecessarily complex (e.g., involving multiple entities within a consolidated group or unrelated third parties). b. Whether management has informed those charged with governance about the nature of and accounting for such transactions. c. Whether management is emphasizing the need for a particular accounting treatment over the underlying economics of the transaction.	Procedures step	Y	ICFR	

	d. Whether those charged with governance have reviewed and approved transactions that involve unconsolidated related parties. e. Whether the transactions involve previously unidentified related parties or parties that are unable to support the transaction without assistance from the entity being audited.				
Modify	Modified step (26) as follows: Make required fraud and noncompliance with laws and regulations inquiries of those charged with governance, the internal audit function, and others within the entity (e.g., operating personnel not directly involved in the financial reporting process and employees with different levels of authority considered to have information that is likely to assist in identifying risks of material misstatement).	Procedures step	Y	ICFR	Step will reset on roll forward due to extent of changes
Modify	Modified step (32) as follows: Presume that there is a risk of material misstatement due to fraud as a result of improper revenue recognition, and develop auditing procedures based on the understanding obtained of the entity and its environment, including the composition of revenues, specific attributes of the revenue transactions, and unique industry considerations.	Procedures step	Y	ICFR	
Modify	Added step (46) and substeps as follows: Evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and controls intended to address the risk of management override of other controls, including: a. Controls over significant, unusual transactions, particularly those that result in late or unusual journal entries; b. Controls over journal entries and adjustments made in the period-end financial reporting process; c. Controls over related party transactions; d. Controls related to significant management estimates; and e. Controls that mitigate incentives for, and pressures on, management to falsify or inappropriately manage financial results.	Procedures step	Y	ICFR	

Modify	Modified step (57) as follows: Design further audit procedures to respond to the assessed risks of material misstatement at the relevant assertion level, including the risks of management override of internal controls, providing a clear link between the nature, timing, and extent of audit procedures and the risk assessments due to fraud or error. The procedures must address all relevant assertions related to each significant account balance, class of transactions, and disclosure, as well as the financial statement closing process. Procedures may include: a. Obtaining additional corroborative audit evidence from independent sources outside the entity or physically inspecting certain assets. b. Performing substantive tests closer to or at year-end. c. Increasing sample sizes or using computer-assisted audit techniques. d. Performing substantive analytical procedures using disaggregated data, for example, comparing gross profit by location, by line of business, or by month to expectations developed by the auditor. e. Performing procedures at locations on a surprise or unannounced basis. f. Making oral inquiries of major customers and suppliers in addition to sending written confirmations. g. Interviewing personnel involved in activities in areas where fraud risk has been identified to obtain their insights about the risk and how controls address the risk. h. If other auditors are auditing the financial statements of other components (e.g., subsidiaries, divisions), discussing with them the extent of work that needs to be performed to address the fraud risk resulting from transactions and activities among these components.	Procedures step	Y	ICFR	Step will reset on roll forward due to extent of changes

Modify	Added step (63) and Practice Point: For an integrated audit, test those entity-level controls that (1) support our assessment of control risk, and (2) are important to our conclusion about whether the entity has effective internal control over financial reporting. (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). Step will show if TQ above is answered as "Yes". **Practice Point:** The auditor should evaluate and test controls over the following: • Controls related to the control environment, including whether management's philosophy and operating style promote effective internal control over financial reporting; • Controls over management override; • The entity's risk assessment process; • Centralized processing and controls, including shared service environments; • Controls to monitor results of operations; • Controls to monitor other controls, including activities of the internal audit function, those charged with governance, and self-assessment programs; • Controls over the period-end financial reporting process; and • Programs and controls that address significant business risks.	Procedures step	Y	ICFR	
Modify	Added step (92) as follows: For an integrated audit, the auditor may issue either separate reports or a combined report on the entity's financial statements and on internal control over financial reporting, and the dates of the reports should be the same when issuing separate reports. (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016). Step will show if TQ above is answered as "Yes". ***AID-903***	Procedures step	Y	ICFR	

Modify	Modified step (95) and Practice Point as follows: Communicate in writing significant deficiencies in internal control and material weaknesses to management and those individuals responsible for financial reporting oversight. Alternatively, if no material weaknesses exist and the client requests the auditor to communicate such, a "no material weaknesses" communication may be issued if the auditor is not performing an integrated audit. ***COR-904 Communication to Entity with Significant Deficiencies and/or Material Weaknesses*** ***COR-904A Communication to Entity with Significant Deficiencies and/or Material Weaknesses: ICFR*** ***COR-905 Communication to Entity with* No *Material Weaknesses (Not for Use When Performing an Integrated Audit)*** **Practice Point:** For an integrated audit, the auditor should not issue a report indicating that no material weaknesses were identified during the integrated audit because the auditor is issuing a report that expresses an opinion on the effectiveness of the entity's internal control over financial reporting. (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016).	Procedures step	Y	ICFR	Step will reset on roll forward due to extent of changes
Modify	Modified step (98) and added new Practice Point as follows: Obtain a representation letter addressed to the auditor signed by management and those charged with governance with appropriate responsibilities for the financial statements and, if applicable, internal control over financial reporting and knowledge of the matters concerned. **Practice Point:** It is generally recommended that the president and treasurer sign the representation letter. The manager should also sign the letter. ***COR-901 Management Representation Letter*** ***COR-901A Management Representation Letter: ICFR***	Procedures step	Y	ICFR	Step will reset on roll forward due to extent of changes
Modify	Modified step (101):	Procedures step	N		Step will reset on roll forward due to extent of changes

	Issue the auditor's report on the financial statements, and if applicable, on the integrated audit, and document the report release date. ***AID-903***				
AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for Initial Audit Engagements and Transition Periods					
Modify	Under "Successor/Predecessor Auditor Communications", modified step 2, which now reads as follows: Prior to beginning the initial audit engagement, we have requested management to authorize the predecessor auditor to release his or her information to us, respond fully to all inquiries by us, and we have communicated with the predecessor auditor in accordance with professional standards.				Step will reset on roll forward due to extent of changes
AUD-601 Audit Program: Testing and Evaluating Internal Auditors' Work					
Modify	Modified Purpose section (now reads as follows); added a new Practice Point: This audit program has been designed to assist the auditor in accomplishing the following objectives when the auditor expects to use the work of the internal audit function to modify the nature or timing or reduce the extent of audit procedures to be performed during the audit of financial statements or, when applicable, the audit of internal control over financial reporting: • Determine whether the work of the entity's internal audit function, or others in a similar function (hereinafter referred to as "internal audit function"), or direct assistance from the internal auditors can be used and, if so in which areas and to what extent; • If using the work of the internal audit function to obtain audit evidence, determine whether such work is adequate for the purposes of the audit; and • If using internal auditors to provide direct assistance, determine the appropriate level of direction, supervision, and review of their work. **Practice Point:** When the auditor plans to use the work of others in obtaining audit evidence or to provide direct assistance	Purpose	Y	AU-C Section 610	

	in the audit of internal control over financial reporting, the auditor should apply the requirements in AU-C Section 610, *Using the Work of Internal Auditors*, as if others were internal auditors.				
Modify	Added new substep (2.a.) as follows: An understanding of the work of the internal audit function sufficient to identify those activities related to the audit.	Purpose	Y	ICFR	
AUD-602 Audit Program: Involvement of a Component Auditor					
Modify	Modified Purpose; now reads as follows: This audit program has been designed to help the auditor in the audit of group (or combined) financial statements and, if applicable, in the audit of internal control over financial reporting for the group: • Plan procedures when involving a component auditor, whether from another office of the firm, correspondent, affiliate, or another independent auditor, in the group financial statement audit and, if applicable, in the audit of internal control over financial reporting for the group; • Document the procedures the group engagement team performed to supervise and review the work performed by the component auditor; and • When applicable, decide whether to make reference to the component auditor in the auditor's report.	Purpose	Y	ICFR	
Modify	Modified instructions; now reads as follows: This audit program should be used when the auditor plans to involve another office of the firm, correspondent, affiliate, or independent auditor to audit the financial statements and, if applicable, internal control over financial reporting of one or more subsidiaries, divisions, branches, components, or investments included in the financial statements. The auditor may use ***AID-603 Component Identification and Analysis***, to identify, assess significance of, and document all the components included in the group. This audit program contemplates that (1) the group engagement team will establish an overall group audit strategy and develop a group audit plan(s), and (2) the	Instructions	Y	AU-C Section 940	

	group engagement partner is responsible for reviewing the overall group audit strategy and group audit plan(s), including the direction, supervision, and performance of the group audit engagement(s) in compliance with professional standards and applicable legal and regulatory requirements. For more information about group audits, refer to AU-C Section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and, for integrated audits, AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, which is effective for integrated audits for periods ending on or after December 15, 2016. If the decision is made to assume responsibility for the work of a component auditor, no reference is made to the component auditor's work or report. If the decision is made to not assume that responsibility, the report should reference the audit of the component auditor and should indicate clearly the division of responsibility between the auditor of group financial statements and the component auditor in expressing an opinion on the group financial statements. Regardless of the decision reached, the component auditor remains responsible for the performance of his or her own work and for his or her own report(s). Added Practice Point: **Practice Point:** The decision about whether to make reference to a component auditor in the auditor's report on internal control over financial reporting over the group financial statements might differ from the corresponding decision as it relates to the audit of the financial statements. For example, the audit report on the group financial statements may make reference to the audit of a significant equity investment performed by a component auditor, but the report on internal control over financial reporting over the group financial statements might not make a similar reference because management's assessment about internal control over financial reporting ordinarily would not extend to controls at the equity method investee.				
Modify	Modified Practice Point under step 16: **Practice Point:** The decision to make reference to the audit of a component auditor is made individually for each component auditor. The auditor of the group financial statements may make reference to any, all, or none of the component auditors. For integrated audits, in situations in which management elects to limit its assessment about internal control over financial reporting by excluding certain entities, the auditor should evaluate whether it is appropriate, in the auditor's judgment, to do so. If the auditor	Procedures step	Y	ICFR	

	concludes that it is appropriate, the auditor should include in the introductory paragraph of the report a disclosure similar to management's regarding the exclusion of an entity from the scope of both management’s assessment about internal control over financial reporting and the auditor’s audit of internal control over financial reporting. Additionally, the auditor should evaluate the appropriateness of management’s disclosure related to such a limitation.				
AUD-603 Audit Program: Using the Work of an Auditor’s Specialist					
Modify	Added Practice Point to the Instructions: **Practice Point:** An auditor’s specialist includes either an auditor’s internal specialist (who is a partner or staff, including temporary staff, of the auditor’s firm or a network firm) or an auditor’s external specialist.	Instructions	N		
AUD-701 Audit Program: Designing Tests of Controls					
New	New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)? TQ answer will flow from AUD-100				
Modify	Added the following to the Instructions: For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), the auditor should design tests of controls to: a. Obtain sufficient appropriate audit evidence to support the auditor's opinion on internal control over financial reporting as of the date specified in management’s assessment about internal control over financial reporting; and b. Obtain sufficient appropriate audit evidence to support the auditor's control risk assessments for purposes of the audit of financial statements.	Instructions	Y	SAS-130; AU-C 940	
Modify	Updated for SAS-130 throughout. Added the following section, steps, and substeps: **Integrating the Audit of Internal Control Over Financial Reporting with the Financial Statement Audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated**	Procedures steps	Y	AU-C Section 940	

	audits for periods ending on or after December 15, 2016) 15. We have considered the effect of the results of the financial statement auditing procedures on our risk assessments and the testing necessary to conclude on the operating effectiveness of a control. 16. In selecting which internal controls to test for operating effectiveness, we have focused more attention on areas of higher risk and have taken into consideration our assessment of fraud risk (including the risk of management override of other controls). 17. For purposes of identifying significant classes of transactions, account balances, and disclosures, and their relevant assertions, and understanding the likely sources of potential misstatements, we have: a. Obtained an understanding of the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, recorded, processed, and reported; b. Identified the points within the entity's processes at which a misstatement due to fraud or error could arise that, individually or in combination with other misstatements, would be material; c. Identified the controls that management has implemented to address these potential misstatements; and d. Identified the controls that management has implemented over the prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. 18. For each significant account balance, class of transactions, and disclosure and their relevant assertions, we have obtained an understanding of how IT affects the entity's flow of transactions and how the entity has responded to risks arising from IT. 19. When, during the audit of internal control over financial reporting, we identified deficiencies in internal control over financial reporting (including deficiencies in controls that are designed to prevent, or detect and correct, misstatements due to fraud), we have determined the effect of the deficiency on the nature, timing, and				

	extent of substantive procedures to be performed in the audit of financial statements to reduce audit risk to an acceptably low level. 20. For tests of the operating effectiveness of controls that we performed at an interim date, we determined the need for additional evidence concerning the operation of the controls for the remaining period under audit and considered the following factors: a. The specific control tested prior to the "as of date", including the risks associated with the control, the nature of the control, and the results of those tests; b. The sufficiency of the evidence of the operating effectiveness obtained at an interim date; c. The length of the remaining period; and d. The possibility that there have been any significant changes in internal control over financial reporting subsequent to the interim date. 21. When management has implemented changes to the entity's controls prior to the "as of date", we determined whether the new controls achieve the related objectives of the criteria and have been in effect for a sufficient period to allow us to assess their design and operating effectiveness by performing tests of controls, and whether it was necessary to test the superseded controls. 22. We have formed an opinion on the effectiveness of internal control over financial reporting by evaluating evidence obtained from all sources including: a. Our testing of controls for the audit of internal control over financial reporting; b. Any additional tests of controls performed to achieve the objective related to expressing an opinion on the financial statements; c. Findings or misstatements detected during the financial statement audit; d. Any identified deficiencies; and e. Reports issued during the year by the internal audit function (or similar functions) that address controls related to internal control over financial reporting. This ENTIRE section will show after the TQ above has been answered as "Yes".				

Modify	References to steps (under Results) adjusted: Our planned control reliance for all risks and assertions remains appropriate after completion of our audit procedures to test the operating effectiveness of controls:	Procedures steps	N		
AUD-800 Audit Program: Custom through AUD-819 Audit Program: Concentrations					
Modify	Minor wording modifications in text and Practice Points (clarity); audit program step headings added throughout; additional references added (to other tools) where applicable.	Text	N		
AUD-801 Audit Program: Cash					
Modify	Step 2 modified; now reads as follows: We obtained from the entity a listing of all cash accounts open as of the balance sheet date and cash accounts and Cash Management Accounts (CMA) opened or closed during the period under audit, showing (a) account number and type, (b) custodian, and (c) balance per the general ledger. Step (4) modified; now reads as follows: For accounts selected for testing, we obtained electronic bank confirmations or requested that the entity prepare bank confirmation forms for bank/custodian accounts used during the period under audit (see the sample confirmation request at ***COR-802 Standard Form to Confirm Account Balance Information with Financial Institutions***). When not performed electronically, we maintained control of the bank confirmation forms and mailed the forms directly to the bank/custodian.	Procedures step	N		
Modify	Under "Bank Reconciliation," added substep 7.f, which reads as follows: We verified outstanding checks are properly classified as a reduction of cash and do not represent back dated checks into period under audit.	Procedures steps	N		
Modify	Under "Interest-Bearing Cash Accounts," modified the first part of step 8, which now reads as follows: We obtained from the entity an analysis of savings accounts, certificates of deposit, cash management accounts held with floor plan provider, and other interest-bearing accounts showing (a) name of institution, (b) interest rate, (c) maturity date, (d) balances at the	Procedures steps	N		

	beginning of the period, (e) activity during the period, (f) balances at the end of the period, and (g) interest income and related accruals, and performed the following procedures:				
Modify	Under “Confirmations Testing” added substep 12.e., as follows: Terms and conditions of cash held in a cash management account (also known as a flooring offset account), which would consider the cash as a reduction of the floor plan liability instead of unrestricted cash.	Procedures steps	N		
Modify	Under “Additional Procedures,” modified substeps 14. l., m., n., and o., which now read as follows: l. Comparing bank deposits to cash receipts, noting any time lags in deposit dates, and tracing the payment received to the expected customer receivable (ensuring payment is not applied to unrelated receivable balances). m. Examining original (or substitute) canceled checks, or documentation, noting unusual patterns (e.g., time lags between the disbursement date per books versus the date the check cleared the bank). n. Matching wholesale parts sales returns and unwound vehicle purchases to original dates. o. Confirming returned wholesale parts sales and unwound vehicle purchases with customers.	Procedures steps	N		
AUD-802 Audit Program: Investments in Securities, Derivative Instruments, and Hedging Activities					
Deleted	The content of this audit program has been split up and reorganized as 802A and 802B.		N		Due to the split of this program only “Investments in Securities” audit area will stay selected in AUD-100 tailoring question, “What financial statement audit areas are applicable to this engagement?”. The user will need to reselect the “Derivative Instruments and Hedging Activities” audit area if this audit area is applicable. The same function will happen in the next TQ, “What audit areas, applicable to the engagement, will you be performing tests of the operating effectiveness of controls?” Due to only being able to retain the “Investments in Securities” audit area and not both due to split, the audit area “Derivative Instruments and Hedging Activities” will be lost from KBA-400 and new flow will need to be established in AUD-100, if applicable.
AUD-802A Audit Program: Investments in Securities					

New	Former AUD-802 content for investments in securities; updated; new practice alerts and practice points added.	Text	Y	ASU No. 2016-01	Make sure to publish AUD-802 from the 2015 title before rolling the file forward as there are many steps that will reset due to this split of this audit program. There are some TQ's that will reset on roll forward as well since they may be duplicated in these programs now and can't retain the answer to both places from 2015.
AUD-802B Audit Program: Derivative Instruments and Hedging Activities					
New	Former AUD-802 content for derivative instruments and hedging activities; updated; new practice alerts and practice points added.	Text	Y	ASU No. 2016-01; AU-C Section 540	Make sure to publish AUD-802 from the 2015 title before rolling the file forward as ALL TQ's and ALL steps will RESET on roll forward.
AUD-803 Audit Program: Accounts Receivable and Revenue					
Modify	Under "Receivables Analytical," modified Practice Point below substep 1.e., as follows: **Practice Point:** The auditor may find certain industry average information available through the National Automobile Dealers Association (NADA) (www.nada.org), the American International Automobile Dealers Association (www.aiada.org), or The Automotive News (www.autonews.com). Modified substep 1.f. to reduce signoffs; changed step to say "We computed the relevant rations (instead of the following ratios); deleted subitems a through d; added reference to AID-810A; the substep now reads as follows: We computed the relevant ratios for the current period and compared them with the prior period's ratios and/or industry data (see the sample analytical procedures for accounts receivable at ***AID-810 Accounts Receivable: Analytical Procedures*** and ***AID-810A Accounts Receivable: Service Parts and Body Shop Analytical Procedures***).	Procedures steps	N		
Modify	Modified heading: "Contracts in Transit ("CIT") and Vehicle Receivables" and modified step 2 and substeps as follows: We obtained from the entity an aged trial balance contracts in transit and vehicle receivables and performed the following procedures: We tested the mathematical accuracy of the aged trial balance and the aging categories therein.	Procedures steps	N		

	We reconciled the total balance to the general ledger account balance. We noted and investigated any significant or unusual reconciling items. *Note:* CIT balances should be aged 10 days or less, any balances aged greater should be investigated for collectability.				
Modify	Modified heading: “Contracts in Transit Confirmation,” added note below step 3 as follows: If determined necessary, we identified which vehicle/unit receivables and contracts in transit should be confirmed. (See additional confirmation steps below) *Note:* For Dealerships, it is usually unnecessary to confirm CIT given the short-term nature of these balances and subsequent cash collection evidence available to the auditor.	Procedures steps	N		
Modify	Added heading “Cash Sales Clearing Receivable” and new step 6 as follows: We reviewed the receivable balance outstanding, ensuring all balances clear within one to three business days. Inquiries made of management to ensure amounts recorded here represent only retail over the counter parts purchases and non-wholesale service customer payments.	Procedures steps	N		
Modify	Under “Deposit Balances” step 7, added new Note; now reads as follows: If significant, we reviewed related customer deposit balances to determine whether the balances should be reclassified as liabilities at period-end and investigated the reasons and status for amounts more than 30 days old. *Note:* Oftentimes customer deposits balances are included in the vehicle receivable account, requiring reclassification to short term liabilities.	Procedures steps	N		
Modify	Schedule of Contracts in Transit, step 8, substep b, changed “a couple of weeks” to “ten days” (We examined the age of the contracts. If any contract is more than 10 days old at the time of audit, we investigated its collectibility) and in the Note, changed 12 days to 10 days (Note: Generally, contracts in transit should clear within 10 days).	Procedures steps	N		Step will reset on roll forward due to extent of changes

Modify	Added Note under step 14 "We determined the daily rate…procedures") as follows: *Note:* Manufacturer requirements typically state claims must be made within 60 days for payment to be processed; therefore, attention should be given to any balances aged past this date to ensure proper valuation of the balances.	Procedures steps	N		
Modify	Added heading and new step 17: **Factory Incentives** We reviewed factory incentive schedules to ensure amounts due have been submitted to the manufacturer, and paid within a reasonable period of time. We have considered aged/uncollectible amount, misallocated credits, and lump-sum credit balances for amounts received from manufacturer for which no receivable balance exists.	Procedures steps	N		
Modify	Under "Finance Company Receivables aging, modified step 24, which now reads as follows: We performed substantive analytical procedures and reviewed the finance company receivables aging. Balances aged in excess of 60 days should be scrutinized for collectability.	Procedures steps	N		Step will reset on roll forward due to extent of changes
Modify	Under "Allowance for Uncollectible Accounts," modified step 31, which now reads as follows: We tested the adequacy of the allowance for uncollectible accounts as follows (see ***AUD-820 Audit Program: Accounting Estimates*** for audit procedures to be performed on significant estimates and the illustrative allowance for uncollectible accounts receivable at ***AID-814 Allowance for Uncollectible Accounts Analysis***):	Procedures steps	N		
Modify	Under "Receivables Cutoff" added substep 32e, as follows: We confirmed with customers relevant contract terms and account activity, such as (1) side agreements; (2) acceptance criteria; (3) delivery and payment terms; (4) the absence of future or continuing vendor obligations; (5) the right to return the product; (6) guaranteed resale amounts; (7) cancellation or refund provisions; (8) sales returns; (9) credit memos; (10) merchandise receipt date;	Procedures steps	N		Step will reset on roll forward due to extent of changes

	and (11) amounts written off that appear unusual, such as write-offs of balances due from continuing customers. ***COR-822 Confirmation of Sales Terms***				
Modify	Under “Receivables Cutoff” modified substep 32f, as follows: We inquired of the entity’s personnel (e.g., sales, marketing, and financing personnel or legal counsel) about new and used vehicle/unit sales near period-end and whether they are aware of any unusual terms or conditions in connection with these transactions. Specific inquiries should be made with both accounting and finance personnel regarding the presence of “book and return” deals or “bill and hold” arrangements, terms more commonly used in a dealership environment.	Procedures steps	N		Step will reset on roll forward due to extent of changes
Modify	Under “Parts and Service Revenue and Receivables,” step 35, added new substep e, as follows: Obtained Open Repair Order report to identify service and parts sales not yet recorded in accounting (i.e. representing unrecorded accounts receivables).	Procedures steps	N		
Modify	Under “Receivables Transferred,” step 55, added new Practice Point: For transfers of accounts receivable to a third party, we evaluated whether the transaction had been accounted for in accordance with the applicable financial reporting framework. **Practice Point:** If the entity has transferred or factored accounts receivable, the auditor should consider performing the transfers or sales procedures in ***AUD-802A Investments in Securities***.	Procedures steps	N		
AUD-804 Audit Program: Inventories and Cost of Sales - Vehicles					
Modify	Added: **Practice Alert:** In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. The amendments in ASU No. 2015-11 do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost.	Purpose	Y	FASB ASU 2015-11	

	ASC Topic 330 currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Under ASU No. 2015-11, inventory within the scope of the guidance is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.				
Modify	Under Observation Planning, added substep 1d, as follows: We have inquired regarding the timing of an inventory count by the third-party floor plan provider, and have considered the ability to coordinate our count with theirs to improve efficiency and accuracy of the process.	Procedures steps	N		
Modify	Under Observation Procedures, added new note to substep 2.d., as follows: We determined the appropriate cutoff control numbers for receiving and sales documents and obtained copies of such documents. *Note*: Utilize vehicle invoices and related data from the floor plan provider's statement for additional evidence on date of transfer of title to Company.	Procedures steps	N		
Modify	Under Observation Procedures, modified substep 2.k., as follows: We evaluated whether all inventory count sheets or tags had been accounted for. We obtained a summary of tags used, unused, voided, or damaged and summarized the sequences of tags or count sheets into these categories. We also inquired of the dealership use of an automatic scanning system for inventory control, and obtained their most recent internal report and/or utilized this system to facilitate our own count.	Procedures steps	N		Step will reset on roll forward due to extent of changes
Modify	Under "Schedule of New and Used Inventory,", modified the first part of step 7, which now reads: We obtained a schedule(s) of new, demonstrator, and used inventory at the date of the financial statements that	Procedures steps	N		

	included the year, make, model, identification number (VIN), stock number and carrying cost, and acquisition date of each, and performed the following procedures:				
Modify	Added new step: For demonstrator inventory, we compared the original cost to the vehicle invoice, and determined proper adjustments to carrying value have been recorded based on time in demonstrator service. Modified step: For used inventory, we evaluated whether the length of time held has affected the carrying cost, utilizing relevant valuation guides (such as NADA, KBB, or Blackbook) and subsequent sales data to verify consistency of gross profit realization.	Procedures steps	N		Modified step will reset on roll forward due to extent of changes
Modify	Added (heading and step 19) as follows: **Inventory – Packs** We evaluated whether the new and used vehicle inventory includes cost gross ups, otherwise known as "packs." Whereby the inventory balance is increased and a corresponding contra inventory credit balance account is established. Inquiry about existing "Pack" amounts should be made of management, and a reconciliation of "Pack" balances in inventory tied to the contra-inventory credit balance account.	Procedures steps	N		
AUD-804A Audit Program: Inventories and Cost of Sales – Parts and Other Inventories					
Modify	Added Practice Alert: **Practice Alert:** In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. The amendments in ASU No. 2015-11 do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. ASC Topic 330 currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Under ASU No. 2015-11, inventory within the scope of the guidance is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.	Purpose	Y	FASB ASU 2-15-11	

	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.				
Modify	Added "Perpetual Inventory" heading and step 2 as follows: If the entity maintains perpetual inventory records and verifies them in cycles continually throughout the year, we reviewed the results of the entity's cycle counts to make a preliminary assessment of the reliability of the system. If the system appears reliable, we tested the system. **Practice Point:** The auditor's tests typically include a selection of items from the perpetual records for tracing to the physical inventory and a selection from the physical inventory items for tracing to the perpetual records. These tests can be performed on either an interim or a year-end basis. If the system does not appear reliable, the auditor may need to require the entity to take a full physical inventory at year-end.	Procedures steps	N		
Modify	Under "Observation Procedures," added substeps 3.j. and k. as follows: We inquired of storage policies for high value aftermarket items, such as wheels, radios, and other related items. We inquired of the methodology to test and count quantities of gas, oil, and grease held by the dealership. If material, we analytically verified the recorded quantities appear reasonable based on storage capacity of dealership.	Procedures steps	N		
Modify	Under "Observation Procedures," added substep 3.o. and note as follows: f. We observed the organization of the parts department, noting if parts appear properly stored in bins, are properly labeled, and boxes or containers appear undamaged and in their original state. *Note:* Damaged OEM parts boxes or containers may invalidate the ability to include the part as a return item, and impair the value of the part.	Procedures steps	N		

Modify	Under "Reconciliation and Valuation of Inventory,", added step 6 and Note as follows: We obtained the reconciliation of the Parts PAD (inventory detail) to the general ledger at year end. Investigate unusual reconciling items (i.e. unusually large pending returns, factory credits). *Note:* The parts PAD is NOT integrated into the general ledger, and as such requires manual reconciliation to ensure proper statement at period-end.	Procedures steps	N		
Modify	Modified heading and first part of step 8 as follows: Parts Inventory Detail ("Parts PAD") We obtained the parts PAD the date of the financial statements that included the part number, and carrying cost of each and performed the following procedures:	Procedures steps	N		
Modify	Under Parts Inventory Detail ("Parts PAD"), modified substeps 8.e. and f., and added substep g., as follows: We selected items from the PAD and agreed the cost per PAD to supporting documentation (e.g., manufacturers' or vendors' invoice). We reviewed the PAD for slow moving or obsolete items, and evaluated the need for a valuation allowance. We sorted the PAD by unit cost, and by unit quantity, searching for any unusually high/low costs or quantities input in order to manipulate the overall ending balance.	Procedures steps	N		
Modify	Under "Parts Inventory – Replacement Cost," modified step 9, which now reads as follows: We investigated the report of the most recent parts physical inventory and compared the results of the ending value of parts on hand to that reflected in the general ledger. All new vehicle manufacturers revalue parts inventory on a monthly basis, and as such, we would expect a modest gain in value year over year of the inventory (typically 1% to 5%). We determined whether the entity has recorded this difference as an accrued liability or has adjusted cost of sales instead.	Procedures steps	N		Step will reset on roll forward due to extent of changes
Modify	Under "Observation Testing,", added substeps 10.b. and c., and modified substeps d., e., and f. as follows: We obtained a Parts Management Report listing inventory by source type and by aging bucket. Further,	Procedures steps	N		Due to the content changes of steps d., e., and f. this step it will reset on roll forward.

	we considered aging by both stock in date, and by day of last sale. We inquired of parts listed as greater than "12 months" per the aging by sale date, and parts listed as "Non-Stock" or "No Sale." Part of our inquiries should include the availability of return reserves to the dealership, and determination if the allowable return reserves are sufficient to cover any inventory appearing obsolete. For non OEM parts: We noted dates per manufacturers' and vendors' invoices during the inventory price tests, being alert for slow-moving items.				
Delete	Deleted former step 11 (and substeps a. and b.) because those are not applicable for dealerships; dealerships use market value adjustments) : We performed the following procedures to determine lower of cost or market value applications: a. For purchased inventory items, we compared, on a test basis, the unit price used in the final inventory listing summary to supporting documentation (e.g., recent sales invoices, or recent manufacturer or vendor invoices). 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.	Procedures steps	N		
AUD-806 Audit Program: Intangible Assets					
Modify	Added the following Practice Alerts: **Practice Alert:** In September 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the amendments eliminate the requirement to retrospectively account for those adjustments. U.S. GAAP currently requires that during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Those adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. The acquirer also must revise comparative information for prior periods presented in financial statements as needed,	Purpose	Y	ASU 2015-16; ASU 2015-05	

	including revising depreciation, amortization, or other income effects as a result of changes made to provisional amounts. The amendments in ASU No. 2015-16 require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition, the amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. **Practice Alert:** In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. Existing U.S. GAAP does not include explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. Examples of cloud computing arrangements include: (*a*) software as a service; (*b*) platform as a service; (*c*) infrastructure as a service; and (*d*) other similar hosting arrangements. The amendments add guidance to Subtopic 350-40, which will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance already exists in ASC paragraphs 985-605-55-121 through 55-123, but it is included in a Subtopic applied by cloud service providers to determine whether an arrangement includes the sale or license of software. The amendments in ASU No. 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's				

	accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. For public business entities, the amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. For all other entities, the amendments are effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Early adoption is permitted for all entities. An entity can elect to adopt the amendments either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively.				
Modify	Modified substep 2.d.(3), now reads as follows: We ascertained that capitalized costs are recognized in accordance with the requirements of the applicable financial reporting framework (e.g., technological feasibility met; product design has been completed). Modified substep 2.f., now reads as follows: We reviewed valuations (prepared by an independent third party or internally) for intangible assets, obtaining an understanding of the methods used, and assessed the reasonableness thereof. Deleted substeps: We evaluated whether the intangible asset was recorded in accordance with the applicable financial reporting framework. We identified fully amortized intangible assets and ascertained whether they are still utilized or held by the entity, and whether they have been de-recognized in accordance with the applicable financial reporting framework We evaluated whether the entity's policy for measurement after recognition is appropriate and consistently applied in accordance with the applicable financial reporting framework (e.g., cost or revaluation method).	Procedures steps	N		
Modify	Under "Long Lived Intangibles Subject to Amortization," modified substep 3.d.(9), which now reads as follows:	Procedures steps	N		The first step modified here will RESET on Roll Forward due to content changes. The second step will Retain on RF.

	A current expectation that, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Modified substep 3.f., which now reads as follows: If an impairment loss should have been or was recognized, we tested the calculation of the loss in accordance with the applicable financial reporting framework and evaluated whether any impairments or write-offs have been authorized and approved by appropriate officials and examined related supporting documentation (e.g., board minutes, agreements, and correspondence).				
Modify	Modified substep (4.c); now reads as follows: We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework.	Procedures steps	N		This step will RESET on Roll Forward due to content changes.
AUD-807 Audit Program: Property and Equipment, and Depreciation					
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: • A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and • A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after	Purpose	Y	ASU No. 2016-02	

	December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.				
Modify	Under "Immaterial PPE Balances," modified substep 2. c. as follows: We computed the relevant ratios for the current period and compared them with the prior period's ratios (see the sample analytical procedure for property, plant, and equipment at ***AID-823 PPE Analytical Procedures***). Deleted previous sub-substeps 2.c.(1) and (2): Depreciation expense to total depreciable fixed assets. Repairs and maintenance expense to total depreciable fixed assets.	Procedures steps	N		
Modify	Added new heading ("Service Loaner Vehicle Roll Forward") and step 4 and substeps as follows: If service loaner vehicles are material to the overall financial statements, or if specific risks have been identified, for these accounts, we performed the following procedures: a. We obtained from the entity a summary of the service loaner vehicles and related depreciation showing the following information (see the sample summary analysis for property, plant, and equipment at ***AID-822 PPE Summary Analysis***): (1) Asset balances at the beginning of the period. (2) Current-period additions (see the sample workpaper on property additions at ***AID-824 Property Additions Analysis***). (3) Current-period disposals (see the sample workpaper on property deletions at ***AID-825 Property Deletions Analysis***). (4) Other current-period changes. (5) Asset balances at the end of the period.	Procedures steps	N		

	(6) Depreciation methods and estimated depreciable lives. (7) Accumulated depreciation balance at the beginning of the period. (8) Current-period additions to the allowance for depreciation accounts. (9) Current-period reductions of the allowance for depreciation accounts. (10) Other current-period changes to the allowance for depreciation accounts (e.g., transfers, reclassifications). (11) Accumulated depreciation balance at the end of the period. b. We traced balances at the beginning of the period for service loaner vehicle balances and accumulated depreciation balances per the summary schedule of property and equipment above to ending balances per the prior periods' audit documentation. c. We obtained from the entity a listing of all service loaner vehicle additions for the current period in support of the asset additions, showing (a) description of the vehicle; (b) date the asset was acquired or placed in service; (c) cost of the asset; (d) estimated depreciable useful life; (e) residual value (see the sample workpaper on property additions at ***AID-824***). d. We obtained from the entity a listing of all service loaner vehicle disposals for the current period, showing (a) description of the service loaner vehicle retired or disposed of, (b) date sold or disposed of, (c) date the asset was initially acquired, (d) asset cost, (e) accumulated depreciation, (f) net carrying amount, (g) cash or consideration received, (h) net gain or loss, and (i) data applicable to income tax requirements, and performed the following procedures for selected asset disposals (see the sample workpaper for property deletions at ***AID-825***). This section will be marked as "N/A" if the TQ, "Does the dealership have a service loaner fleet?" is No.				
Modify	Modified step 9(a)(7) under "Long Lived Assets Held and Used Impairment Testing now read:				Due to the content changes of this step it will reset on roll forward.

	A current expectation that an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.				
Modify	Modified step 10(c) under "Long-Lived Assets Classified as Held for Sale now reads: We evaluated whether an impairment loss was recorded in the income statement in accordance with the applicable financial reporting framework.				Due to the content changes of this step it will reset on roll forward.
AUD-808 Accounts Payable and Purchases					
Modify	Added new item "C" to the Primary Objectives table: Expenses and costs of products and services are valid, complete, and recorded correctly as to account, amount, and period. Recorded expenses include costs that are properly allocable to the year and are properly matched with revenues.	Table other than procedures	N		
Modify	Added substep 2.c: We obtained the entity's reconciliation for the manufacturers account, in the event the period end statement does not agree to general ledger.	Procedures steps	N		
Modify	Modified step 6 under "AP Pledged Collateral" which now reads: We inquired of the entity's accounting personnel about any assets that were pledged as collateral on accounts payable.				Due to content changes this step will reset on roll forward.
AUD-809 Audit Program: Payroll and Other Liabilities					
Modify	Added: **Practice Alert:** In April 2015, the FASB issued Accounting Standards Update (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*. For an entity with a fiscal year-end that does not coincide with a month-end (e.g., companies with a 52/53-week fiscal year), the amendments in ASU No. 2015-04 provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. Employee benefit plans are not within the scope of the amendments. If a contribution or significant event (e.g., a plan amendment, settlement, or curtailment that calls for a remeasurement in	Purpose	Y	ASU No. 2015-04	

	accordance with existing requirements) occurs between the month-end date used to measure defined benefit plan assets and obligations and an entity's fiscal year-end, the entity should adjust the measurement of defined benefit plan assets and obligations to reflect the effects of those contributions or significant events. However, an entity should not adjust the measurement of defined benefit plan assets and obligations for other events that occur between the month-end measurement and the entity's fiscal year-end that are not caused by the entity (e.g., changes in market prices or interest rates). If an entity applies the practical expedient and a contribution is made between the month-end date used to measure defined benefit plan assets and obligations and the entity's fiscal year-end, the entity should not adjust the fair value of each class of plan assets for the effects of the contribution. Instead, the entity should disclose the amount of the contribution to permit reconciliation of the total fair value of all the classes of plan assets in the fair value hierarchy to the ending balance of the fair value of plan assets. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this ASU. The new guidance includes a similar practical expedient for interim remeasurement for significant events that occur on other than a month-end date, which permits entities to remeasure defined benefit plan assets and obligations using the month-end that is closest to the date of the significant event, adjusted as necessary for the effects of the significant event. The amendments are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted. If elected, the practical expedient amendments should be applied prospectively.				
Modify	Modified and simplified step 2, which now reads as follows: We computed the relevant ratios for the current year and compared them with the prior year's ratios and/or industry data (see the sample analytical procedures for payroll and related liabilities at ***AID-841 Payroll and Related Liabilities: Analytical Procedures***).	Procedures steps	N		
Modify	Modified step 3, which now reads: We evaluated whether there has been a significant change in the amount of lien payoffs, and have compared the	Procedures steps	N		Due to content changes this step will reset on roll forward.

	balances outstanding to the quantity of contracts in transit present at year-end?				
Modify	Modified sub-substeps 13.g.(6) and (7), which read as follows: We evaluated that the actuary appears to have the proper professional qualifications and credentials, in accordance with AU-C Section 500, *Audit Evidence,* and evaluated whether the relationships between the actuary and the entity would impair independence. We compared key plan provisions included in the actuarial valuation report to the latest plan document and inquired about any recent plan amendments.	Procedures steps	N		Due to content changes these steps will reset on roll forward.
Delete	Deleted sub-substeps (former sub-substeps 13.g.(7) and 13.g.(8): We inquired about any relationships between the actuary and the entity that would impair independence. We inquired about any recent plan amendments considered in preparing the actuarial valuation.	Procedures steps	N		
Delete	Deleted substep (former substep 13.h. and 13.i.): We evaluated whether the financial statements included adequate disclosures, including proper classification of the type of employee benefit plan, as required by the applicable financial reporting framework. If applicable, if the entity participates in a defined benefit plan that shares risks between various entities under common control, we evaluated whether the financial statements included the following additional disclosures: (1) The contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy. (2) The policy for determining the contribution to be paid by the entity. (3) If the entity accounts for an allocation of the net defined benefit cost, all the information about the plan. If the entity accounts for the contribution payable for the period, the information about the plan as a whole;	Procedures steps	N		

Modify	Modified substep 14.b: We ascertained that the postemployment benefits are accrued in accordance with the applicable financial reporting framework.	Procedures steps	N		Due to content changes this step will reset on roll forward.
Delete	Deleted substep (former substep 14.g.): We evaluated whether management properly disclosed postemployment benefit policies relating to key management personnel, as well as any contingent liabilities relating to postemployment benefits.	Procedures steps	N		
Modify	Added new headings and steps (steps 19 and 20)as follows: **Affinity Programs** 19. We inquired of management if any programs that provide future benefits, such as free oil changes, free tires, free car washes, and other free of charge maintenance requests, have been offered to customers. If these items are present, we have completed analysis on the client's estimate of future costs to be incurred. **Work Due to Customers ("We Owes" or "Due Bills")** 20. Examine the supporting schedule balances due on customer purchases for various aftermarket items (known as "Due Bills" or "We Owes"). Ensure any debit balances are aggregated and considered for expensing (as they may be evidence of costs incurred that were not adequately accrued). Also, inquire of aged balances, to determine if amounts should be returned to customers or potentially remitted as unclaimed property to the appropriate governing agency.	Procedures steps	N		
Modify	Added substep 24.f: Verified the process for refunding overpayment and residual balances to customers, in accordance with most state regulations.	Procedures steps	N		Due to content changes this step will reset on roll forward.
AUD-810 Audit Program: Income Taxes					
Modify	Added: **Practice Alert: In January 2016,** the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects current U.S. GAAP	Purpose	Y	ASU No. 2016-01; ASU No. 2015-17	

	primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. ASU No. 2016-01 also amends ASC Topic 740, *Income Taxes*, to clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the entity's other deferred tax assets. This amendment is intended to reduce diversity in current practice whereby some entities evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities separately from their other deferred tax assets. In addition, ASU No. 2016-01 moves from ASC Topic 320, *Investments—Debt and Equity Securities*, to ASC Topic 740 the content addressing presentation of deferred tax assets relating to losses on available-for-sale debt securities. ASU No. 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities (including nonpublic entities), the requirements are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. **Practice Alert:** In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which changes how deferred taxes are classified on an entity's balance sheet. The ASU eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities (along with any related valuation allowance) as noncurrent. Consequently, each jurisdiction will now only have one net noncurrent deferred tax asset or liability; however, entities are still prohibited from offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The amendments apply to all entities that present a classified balance sheet. For public business entities, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in ASU No. 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively (i.e., by reclassifying the comparative balance sheets) to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and				

	reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods.				
Modify	Added D. to the Primary Audit Objectives table: D. Provisions for unrecognized tax benefits (uncertain tax positions), including the related liability, penalties, and interest have been properly accounted for and disclosed.	Table, other than procedures			
Modify	Added new step 9 as follows: **S Corporations** We have obtained evidence of S Corporation election status and performed the following procedures: a. Obtained S Corporation taxation election form filed with Internal Revenue Service. b. Ensured any uncertain tax positions for periods prior to the S Corporation election are considered. This step will be marked "N/A" if the new TQ, "Is the entity an S-Corp?" is "No".	Procedures steps	N		
Modify	Step 3(b) under "Income Tax Accruals" has been modified and now reads as follows: The entity's basis for assessing deferred tax assets and related valuation allowances in accordance with the applicable financial reporting framework.				This step will RESET on roll forward due to content changes.
AUD-811 Audit Program; Debt Obligations					
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: • A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and • A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize	Purpose	Y	ASU No. 2016-02	

	lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.				
Delete	Under “Debt Substantive Analytical Procedures,” modified and simplified step 1.b., deleting subitems (1) to (5); substep now reads as follows: We computed the relevant ratios and relationships for the current year and compared them with the prior year’s data and/or industry data (see the sample analytical procedures for debt obligations and interest at ***AID-833 Debt Obligations and Interest: Analytical Procedures***).	Procedures steps	N		
Modify	Under “Debt Summary and Analysis,” modified substep 2.d., which now reads as follows: We obtained copies of new debt agreements and amendments to existing agreements entered into during the year and reviewed terms, conditions, and restrictive covenants.	Procedures steps	N		This step will RESET on roll forward due to content changes.
Modify	Under “Debt Summary and Analysis,” added substep 2.m. as follows: We considered if credit facilities should be classified as “subordinated” to other facilities, and verified proper disclosure as such in the balance sheet and notes to the financial statements.	Procedures steps	N		
Modify	Modified the “Floor Plan Debt” heading to “Floor Plan Payable: and modified step 3, which now reads as follows:	Procedures steps	N		

	We obtained an understanding of the terms and conditions of the floor plan payable by reviewing the entity's floor plan agreements, including floor plan limits, liability for loss or damage responsibility, and whether the dealership has periodic reporting responsibilities to the lending institution.				
Modify	Under "Flor Plan Reconciliation at Year-End," modified step 6, which now reads as follows: We obtained the client's floor plan reconciliation at year-end and tied it to the outstanding amount per the floor plan statement (and confirmation). We also tied the general ledger balance to that shown on the reconciliation and compared the floor plan balance with the inventory balance (e.g., comparing the vehicles listed in the floor plan liability to the vehicles in inventory) and to related holdback, if any; and investigated any significant or unusual differences.	Procedures steps	N		This step will RESET on roll forward due to content changes.
Delete	Deleted former step 8: We reviewed the floor plan liabilities and investigated significant or unusual items.	Procedures steps	N		
Modify	Under "Debt Maturing within the Next Year-Extended, Renewed, or Replaced," modified step 4, which now reads as follows: We obtained or reviewed executed agreements documenting that debt maturing in the current or succeeding period had/has been extended, renewed, or replaced with debt maturing more than 12 months after the balance sheet date.	Procedures steps	N		This step will RESET on roll forward due to content changes.
AUD-813 Audit Program: Revenue and Expense					
Modify	Added "Other Income and Expense" heading and new step 7, as follows: We have obtained detail of the balances recorded as other income and/or expense, and considered which balances should be reclassified to cost of sales. Examples of amounts which should be considered are: floor plan interest credits in excess of expense, documentation fees on vehicle sales, and any program incentives from factories or vendors on vehicle or parts sales.	Procedures steps	N		
AUD-814 Audit Program: Journal Entries and Financial Statement Review					

Modify	Added the following new Practice Point at the end of Section 1 (above the heading for Section II): **Practice Point:** For an integrated audit (AU-C Section 940*, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), because the annual period-end financial reporting process normally occurs after the "as of date" specified in management's assessment about the effectiveness of internal control over financial reporting, those controls usually cannot be tested until after the "as of date."	Section 1	Y	AU-C 940	
Modify	Under "Understanding of Financial Reporting Process," added new substeps f. and g., as follows: The nature and extent of the oversight of the process by management. Management's procedures for preparing the financial statements.	Procedures steps	N		
Modify	Former steps 9 to 20 moved down and renumbered as steps 16 – 27.	Procedures steps	N	AUD-814	These steps and program headers will retain on roll forward.
AUD-815 Audit Program: Related-Party Transactions					
Modify	Under "Transactions Outside the Normal Course of Business," modified substep 2.a. which now reads as follows: a. We inquired of management about the nature of these transactions and whether related parties could be involved.	Procedures steps	N		Due to content changes this step will reset on roll forward.
AUD-816 Audit Program: Fair Value Measurements and Disclosures					
Modify	Added: **Practice Alert:** In January 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects current U.S. GAAP primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The following discussion addresses the more significant provisions of ASU No. 2016-01. *Equity investments with readily determinable fair values*. Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are required to be measured at fair value with unrealized holding gains and losses in fair value to be recognized in net income. This amendment supersedes the guidance that requires (1) classification of equity securities with readily determinable fair	Purpose	Y	ASU 2016-1; 2015-7	

	values into different categories (i.e., trading or available-for-sale), and (2) recognition of changes in fair value of available-for-sale securities in other comprehensive income. *Equity investments without readily determinable fair values*. For equity investments without readily determinable fair values, ASU No. 2016-01 eliminates the cost method of accounting previously allowed in ASC Subtopic 325-20, *Investments—Other—Cost Method Investments*. Rather, under ASU No. 2016-01, an entity has the option to measure these equity investments either at: (1) cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, or (2) fair value. This amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment (similar to the qualitative assessment for long-lived assets, goodwill, and indefinite-lived intangible assets). When a qualitative assessment indicates that impairment exists, an entity is required to measure the equity investment at fair value and recognize an impairment loss in net income. The impairment loss is calculated as the difference between the fair value of the investment and its carrying amount. This impairment assessment reduces the complexity of the other-than-temporary impairment guidance entities were required to follow before ASU No. 2016-01. *Simplified disclosures.* This amendment eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. Although public business entities will still be required to do so, they no longer will have to disclose the methods and significant assumptions used in estimating those fair values. *Using the exit price notion when measuring fair value for disclosure purposes.* This amendment requires public business entities that are required to disclose fair value of financial instruments measured at amortized cost to use the exit price notion when measuring the fair value for disclosure purposes, consistent with ASC Topic 820, *Fair Value Measurement*. This change to U.S. GAAP eliminates the entry price method previously used by some entities to estimate the fair values of certain instruments when a market price is not available. *Financial liabilities measured under the fair value option.* For entities that elect the fair value option to measure financial liabilities, this amendment requires the entity to present separately in other comprehensive income the portion of the total change in the fair value of a financial liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit risk"). Upon derecognition of the financial liability, the accumulated gains and losses due to changes in the instrument-specific credit risk will be reclassified from other comprehensive income to net income. Under current U.S. GAAP, entities that elect the fair value option to measure financial liabilities recognize all changes in fair value in net income (including changes in fair value related to instrument-specific credit risk).				

Separate presentation of financial assets and financial liabilities. This amendment requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements.

Deferred tax assets. This amendment clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the entity's other deferred tax assets. This amendment is intended to reduce diversity in current practice whereby some entities evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities separately from their other deferred tax assets.

Effective date. ASU No. 2016-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities (including nonpublic entities), the requirements are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Early adoption. Nonpublic business entities may early adopt the standard in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years (i.e., as of the effective date for public business entities). Also, nonpublic business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures for financial statements of annual or interim periods that have not yet been made available for issuance, including those for periods in 2015.

All entities may early adopt the provisions requiring them to recognize the fair value change in the instrument-specific credit risk in other comprehensive income for financial liabilities measured using the fair value option. These provisions may be early adopted for financial statements of annual or interim periods that have not yet been issued (public business entities) or made available for issuance (nonpublic business entities), including those for periods in 2015.

Transition guidance. Entities should apply the standard by recording a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year of adoption, except as follows: (1) the provisions related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to all equity investments that exist as of the adoption date; and (2) the provisions that require the exit price notion to be used to measure the fair value of financial instruments for disclosure purposes should be applied prospectively.

Practice Alert: In May 2015, the FASB issued Accounting Standards Update (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)*. The amendments apply to reporting entities that elect to measure the

	fair value of an investment using the net asset value per share (or its equivalent) practical expedient. ASC Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. For investments that are redeemable with the investee at a future date, a reporting entity must consider the length of time until those investments become redeemable to determine the classification within the fair value hierarchy. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted.				
Delete	Deleted substep 7.b.(3): Whether the valuation technique meets the criteria of the applicable financial reporting framework and is appropriate in the circumstances.	Procedures steps	N		
Deleted	Under "Business Combinations," step 14.b., deleted (6) We determined that all tangible and intangible assets acquired and all liabilities assumed have been identified and accounted for in accordance with the applicable financial reporting framework:	Procedures steps	N		
Delete	Deleted former substeps 7.e. thru 7.h.: We determined that the method of estimation and significant assumptions used are adequately disclosed.	Procedures steps	N		

	We evaluated whether the disclosures adequately inform users about any estimation uncertainty (e.g., observable market input and entity-specific input disclosures). We evaluated whether the nature and extent of risks arising from financial instruments are adequately disclosed in accordance with the applicable financial reporting framework. If the required fair value disclosures have been omitted because it is not practicable to determine fair value, we evaluated the adequacy of disclosures required in the circumstances and whether the financial statements are materially misstated.				
Delete	Deleted former step 10: We considered applying additional audit procedures (e.g., inspecting an asset) to obtain adequate evidence about the appropriateness of a fair value measurement.	Procedures steps	N		
Modify	Modified step 10 (formerly step 11); now reads as follows: If the fair value measurement was made as of a date that is different from the date that the entity is required to measure and report that information in its financial statements, we evaluated whether management has appropriately considered the effect of intervening events, transactions, and changes in circumstances (i.e., those occurring between the date of fair value evidence and the reporting date).	Procedures steps	N		
Delete	Deleted former substep 14.b.(6): We determined that all tangible and intangible assets acquired and all liabilities assumed have been identified and accounted for in accordance with the applicable financial reporting framework.	Procedures steps	N		
Modify	Modified 14.c., which now reads: We considered the need for a valuation specialist to assist in the review of significant areas, such as: (1) The purchase price allocation. (2) The methods, assumptions, and inputs used to assign values to the assets acquired and liabilities assumed, particularly those relating to items such as intangibles; complex financial instruments;	Procedures steps	N		This step will RESET on roll forward due to content changes.

	inventories; executive compensation plans; and plant, property, and equipment. (3) The allocation of assets, including goodwill, and liabilities to reporting units. ***AUD-603 Audit Program: Using the Work of an Auditor's Specialist***				
AUD-817 Audit Program: Variable Interest Entities					
Modify	Under "List of VIEs," added new note to step 1, as follows: 1. We obtained from management a list of the following three groups of identified variable interests: *Note:* Common VIE relationships within dealerships arise with real estate leased for operations from a related party, guarantees by the entity for debt held by other related parties and commitments made on behalf of other entities to provide additional financial support based on certain predetermined metrics.	Procedures steps	N		This step will RESET on roll forward due to content changes.
Modify	Modified step 13.d., now reads as follows: We considered using a valuation specialist. ***AUD-603 Audit Program: Using the Work of an Auditor's Specialist***	Procedures steps	N		
Modify	Under "Primary Beneficiary Procedures," modified and simplified step 14., which now reads as follows: For VIEs for which the entity is the primary beneficiary and for which the entity is not electing the PCC VIE accounting alternative, we determined that the entity has properly accounted for the VIE in its consolidated financial statements in accordance with the applicable financial reporting framework. **Practice Point:** Additional guidance is provided in AU-C Section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, for auditing fair value measurements.	Procedures steps	N		This step will RESET on roll forward due to content changes.
AUD-818 Audit Program: Share-Based Payments					
Modify	Modified substep 1.a., which now reads as follows:	Procedures steps	N		This step will RESET on roll forward due to content changes.

	a. Requirements of the applicable financial reporting framework, such as: (1) Accounting for discounted options. (2) Accounting for variable plans. (3) Accounting for contingencies. (4) Accounting for tax effects.				
Modify	Modified step 9, now reads as follows: We have evaluated whether the option pricing model (e.g., Black-Scholes, Lattice) was an appropriate model to estimate fair value of employee share options or whether a new model or technique would better meet the fair value objective of the applicable financial reporting framework.	Procedures steps	N	AUD-818	
Modify	Modified step 10, reducing signoffs; now reads as follows: 10. Where applicable, we have assessed the effect of the following factors on the fair value measurement: a. Expected term of the option; Expected volatility of the price of the underlying share for the expected term of the option; Exercise price of the option; Current price of the underlying share; Risk-free interest rate(s) for the expected term of the option; and Expected dividends of the underlying share for the expected term of the option	Procedures steps	N	AUD-818	This step will RESET on roll forward due to content changes.
Modify	Modified step 12 & 13; now read as follows: For Black-Scholes or other closed form option pricing models, we have considered whether the risk-free interest rate is appropriate in the context of the remaining term of the option. For lattice or binomial option pricing model, we have considered whether the entity's model incorporates a term structure of expected volatilities that uses an appropriate yield curve for the contractual period.	Procedures steps	N	AUD-818	The modified step will RESET on roll forward due to content changes.
Modify	Consolidated substeps in step 19 and added Practice Point (reducing signoffs); step now reads: We reviewed grant documentation to ensure that the terms conform to "plain vanilla" requirements.	Procedures steps	N		This step will RESET on roll forward due to content changes.

	Practice Point: "Plain vanilla" options typically include the following basic characteristics: • Share options are granted at-the money; • Exercisability is conditional only on performing service through the vesting date; • If an employee terminates service prior to vesting, the employee would forfeit the share options; • If an employee terminates service after vesting, the employee would have a limited time to exercise the share options; and • Share options are nontransferable and non-hedgeable.				
Modify	Consolidated substeps in step 23 and added Practice Point (reducing signoffs); now reads: We have considered the criteria established by the applicable financial reporting framework for exclusive reliance on historical volatility, including relevant factors. **Practice Point:** Factors that may be considered include the following: • Whether the entity has reason to believe that its future volatility over the expected or contractual term, as applicable, is likely to differ from its past; • Whether the computation of historical volatility uses a simple average calculation method; • Whether a sequential period of historical data at least equal to the expected or contractual term of the share option, as applicable, is used; and • Whether a reasonably sufficient number of price observations are used, measured at a consistent point throughout the applicable historical period.	Procedures steps	N		This step will RESET on roll forward due to content changes.
Modify	Revised steps 31 and 32; now read as follows: For Black-Scholes or other closed form pricing model, we have evaluated whether the entity used an appropriate risk-free interest rate and an appropriate yield based on the traded price. For lattice or binomial option pricing model, we have verified that the entity properly calculated the yield curve and accurately entered the yields into the model.	Procedures steps	N		These steps will RESET on roll forward due to content changes.
Modify	Steps after 36 reorganized (deleted 37 to 60). Step 37 and substeps now read as follows: **Existence of Share Option Plans**	Procedures steps	N		These steps will RESET on roll forward due to content changes.

<table>
<tr><td></td><td>We determined the existence of any share option plans, traced authorization and details to board of directors and other appropriate committee meeting minutes, and performed the following procedures:
a. We obtained an understanding of the option plan, including the following:
• The persons who are entitled to receive options.
• The number of shares authorized for grants.
• The method for determining the option price.
• Vesting requirements.
b. We obtained an understanding of the method and significant assumptions used during the year to estimate the fair values of options, including the following:
• Risk-free interest rate.
• Expected life.
• Expected volatility.
• Expected dividends.
c. We obtained, or prepared, and tested analyses of share options, which include the number and exercise prices of options that were:
• Outstanding and exercisable at the beginning of the year.
• Granted during the year.
• Exercised during the year.
• Forfeited during the year.
• Expired during the year.
• Outstanding and exercisable at the end of the year.
d. We determined that the appropriate accounting treatment had been applied.</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Modify</td><td>Modified step 46.a., reducing signoffs; now reads:
a. For awards already accounted for in accordance with the applicable financial reporting framework, we tested that the entity considered the impact of the modification on all of the following:</td><td>Procedures steps</td><td>N</td><td></td><td>This step will RESET on roll forward due to content changes.</td></tr>
</table>

	• The classification of the award as equity versus liability. • The amount of compensation cost. • The expected life of an option. • The probability of performance targets being achieved.				
Modify	Modified step 47.a., reducing signoffs; now reads: a. Reviewing the terms of executive compensation agreements to see if: • Executives have any latitude in selecting the dates their options are awarded, • Exercise prices are allowed to be less than grant date market price, or • Authority for grants is delegated to management.	Procedures steps	N		
Modify	New Compliance section (52); now reads: **Disclosure Compliance** 52. We reviewed financial statement disclosures related to this cycle to ensure: ***KBA-901A U.S. GAAP Financial Statement Disclosures Checklist*** a. Disclosed events and transactions have occurred and pertain to the entity. b. All disclosures that should have been included in the financial statements have been included. c. Financial information is appropriately presented, classified, and described and disclosures are clearly expressed and at appropriate amounts.	Procedures steps	N		
AUD-819 Audit Program: Commitments and Contingencies					
Modify	Added: **Practice Alert:** In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: • A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and	Purpose	Y	ASU 2016-02	

	• A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, *Revenue from Contracts with Customers*. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.				
Modify	Added heading "Sales and Service Agreement with Manufacturer" and new step 10 as follows: We have obtained the sales and service agreement between the dealership and manufacturer, or have reviewed key terms of such agreement with the entity, and have included footnote disclosure related to the reliance the entity has on the manufacturer and the related franchise agreement to facilitate ongoing operations.	Procedures steps	N		
Modify	Under "Environmental Remediation Liabilities," modified step 15 and substeps a. through f. as follows: We inquired of management about the existence of or potential for environmental remediation liabilities, including the following:	Procedures steps	N		

 KCO-001

	a. Whether the entity has policies and procedures in place to help identify environmental remediation liabilities. b. Whether the entity is aware of any potential environmental hazards on its site what steps management has taken to minimize the entity's exposure for environmental remediation liabilities. c. Whether the entity is required to have a permit to transport, treat, store, or dispose of any potential environmental hazards. d. Whether the entity generates any potential environmental hazards or "regulated substances" in its business e. Whether the entity ever used landfills, underground storage tanks, or barrels to dispose of any potential environmental hazards and how management tests and monitors for leakage. f. Whether the entity has undergone any cleanup activities on its premises (e.g., tank or pump removal, removal of contaminated soil, installation of new tanks or pumps). Added substeps m. and n., as follows: m. How management monitors claims and assessments, and then estimates its liability for environmental remediation liabilities. n. How management accounts for the costs of environmental remediation efforts.				
Modify	Modified step 22; now reads as follows: If the entity had not consulted legal counsel during the period under audit, we included the following item in the representation letter from management: "We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments." ***COR-901 Management Representation Letter***	Procedures steps	N		This step will RESET on roll forward due to content changes.

	COR-901A				
AUD-820 Audit Program: Accounting Estimates					
Deleted	Under “Accounting Estimates That Give Rise to Significant Risks, Substantive Procedures,” deleted substep 8e.: The adequacy of the disclosure of management’s estimation uncertainty in the financial statements in the context of the applicable financial reporting framework.	Procedures steps	N		
AUD-901 Audit Program: Subsequent Events					
New	New TQ: Has the auditor been engaged to perform an integrated audit (i.e., an audit of internal control over financial reporting that is integrated with the audit of financial statements)? This TQ will show/hide multiple steps, see below.				
Modify	Modified Instructions, Section I, General Procedures, paragraph one; now reads as follows: Many audit procedures that normally are integrated as part of the verification of year-end account balances, provide evidence of subsequent events. For example, subsequent-period sales and purchases transactions are tested to determine whether the cutoff is accurate. Likewise, the auditor often tests the collectibility of accounts receivable by reviewing subsequent-period cash receipts. However, in addition to these normal audit procedures, AU-C Section 560, *Subsequent Events and Subsequently Discovered Facts*, requires the auditor to perform other audit procedures to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor’s responsibility for reviewing for subsequent events normally is limited to the period from the date of the financial statements to the date of the auditor’s report. When performing an integrated audit of financial statements and internal control over financial reporting, AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (effective for integrated audits for periods ending on or after December 15, 2016), provides additional direction with respect to	Instructions	Y	AU-C Section 940	

	subsequent events in an audit of internal control over financial reporting. In an integrated audit, the auditor is also concerned about changes in internal control over financial reporting, or other conditions that might significantly affect internal control over financial reporting, that have occurred subsequent to the date specified in management's assessment about the effectiveness of internal control over financial reporting but before the date of the auditor's report. The procedures in this audit program incorporate the audit requirements discussed in both AU-C Section 560 and AU-C Section 940 and are designed to help the auditor address those requirements.				
Modify	Modified step 1 and substeps, which now read as follows: We read the latest available interim financial statements (using manufacturer monthly dealer financial statements), and: a. Compared them with the financial statements being reported on. b. Investigated any unexpected significant changes, particularly noting consistency in gross profitability in each department, and in volume of retail new and used vehicles. c. Made any other comparisons considered appropriate in the circumstances. d. Inquired about whether the interim financial statements have been prepared on the same basis as that used for the audited statements, and accounting for any variations when concluding.	Procedures steps	N		Steps 1, 1(b), and 1(d) will RESET on roll forward due to content changes.
Modify	Added new substeps 4.e. and f., as follows: There has been any communication from the manufacturer (franchisor) which would have a detrimental effect on the entity's ability to continue operations. There has been any communication from regulatory agencies that would negatively impact the entity's ability to continue operations.	Procedures steps	N		
Modify	Modified substeps 4.j. and 4.k. which now read as follows: There have been any significant increases or decreases in key operational or fixed costs.	Procedures steps	N		Step 4(j) will RESET on roll forward due to content changes.

	The entity's revenue and profit trends compared to budgeted amounts and to industry trends during the current period.				
Modify	Added step 5: For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), we inquired of management, and where appropriate those charged with governance, and obtained information about any changes in, or conditions that might significantly affect, internal control over financial reporting that have occurred subsequent to the "as of date" but before the date of the auditor's report on internal control over financial reporting. This step will show if you have answered "Yes" to the TQ above.				
Modify	Added step 6: For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), we inquired about, and if available, obtained and read the following for the subsequent period: a. Relevant internal audit (or similar functions) reports issued; b. Reports regarding deficiencies in internal control over financial reporting issued by other independent auditors; c. Regulatory agency reports on the entity's internal control over financial reporting; and d. Information about the effectiveness of the entity's internal control over financial reporting obtained through other engagements performed for the entity. This step will show if you have answered "Yes" to the TQ above.	Procedures steps	Y	AU-C Section 940	
Modify	Modified steps 13 to 16; now read as follows: 13. We reviewed the entity's financial statement disclosures related to subsequent events to ensure the	Procedures steps	Y	AU-C Section 940	

	disclosures are complete and accurate, and that the date through which management evaluated subsequent events is on or before the date of the auditor’s report. 14. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), if we have become aware of a subsequent event and have determined that this event materially and adversely affected the operating effectiveness of the entity’s internal control over financial reporting, as of the date of management’s assessment, we have issued an adverse opinion on the internal control over financial reporting. This step will show if you have answered “Yes” to the TQ above. 15. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), if we were unable to determine the effect of the subsequent event on the operating effectiveness of internal control over financial reporting, we disclaimed an opinion. This step will show if you have answered “Yes” to the TQ above. 16. For an integrated audit (AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, effective for integrated audits for periods ending on or after December 15, 2016), if we have become aware of a material subsequent event with respect to conditions that did not exist as of the date of management’s assessment but arose subsequent to that date and before the release of the audit report, we included in the auditor’s report either: (1) an emphasis-of-matter paragraph directing the reader's attention to the subsequently discovered fact and its effects as disclosed in management's report, or (2) an other-matter paragraph describing the subsequently discovered fact and its effects. This step will show if you have answered “Yes” to the TQ above.				

AUD-902 Audit Program: Going Concern					
Modify	Added: **Practice Alert:** In August 2014, FASB issued Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* 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, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*), 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 that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for interim periods thereafter. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. In January 2015, the Auditing Standards Board issued four interpretations of AU-C Section 570 (see AU-C Section 9570). Interpretation No. 2 (*Definition of Reasonable Period of Time*) addresses how an auditor should apply the definition of "reasonable period of time" when the applicable financial reporting framework requires management to evaluate whether there are conditions and events that raise substantial doubt for a period of time greater than one year from the date of the financial statements. It states that, if under the entity's applicable financial reporting framework management is required to evaluate whether there are conditions and events that raise 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.	Instructions	Y	ASU No. 2014-15	
AUD-903 Audit Program: Consideration of Fraud					
Modify	Purpose modified; now reads: This audit program is designed to help the auditor address the risk of fraud in a financial statement audit or, when applicable, in an integrated audit of financial statements and internal control over financial reporting.	Purpose	Y	ICFR	

Modify	First paragraph of instructions modified and new Practice Point added; now reads: This audit program is based on the requirements and guidance set forth in AU-C Section 240, *Consideration of Fraud in a Financial Statement Audit*, and when applicable, AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (effective for integrated audits for periods ending on or after December 15, 2016). Refer to this guidance for additional information. **Practice Point:** For an integrated audit, AU-C Section 940 states that when planning and performing the audit of internal control over financial reporting, the auditor should (1) incorporate the results of the fraud risk assessment performed in the financial statement audit pursuant to the requirements of AU-C Section 240; (2) evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to fraud and the risk of management override of other controls; and (3) focus more of his or her attention on the areas of higher risk.	Instructions	Y	AU-C Section 940	
Modify	Deleted the “Brainstorming” segment (steps 1-25).	Table			The 2016 AUD-903 steps 2, 2a – 2d, 3, 4, 5, and 6 will retain into KBA-501 on roll forward if you have set to keep all responses on roll forward. If KBA-501 wasn’t included in the binder before roll forward please insert it so that these steps will retain on roll forward.
AUD-904 Audit Program: Compliance with Laws and Regulations					
Modify	Step 1 modified; now reads as follows: 1. We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, including the identification of instances of noncompliance, by performing the following steps: a. Understanding the entity’s policies and procedures for compliance with laws and regulations; b. Inquiring of management regarding compliance with laws and regulations; c. Understanding those laws and regulations that directly determine the reported amounts and disclosures in the financial statements; d. Inspecting correspondence, if any, with the relevant licensing or regulatory authorities; and	Table	N		Step will reset on roll forward due to extent of changes.

	e. Incorporating our knowledge of the entity's history of noncompliance with laws and regulations. ***KBA-303 Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations***				
AUD-908 Interim Review Program: Management Inquiries					
Modify	Modified throughout with additional steps.	Text; steps	N		

Auditor's Reports (RPTs) have been modified and updated, where applicable, in accordance with current guidance. **RPT-0978** has been deleted (duplicative with updated RPT-0982).

- **NEW RPT-0901A *Unmodified Opinion: Single-Year Financial Statements—Combined Report Expressing an Unmodified Opinion on ICFR* -** sample unmodified report for single-year financial statements with a combined opinion on internal control over financial reporting.
- **NEW RPT-0901B *Unmodified Opinion: Single-Year Financial Statements with Reference Made to Separate Report on ICFR* -** Sample unmodified report for single-year financial statements with a separate opinion on internal control over financial reporting..
- **NEW RPT-0902A *Unmodified Opinion: Comparative Years Financial Statements—Combined Report Expressing an Unmodified Opinion on ICFR* -** Sample unmodified report for comparative-years financial statements with a combined opinion on internal control over financial reporting.
- **NEW RPT-0902B *Unmodified Opinion: Comparative Financial Statements with Reference Made to Separate Report on ICFR* -** Sample unmodified report for comparative-year financial statements with a separate opinion on internal control over financial reporting will be issued
- **NEW RPT-0918A *Unmodified Opinion on Internal Control over Financial Reporting When Making Reference to the Report of a Component Auditor* -** Sample unmodified opinion on internal control over financial reporting when part of the opinion is based in part on the report of a component auditor
- **NEW RPT-0930 *Unmodified Opinion: Special-Purpose Financial Statements Prepared in Accordance with the Financial Reporting Framework for Small- and Medium-Sized Entities* -** Sample unmodified opinion for special-purpose financial statements prepared in accordance with the Financial Reporting Framework for small- and medium-sized entities
- **Renumbered:** Former RPTs 0930 through 0957 renumbered as RPTs 0931 through 0958.
- **NEW RPT-0960 *Unmodified Opinion: Separate Report on ICFR* -** Sample separate unmodified opinion on internal control over financial reporting.
- **NEW RPT-1004 *Adverse Opinion: Separate Report on ICFR* -** Sample adverse opinion: internal control over financial reporting.
- **NEW RPT-1019 *Disclaimer of Opinion: Separate Report on ICFR* -** Sample disclaimer of opinion: internal control over financial reporting.
- **NEW RPT-1033 *Unmodified Opinion: U.S.-Form Report on an Audit Conducted in Accordance with Both U.S. GAAS and the Standards of the PCAOB When the Audit Is* Not *Within the Jurisdiction of the PCAOB.***

Correspondence Documents (CORs) have been modified throughout with updated references and, where applicable, in accordance with authoritative literature.

- **NEW COR-201A *Audit Engagement Letter: Integrated Audit* -** Sample letter from auditor to client confirming scope of audit engagement that includes both an audit of the financial statements and an audit of internal control over financial reporting.

- **NEW COR-202A *Audit Engagement Letter: Integrated Audit When Also Performing Reviews of Interim Financial Information* -** Sample letter from auditor to client confirming scope of audit engagement that includes both an audit of the financial statements and an audit of internal control over financial reporting, when the auditor is also performing reviews of interim financial information.
- **NEW COR-901A *Management Representation Letter: ICFR.***
- **NEW COR-904A *Communication to Entity with Significant Deficiencies and/or Material Weaknesses: ICFR***
- **COR-905** modified with new title ***Communication to Entity with No Material Weaknesses (Not for Use When Performing an Integrated Audit).***

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-216	Modify	Modified for ICFR	Text		
COR-820	Modify	Added Additional Guidance Note for ASU No. 2015-04	Additional Guidance	Y	ASU No. 2015-04
COR-901	Modify	Minor modification for Information Provided (Illustrative Letter); and wording of the note concerning litigation, claims, and assessments.	Text		
COR-901	Modify	Modified Instructions and updated the Illustrative Letter: ICFR	Text	Y	ICFR
COR-904	Modify	Modified, adding “Reasonably possible” and “Probable” considerations.	Text		
COR-906	Modify	Modified, adding “Reasonably possible” and “Probable” considerations; added additional guidance notes, including considerations when the engagement is also performed in accordance with Government Auditing Standards.	Text		AU-C Section 940

Practice Aids (AIDs) have been modified and updated, where applicable, with additional tips, references, and examples.

- **AID-201 *Nonattest Services Independence Checklist*** Section I table modified with additional columns; Section II table, the Considerations column heading has been modified to “Document Specific Considerations” (based on peer review checklist); also (based on peer review checklist), under “General Activities That Would Impair the Auditor’s Independence,” added consideration 5.m. “Serving as a voting member of the entity’s management committee or board of directors?
- **AID-601 *Considering the Use of the Work of Internal Auditors*** updated in accordance with the requirements of AU-C Section 610, *Using the Work of Internal Auditors*, and AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*.
- **AID-602 *Understanding and Preliminary Assessment of the Entity’s Internal Audit Function*** updated in accordance with the provisions of AU-C Section 610, *Using the Work of Internal Auditors*.
- **AID-701 *Audit Sampling Worksheet for Tests of Controls*** modified Purpose to add consideration, if applicable, for an audit that is integrated with an audit of internal control over financial reporting. New Practice Point added regarding the auditor’s assessment of control risk; Section III table modified to add a column for “Assertion Is Relevant/Not Relevant.”
- **AID-702 *Results of Tests of Controls*** modified to add an Appendix illustrating a recommended workflow when evaluating and testing controls.
- **AID-802A *Inventory Observation Checklist: Parts and Accessories*** modified Inventory Observation Checklist for Parts and Accessories
- **AID-802B *Inventory Observation Checklist: Vehicles and Equipment*** modified Inventory Observation Checklist
- **AID-805 *Bank Transfer Schedule*** modified to add heading “'Bank Accounts AND Flooring Offset Account”
- **AID-810 *Accounts Receivable Analytical Procedures: Vehicle Sales*** modified tab for Vehicles/Equipment.

- **AID-810A *Accounts Receivable Analytical Procedures: Body Shop, Parts and Service*** modified (tab for Body Shop Analytical Procedures; tab for Parts Service Analytical Procedures).
- **AID-817 *Inventory Reconciliation: Parts to Counterpad*** modified (Inventory Reconciliation: Parts to Counterpad).
- **AID-818 *Inventory Price Test: New Vehicles*** modified (tabs for Parts and Accessories; Used Vehicles; New Vehicles)
- **AID-835 *Deferred Taxes Analysis*** modified to add a section for "Permanent Differences."
- **AID-837 *Carryforward Share Book Analysis*** modified to add a column for "Transferred to Certificate No."
- **AID-838 *Analysis of Equity Accounts*** modified to add a line for "Share-based compensation" under "Additions."
- **AID-840 *Analysis of Legal Fees*** modified to add a column for "Attorney Representation."
- **AID-903 *Audit Report Preparation Checklist*** modified with new tips and references and updated with additional new steps reflecting the provisions of AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*.

Resource Documents (RESs)

- **RES-001 *Knowledge-Based Audit Methodology Overview*** modified and updated.
- **RES-002 *Index of Audit Program, Forms, and Other Practice Aids*** modified as appropriate to incorporate new workpapers.
- **NEW RES-025 *Special Considerations in Auditing Financial Instruments*** has been added to illustrate questions that may be helpful to the auditor in obtaining an understanding of an entity's controls over its financial instrument activities.
- **NEW RES-026 *Illustrative Management's Report on Internal Control over Financial Reporting*** has been added as an aid to the client in preparing their Management's Report on Internal Control 0ver Financial Reporting for an integrated audit
- **NEW RES-027 *Considerations of an Audit of Internal Control over Financial Reporting That Is Integrated with the Knowledge-Based Audit of Financial Statements*** has been added to provide a cross reference between the key AU-C 940 (SAS 130) requirements and the applicable form.

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-131, *Amendment to Statement on Auditing Standards No. 122 Section 700, "Forming an Opinion and Reporting on Financial Statements"* (AU-C Section 700)
SAS-130, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AU-C Section 940)

FASB Accounting Standards Codification™ as of March 31, 2017, and through Accounting Standards Update (ASU) No. 2017-07.

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.

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
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		

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

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-904	Audit Documentation Checklist		
AUDs	**AUDIT PROGRAMS**		
AUD-100	Engagement-Level 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-802A	Audit Program: Investments in Securities		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
AUD-802B	Audit Program: Derivative Instruments, and Hedging Activities		
AUD-803	Audit Program: Receivables and Revenue		
AUD-804	Audit Program: Inventories and Cost of Sales - Vehicles		
AUD-804A	Audit Program: Inventories and Cost of Sales - Parts		
AUD-805	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-806	Audit Program: Intangible Assets		
AUD-807	Audit Program: Property and Equipment, and Depreciation		
AUD-808	Audit Program: Accounts Payable and Purchases		
AUD-809	Audit Program: Payroll and Other Liabilities		
AUD-810	Audit Program: Income Taxes		
AUD-811	Audit Program: Debt Obligations		
AUD-812	Audit Program: Equity		
AUD-813	Audit Program: Other Income and Expense		
AUD-814	Audit Program: Journal Entries and Financial Statement Review		
AUD-815	Audit Program: Related-Party Transactions		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
AUD-816	Audit Program: Fair Value Measurements and Disclosures		
AUD-817	Audit Program: Variable Interest Entities		
AUD-818	Audit Program: Share-Based Payments		
AUD-819	Audit Program: Commitments and Contingencies		
AUD-820	Audit Program: Accounting Estimates		
AUD-821	Audit Program: Concentrations		
AUD-901	Audit Program: Subsequent Events		
AUD-902	Audit Program: Going Concern		
AUD-903	Audit Program: Consideration of Fraud		
AUD-904	Audit Program: Compliance with Laws and Regulations		
AUD-907	Interim Review Program: Review of Interim Financial Information		
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 Reliance on the Work of Internal Auditors		

Form No.	*Form Name*	*Foundation Workpaper*	*Association Workpaper*
AID-603	Component Identification and Analysis		
AID-702	Results of Tests of Controls		
AID-801	Audit Sampling Worksheet for Substantive Tests of Details		
AID-802A	Inventory Observation Checklist: Parts and Accessories		
AID-802B	Inventory Observation Checklist: Vehicles and Equipment		
AID-901	Differences of Professional Opinion		
AID-903	Audit Report Preparation Checklist		

Additional Information for Associated Workpapers

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

Workpaper Requiring Association	*What is it associated with?*		
	Workpaper	*Table/Question*	*Association Item (Custom Value)*
KBA-412 Understanding Ctrls: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the 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 intend 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 intend 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