

# 2011 Knowledge-Based Audits™ of Real Estate Entities

ProSystem fx  
Knowledge Tools  
December 2011



Release  
Bulletin

Welcome to *2011 Knowledge-Based Audits™ of Real Estate Entities*, the latest addition to the ProSystem fx Knowledge Tools library!

Please review this bulletin prior to installation and use. If you have any questions, call Technical Support at 1-800-PFX-9998, option 4.

## IN THIS RELEASE

*Knowledge-Based Audits™ of Real Estate Entities* has been updated to take into account new or pending auditing standards and guidance. References to FASB pre-Codification literature have been removed throughout the forms and practice aids. In addition, various practice alerts have been added to address the applicability of new or pending audit standards and guidance to audits of real estate entities. The 2011 tools now include links to industry 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 required and recommended GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification™.

The 2011 edition of *Knowledge-Based Audits of Real Estate Entities* is current through SAS-121, *Revised Applicability of Statement on Auditing Standards, No. 100 – Interim Financial Information*, and includes the following updates:

**Links to Accounting Research Manager (ARM).** - If you subscribe to an ARM library that includes audit content, you can now link directly to source material from Resources within Knowledge Tools documents. These links have been updated to reference to the accounting standards under the FASB Accounting Standards Codification™.

## Workpaper Updates

### Knowledge-Based Audit Documents (KBAs)

- **KBA-103 Significant Matters** has been updated; the review of management's significant estimates has been moved into new **KBA-106 Review of Significant Estimates**.
- **NEW KBA-106 Review of Significant Estimates** has been added to aid the auditor in performing the required review and evaluation of management's significant accounting estimates.
- **KBA-400 UNDERSTANDING INTERNAL CONTROLS: SCOPING AND MAPPING** has been revised with updated instructions and tables; a new column has been added for indicating whether internal controls over financial reporting have been selected for testing operating effectiveness.
- **KBA-502 Summary of Risk Assessments** has been revised with updated instructions, and a new column has been added for indicating whether internal controls over financial reporting have been selected for testing operating effectiveness.
- **KBA-901 Financial Statement Disclosure Checklist** is current through June 30, 2011, and includes the relevant citation from the FASB Codification as of June 30, 2011, using the FASB classification system.
- **NEW KBA-901J Industry-Specific Disclosures Checklist: Real Estate** supplements the General U.S. GAAP Financial Statement Disclosures Checklist and serves as a means to document consideration of the specialized presentation and disclosure requirements for real estate entities. KBA-901J reflects guidance through ASU 2011-05, *Comprehensive Income (Topic 220) —Presentation of Comprehensive Income*.

## Audit Programs (AUDs)

- **AUDs 801 through 818** have been updated to include additional industry specific substantive procedures, as well as control testing steps and new risk summary/linking tables to better document the linkage between risks identified and procedures performed.
- **AUD-901 Audit Program: Subsequent Events** has been updated to include new steps for reviewing disclosures related to subsequent events.
- **NEW AUD-905 Audit Program: Consideration of Omitted Procedures after the Report Date** is designed to help the auditor consider and address the importance of omitted procedures that may have been necessary at the time of the audit; document procedures performed subsequent to the date of the audit report; determine the appropriate course of action in the circumstances; and document the auditor's conclusions.

## Auditor's Reports (RPTs)

- **RPTs-901–940.** Updated throughout to remove references to pre-codification FAS statements; reflect changes in standards, where applicable; update or add new practice points addressing clarified standards; and add links to the corresponding guide, *Knowledge-Based Audits™ of Real Estate Entities*.

## Correspondence Documents (CORs)

- **COR-204 Audit Engagement Letter** has been updated to add “material weakness” to the language of the engagement letter and to provide appropriate verbiage for SAS-119 engagements.

## In addition, forms and practice aids throughout have been updated, where applicable, to take into account:

New literature, standards, and developments applicable to real estate entities are reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

- SAS-118 *Other Information in Documents Containing Audited Financial Statements*
- SAS-119 *Supplementary Information in Relation to the Financial Statements as a Whole*
- SAS-120 *Required Supplementary Information*
- SAS-121 *Revised Applicability of Statement on Auditing Standards, No. 100 – Interim Financial Information*

AICPA Statement on Quality Control Standards No. 8, *A Firm's System of Quality Control*

FASB Accounting Standards Codification (through June 30, 2011) including:

- ASU No. 2011-02, *Receivables (Topic 310)—A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*;
- ASU No. 2011-04, *Fair Value Measurement (Topic 820)—Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*; and
- ASU No. 2011-05, *Comprehensive Income (Topic 220)—Presentation of Comprehensive Income*.

- **NEW COR-212 Communication with Predecessor Auditor Prior to Client/Engagement Acceptance** provides a sample letter from successor auditor to predecessor auditor requesting information regarding management's integrity, prior to making the client acceptance decision.
- **NEW COR-213 Request from Client to Predecessor Auditor to Release Information to Successor Auditor** provides a sample letter from client to predecessor auditor asking them to release information and respond to successor auditor inquiries.
- **COR-901 Management Representation Letter** has been updated to reflect language contained in SAS-118, 119, and 120.

## Practice Aids (AIDs)

- **NEW AID-703 Control Testwork Template** is designed to help the auditor in performing tests of the operating effectiveness of internal controls.
- **NEW AID-704 Summary Control Testing Plan** is designed to aid in the documentation of the auditors plan for testing the effectiveness of internal controls.

## Resource Documents (RESs)

- **RES-001 Knowledge Based Audit Methodology Overview** has been updated to provide information regarding the Auditing Standards Board's Clarity Project and, where applicable, to reflect organizational and instructional changes.

## Important Roll Forward Information

Due to changes made in our documents to ensure they are compliant with standards, some information will not roll forward from previous versions. To ensure as much information as possible will roll forward, please do not roll forward from the 2010 *Knowledge-Based Audits™ of Real Estate Entities* to the 2011 *Knowledge-Based Audits™ of Real Estate Entities* until you have installed the ProSystem *fx* Engagement release 5.7.1 or higher. For any title-specific roll forward information, please refer to the Help icon found in the roll forward wizard.

**Note:** While working through your Word documents, it is important to follow certain steps to avoid any data loss upon roll forward. If you save the workpaper before tabbing out of a cell, you risk losing data when rolling forward. If upon roll forward you experience any data loss in a workpaper, please follow these steps:

1. Open the workpaper.
2. Update the problem cell with random text (only after experiencing data loss).
3. Tab out of the cell.
4. Go back into the cell and remove random text.
5. Once again, tab out of the cell.
6. Save the document.

## Important Notes

- Knowledge Coach customers should download and use the Knowledge Coach formatted version of this title that was released and posted to <http://support.cch.com/updates/KnowledgeCoach> in October 2011. This Knowledge Tools title release is NOT compatible with the Knowledge Coach module. Knowledge Coach customers can still use this Knowledge Tools title, but they will not have Knowledge Coach functionality and integration available in these workpapers.
- A minimum of 1GB of RAM is highly recommended for optimal performance when opening and navigating through ProSystem *fx* Knowledge Tools documents.
- ProSystem *fx* Engagement version 4.9 with Knowledge Tools or higher must be installed on the computer in order to install this Knowledge Tools title. Additional requirements include Microsoft Office Professional 2003 SP2 or higher, Microsoft Office 2003 Primary Interop Assemblies (PIA), and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR). The installations of PIA and VSTOR can be found on the Engagement CD in the Applications\Knowledge Tools Prerequisites folder.

## Download Instructions

Download the 2011 *Knowledge-Based Audits™ of Real Estate Entities* title from the **Program Updates** section of the ProSystem *fx* Engagement support Web site at the following URL: <http://support.cch.com/updates/KnowledgeTools/>, then select the download link next to **2011 Knowledge-Based Audits™ of Not-for-Profit Entities**.

**Password:** The password will be included in the mailed release bulletin sent to subscribers of this title.

## Installation Instructions

Your Knowledge Tools title will integrate itself directly into ProSystem *fx* Engagement. The only additional system requirement is approximately 75MB of disk space to store your Knowledge Tools program content files. Please refer to the ProSystem *fx* Engagement with Knowledge Tools Release Notes for any other system requirements.

After extracting the 2011 *Knowledge-Based Audits™ of Real Estate Entities.msi*, do the following to install the Knowledge Tools templates:

1. Double-click on the 2011 *Knowledge-Based Audits™ of Real Estate.msi* to begin the installation.
2. Select **Next** on the Welcome screen.
3. Accept the License Agreement, and then select **Next**.
4. Select the destination location for the templates, and then select **Next**.
5. Review the installation settings, and then select **Install** to begin copying the files.

6. Select **Finish** to complete the installation.

**Note:** You must add and assign the Knowledge Tools license in ProSystem *fx* Engagement Administrator before using the workpaper templates.

**Important:** The 2011 *Knowledge-Based Audits™ of Real Estate Entities.msi* allows for mass deployment/installation by way of pushing the install to computers.

## ProSystem *fx* Engagement Update Utility Instructions

If the Knowledge Tools title is not shown in the list of available products in the License Assignment dialog, the title's licensing information will need to be updated with the ProSystem *fx* Engagement Update Utility prior to adding the licenses for the title or assigning the licenses to staff members.

Follow these steps to download the utility and update file:

1. Download the ProSystem *fx* Engagement Update Utility from the **Program Updates/Knowledge Tools Series** page of the ProSystem *fx* Engagement support Web site.
2. To download the utility, click **ProSystem *fx* Engagement Update Utility**.
3. To download the update file (LicenseUpdate.upd), click **License Update File**.

**Note:** We recommend you save the files to your computer to run the utility.

After downloading the files, perform the following steps:

1. Close ProSystem *fx* Engagement Administrator and ProSystem *fx* Engagement.
2. Double-click the ProSystem *fx* Engagement Update Utility (PfxEngUpdateUtility.exe) file.
3. Enter the login name and password for an authorized ProSystem *fx* Engagement administrator.
4. Browse for or enter the path for the license update file you just downloaded (LicenseUpdate.upd).
5. Click **OK** to update the ProSystem *fx* Engagement database and add the Knowledge Tools title to the License Assignment dialog in ProSystem *fx* Engagement Administrator. You may now add and assign the Knowledge Tools title to the users.

## Online Permission Key

Permission key files may be downloaded from our Web site at

<https://prosystemfxsupport.tax.cchgroup.com/service/accountadmin/> or when adding or updating the new licenses within ProSystem *fx* Engagement with Knowledge Tools 4.9 and higher. After updating the license file in the ProSystem *fx* Engagement Admin module, and running the Update License Utility for 4.9 users, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Audits™ of Real Estate Entities*. If you have not already established a Single Sign-on (SSO) account with Customer Service, we urge you to do so at this time.

Permission keys are no longer generally distributed via floppy diskette. You can choose to continue receiving the diskette by going to <http://tax.cchgroup.com/pfxsupport>, clicking the Firm Administration link, and making the appropriate selection (SSO access is required), or by contacting Customer Service at 1-800-PFX-9998, option 4.

## Accounting Research Manager

CCH's Accounting Research Manager is the most comprehensive, up-to-date and objective online database of financial reporting literature. It includes all authoritative and proposed accounting, auditing, and SEC literature, plus independent, expert-written interpretive guidance.

Our Weekly Summary email newsletter highlights the key developments of the week, giving you assurance that you have the most current information. It provides links to new FASB, AICPA, SEC, EITF, and IASB authoritative and proposal-stage literature, plus guidance from financial reporting experts.

Our team of content experts updates the system on a daily basis, so you can stay as current as possible. What's more, our experts attend critical standard-setting meetings and summarize the results for you, which means you'll learn of newly released literature and deliberations of current financial reporting projects as soon as they occur! Plus, you'll benefit from their easy-to-understand technical translations. Our expert's interpretations clearly lay out what the rules mean from your perspective.

With Accounting Research Manager, you maximize the efficiency of your research time, while enhancing your results. Learn more about our content, our experts, and how you can request your free trial by visiting <http://www.accountingresearchmanager.com>. You can also access the Accounting Research Manager Web site by selecting the item from the ProSystem *fx*® Engagement Other Shortcuts bar in the Binder window.

## Using Your Knowledge Tools Content

### Knowledge Tools Workpaper Templates

To use Knowledge Tools Workpaper Templates, do the following:

1. Open a binder in ProSystem *fx* Engagement.
2. Select the workpaper tab into which you would like to insert the workpaper.
3. Select **New Knowledge Tools Workpaper** from the toolbar or File menu. The New Knowledge Tools Workpaper dialog appears (*Figure 1*).
4. Select the New Knowledge Tools Title with the content you would like to use. You can only select titles you have installed. The information displayed changes to reflect the workpaper organization available for the selected title.
5. Select the Knowledge Tools Workpaper Templates to insert into your binder.
6. Click **OK** to display the Selected Workpaper Properties dialog. Each workpaper name is automatically loaded into the Name field.
7. Add a workpaper index in the Index field and make any needed Name modifications. You can also modify the tab location or the roll forward settings for each workpaper.
8. Click **OK**. The integrated Knowledge Tools workpaper is now inserted into your engagement binder.

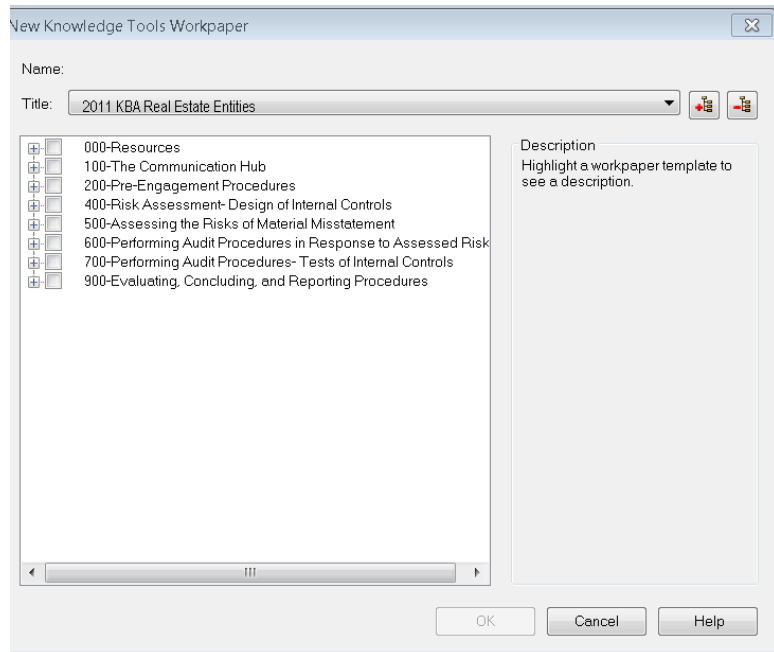


Figure 1 – New Knowledge Tools Workpaper

### Binder Templates

ProSystem *fx* Engagement provides powerful engagement templates with integrated Knowledge Tools content.

To start engagements pertaining to your purchased title with a binder template populated with programs and worksheets, select **New Binder Wizard** from either the toolbar or File menu in the File Room window. The New Binder Wizard dialog appears (*Figure 2*). To setup the binder, do the following:

1. Select **Create binder from template**.
2. Click on the **Knowledge Tools** tab.
3. Select the appropriate binder template for your engagement. You will see binder templates for the Knowledge Tools titles installed.
4. Select **Next**.
5. Complete the binder properties information as needed.
6. Select **Finish**. The new binder displays in the file room. Refer to the ProSystem *fx* Engagement User Guide, accessible from the Help menu in ProSystem *fx* Engagement, for more information.

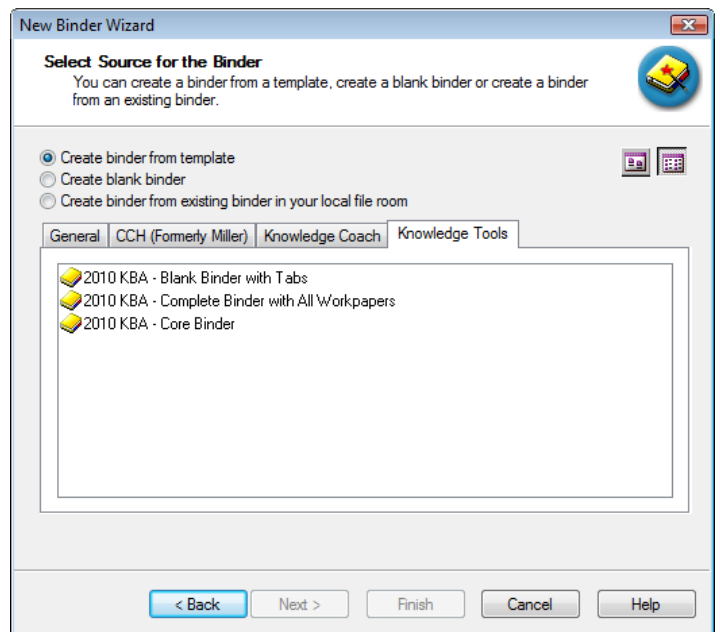


Figure 2 – New Binder Wizard

The 2011 *Knowledge-Based Audits™ of Real Estate Entities* provides three binder templates. One binder template contains all workpaper templates from the title, one binder template contains only the core workpaper templates, and the third binder template contains only workpaper tabs using the Knowledge Tools indexing system. This allows you to build your own binder template by populating the tabs with the workpapers of your choice.

## Contact Information

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For a demo or to purchase additional titles	1-800-PFX-9998, option 1
Technical Support	1-800-PFX-9998, option 4 or online at <a href="http://support.cch.com">http://support.cch.com</a>

The ProSystem *fx* Engagement version of the Knowledge Tools Integrated Engagement Guides is sold and supported by CCH, a Wolters Kluwer business. The contact information above can be used for customer service and support issues for this product. For information about other CCH products, please call 1-800-248-3248 or visit the online Store at <http://tax.cchgroup.com>.