2011 Knowledge-Based Audits™ of Commercial Entities for KC 1.8 v2(2/24/12)

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Release Bulletin

Knowledge-Based Audits of Commercial Entities for KC 1.8 v2 is a re-released version of the 2011 Knowledge-Based Audits™ of Commercial Entities with an updated disclosure checklist as of 12/31/11.

If you have already installed Knowledge-Based Audits of Commercial Entities for KC 1.8 (1-23-12) or (12-16-11), you can insert this title version and just update the KBA-901 Financial Statement Disclosure Checklist by selecting the KBA-901 workpaper in your existing binder and then right-click or select "Workpaper" menu and then select: **Update to Latest Knowledge Coach Content/Update Selected Knowledge Coach Workpapers.**

This version also helps the auditor gain efficiencies and takes advantage of some diagnostics enhancements in titles produced for Knowledge Coach 1.8. Review the diagnostic efficiencies section below for more information.

Note: Only KBA-901 Financial Statement Disclosure Checklist has been update. No other content has been updated for any potential standard changes since the previous release of the title on 2/11/11.

Workpaper Updates:

KBA-901 Financial Statement Disclosures Checklist – The disclosures checklist assists the auditor in ensuring that the client has properly reported, presented and disclosed its financial statement activity in accordance with GAAP. The checklist follows the FASB Accounting Standards Codification format and is current through December 31, 2011

If you are updating from any previous version of this title refer to the Knowledge Coach User Guide Chapter 12. The guide is found on the Engagement File Room Help menu.

Diagnostic Efficiencies

Audit Programs (AUDs)

These workpapers have been updated through out to reflect the addition of enhancements in the application for missing signoff diagnostics. When you sign off on a main procedure step as "N/A", the missing sign off diagnostics for the sub-steps will also be cleared. This is true for all workpapers, except for program steps and sub-program steps in the *AUD-800* series.

Knowledge-Based Audit Documents (KBAs)

- **KBA-302 Understanding the Entity and Its Environment** now has the updated unanswered question diagnostics. Once you mark the "Consider?" column as "N/A", all diagnostics for that row will be cleared.
- **KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts** through **KBA-409 Understanding Activity-Level Controls: Financial Reporting and Closing Process**
  - **Update Content Note:** Since no data will be kept in excel workpapers when replaced with latest content, you may want to set the roll forward properties to "Include in roll forward" or exclude them from Update Knowledge Coach Content menu option by choosing to "Update selected workpapers" and not include these in the selection so that your previous work is kept during content update.
  - If you are updating from the 2010 version of the title, you can include in roll forward/exclude from update and manually add the new column, "Testing for Operating Effectiveness".
- **KBA-901 Financial Statement Disclosure Checklist** now has the updated unanswered question diagnostics. Once you mark main steps as "N/A," the sub-steps' unanswered question diagnostic will be cleared.

For more information on the Knowledge-based Audit (KBA) Methodology and how it works within ProSystem *fx*® Knowledge Coach, refer to the Additional Information section in this bulletin

Additional Information on Knowledge Coach and the KBA Methodology

KBA Methodology

The Knowledge-Based Audit (KBA) Methodology allows the results of one set of procedures to become the input for the next. The key components of the KBA Methodology include:
- An **Overview** that guides auditors through the new methodology.
- Customizable **Audit Programs** that take auditors through related steps and procedures.
- **Practice Aids** to help auditors complete steps or processes outlined in the Knowledge-Based Audit documents and Audit Programs.
- **Auditor's Reports** that provide a variety of sample auditor's opinions on audited financial statements.
- **Correspondence** documents that provide sample letters to be used to comply with GAAS. requirements and in many other common situations.
- **Knowledge-Based Audit** documents, integral to the risk assessment and overall audit processes, which contain steps and procedures required by GAAS

Risk Assessment Standards-The practice aids and tools in the *2011 Edition of Knowledge-Based Audits of Commercial Entities* support the AICPA's Auditing Standard Board's Risk Assessment Standards by providing guidance to help address audit requirements. The Knowledge-Based-Audit (KBA) methodology will assist auditors of nonpublic commercial entities by:
- Facilitating compliance with GAAS.
- Encouraging more effective audits through customized programs and comprehensive practice aids.
- Helping auditors to focus on and respond to identified audit risks.
- Enhancing audit documentation.

ProSystem *fx*® Knowledge Coach

ProSystem *fx*® Knowledge Coach functionality allows auditors to use the Knowledge-Based-Audit methodology more efficiently by eliminating the need for duplicate entry of the same information, tailoring audit documentation to each particular engagement, and documenting the link between risks identified and procedures performed.**AUD-100 Tailoring Question Workpaper** is a document in Knowledge Coach that presents engagement-level questions designed to aid in tailoring the engagement documentation to fit each client. Completing the questions helps the auditor avoid duplication and unnecessary workpapers.

Before you begin your audit, please review the guidance in **AUD-101 Overall Audit Program**. This workpaper is intended to be your road map through a Knowledge-Based Audit methodology. You should start your audit with **AUD-100 Tailoring Question Workpaper** and **AUD-101 Overall Audit Program**.

Risks can be captured via the Risk Summary task pane from any Knowledge Coach workpaper by the current editor of KBA-502 Summary of Risk Assessments. This allows the user to continuously assess risks during the engagement. Several workpapers prompt the consideration of the presence of risks, but the Risk Summary task pane must be used to document those risks. All documented risks flow to the Risk Summary. To ensure risks show in findings tables, make sure to check the "workpaper identified in" field of the Risk pane.

Information Flow helps cut down on the time spent duplicating information across forms. In addition, the flow of consistent information ensures that information and updates to information are not missed between workpapers. Drill-down functionality helps the user navigate quickly to the source of the information, aiding in the review of the audit file.

Diagnostics help you keep track of unresolved issues like unanswered questions, incomplete risks, program steps not linked to risks or relevant assertions, missing workpaper, and more. Diagnostics now show when a form table has not been answered (i.e. tables in KBA-101 Overall Audit Strategy that are added by the tailoring questions in AUD-100 Overall Tailoring Questions).

Links to Accounting Research Manager (ARM)-If you subscribe to an ARM library that includes audit content, you can link directly to source material from Resources within Knowledge Coach documents. These links have been updated to reference to the standards under the FASB Accounting Standards CodificationTM. Also, if you subscribe to the Knowledge-Based Commercial Entities Guide on ARM, you can take advantage of brand new links to the audit guide material from within the Knowledge Coach documents.

Interpretive Guidance is integrated into each Knowledge Coach template through the Tips view of each new task pane. Informational features include Practice Points, Examples, Optional Workpapers, and Resources to help auditors work more effectively and efficiently. We have also added the ability to navigate from Resources within a document or the tip pane directly to CCH's Accounting Research Manager and industry audit guides by simply clicking on the Reference.

Important Notes

- Risks cannot be entered directly into findings tables found at the bottom of several workpapers. Those tables can still be used to capture significant matters that are not risks and control deficiencies, but risks must be entered using the Risk Summary task pane.
- Make sure to save changes to workpapers before closing the workpaper or the binder to ensure data is correctly updated.
- If your Current Editor Knowledge Coach MS Word workpapers become read-only or crashes, please do the following
    o Keep the binder with the affected workpapers open.
    - Contact Customer Service at 1-800-PFX-9998, option 4 to obtain a repair utility.
- Knowledge Coach cannot be used within the Shared File Room (SFR) feature of Engagement. However, Knowledge Coach workpapers can be shared across team members through check in, check out, workpaper assignment, synching to the central file room and through peer-to-peer synch in the same way that other Engagement workpapers are shared.

System Requirements

- This title MUST be used with ProSystem *fx* Engagement version 6.8 and higher. If you are upgrading from ProSystem *fx* Engagement 6.0, 6.1, 6.1.2 or 6.5, please contact Technical Support at 1-800-PFX-9998, option 4 for detailed instructions.
- A minimum of 2GB of RAM is highly recommended for optimal performance when opening and navigating through ProSystem *fx* Knowledge Coach documents.

Download Instructions

Download the *2011 Knowledge-Based Audits™ of Commercial Entities for KC 1.8 v2* title from the **ProSystem *fx* Knowledge Coach Updates** section of the ProSystem *fx* Engagement Support Web site at the following URL: **http://support.cch.com/updates/KnowledgeCoach**, then select the **Knowledge Coach Series** and **Download file** link next to the **2011 Knowledge-Based Audits of Commercial Entities.** On some occasions the content package file (.KCP) has downloaded with the extension changed to .ZIP. If this occurs, please change the extension of the downloaded file to KCP using all capital letters.

Important: ProSystem *fx* Engagement version 6.8 or higher must be installed on the computer in order to install this Knowledge Coach title. Additional requirements include Microsoft Office 2007, Microsoft Office 2003 Primary Interop Assemblies (PIA) and Visual Studios 2005 Tools for Office Second Edition Runtime (VSTOR).

Installation Instructions

Once you have downloaded your Knowledge Coach title, you will need to add it to the list of titles within ProSystem *fx* Engagement. The only additional system requirement is approximately 75MB of disk space to store your Knowledge Coach program content files. Please refer to the ProSystem *fx* Engagement with Knowledge Coach Release Notes for any other system requirements.

After downloading the *2011 Knowledge-Based Audits of Commercial Entities for KC 1.8 v2,* do the following:

1. Launch the ProSystem *fx* Engagement Workpaper Management application so that the Local File Room is displayed. Select **Tools > Knowledge Coach Titles**.
   The Knowledge Coach Titles window will be displayed.
2. Choose **Add Title**.
3. Browse to the title package file (*.KCP) that you previously downloaded and extracted from the ProSystem *fx* Knowledge Coach Support Web site.

4. Choose **Open**.
   The system will display a progress indicator while the title package is added. You will receive a message that the title has been successfully installed once the process is complete.

Once the title is added, you must release it, so that other staff members in your firm can use it. You may also wish to "unreleased" previous versions of the title.

To unrelease a title:

1. Select a previous version of the KBA Commercial Entities title
2. Choose **Unrelease Title**. The date will be removed from the *Date released* column and staff that do not have the staff group property right to insert unreleased titles will not be able to insert the unreleased titles into a binder.

   *Not*e: You can determine this access in the **ProSystem *fx* Engagement Admin** module by selecting a staff group and choosing **File→ Properties→Content** "Insert Knowledge Coach workpapers from unreleased titles" option

To release a title:

1. Select one of the Knowledge Coach titles in the list that has been added but is not yet released.
2. Choose **Release Title**. The current date and time will be displayed in the *Date released* column, and the status will change to "Released."

Note: You must add and assign a Knowledge Coach module as well as the Knowledge Tools title license in the ProSystem *fx* Engagement Administrator before using the workpapers.

Important: Once the *2011 Knowledge-Based Audits of Commercial Entities for Knowledge Coach 1.8 v2* title has been added and released, it will be automatically deployed to other staff members when they login to the "Office" location, or when they synchronize a binder that contains Knowledge Coach workpapers from this title. There is no need for each user to run the *Knowledge Coach Title Update*, as the necessary files will be deployed with the content for the newly released title.

Online Permission Key

Permission key files may be downloaded from our Web site at **http://tax.cchgroup.com** or when adding or updating the new licenses within ProSystem *fx* Engagement with Knowledge Coach version 6.8 and higher. After updating the license file in the ProSystem *fx* Engagement Admin module, licenses need to be assigned to the staff who will use 2011 *Knowledge-Based Audits™ of Commercial Entities for Knowledge Coach 1.8 v2*.

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.

Newly available is the Knowledge-Based Commercial Entities, an audit guide that helps you comply with the AICPA's risk assessment standards and has incorporated the Knowledge-Based Audit methodology. The primary objective of the guide is to provide practitioners with an effective approach for conducting audits of nonpublic commercial entities. This publication supplements and complements the KBA documents that are available in Knowledge Coach.

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 in ProSystem *fx* Engagement from the Guidance tab on the Shortcuts bar in the Binder window.

Links to Accounting Research Manager (ARM)

As indicated above, subscribers to an Accounting Research Manager library that includes source content can link directly to source material from references within Knowledge Coach workpapers. These links have been updated to reference the new Codification released by the FASB and available on ARM. The Codification on ARM is fully integrated with U.S. and international accounting standards, other non-authoritative materials and industry leading interpretive guidance.

Using Your Knowledge Coach Content

To use your Knowledge Coach Workpaper Templates, open a binder in ProSystem *fx* Engagement, select the workpaper tab into which you would like to insert the workpaper, and select **New Knowledge Coach Workpaper** from the toolbar or File menu. The New Knowledge Coach Workpaper dialog appears (*Figure 1*).

Select the New Knowledge Coach 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. Select the Knowledge Coach Workpaper Templates to insert into your binder and click **OK**. The **Selected Workpaper Properties** dialog appears. Each workpaper name is automatically loaded into the Name field. Add a workpaper index in the Index field and make any Name modifications you desire. You can also modify the tab location or the roll forward settings for each workpaper. Then click **OK**. The integrated Knowledge Coach workpaper is now inserted into your engagement binder. For more information on how to use Knowledge Coach workpapers in your binder, see the Knowledge Coach User Guide.
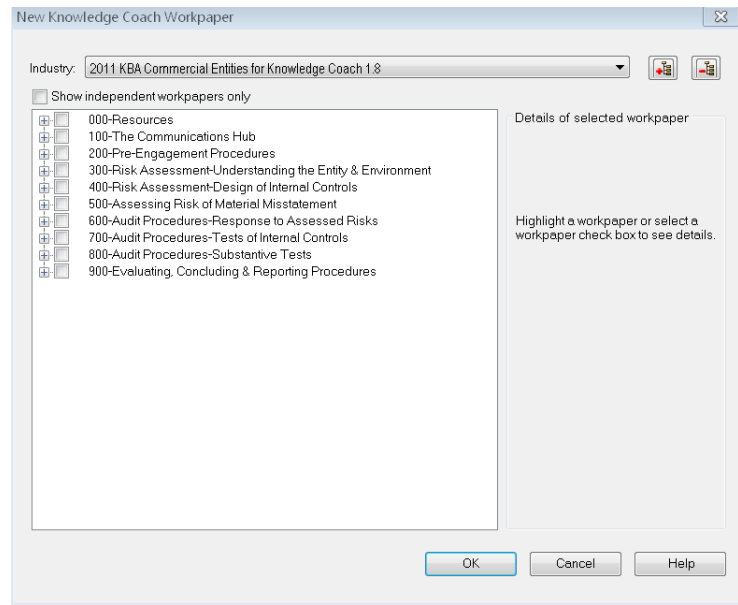
Figure 1 – New Knowledge Coach Workpaper

Download Description:	2011 Knowledge-Based Audits of Commercial Entities for KC 1.8v2 (2/16/12)
Version:	Engagement v. 6.8 with Knowledge Coach or higher
Release Date:	February 2012
File size:	14MB
Approx. Download Time:	45 minutes at 56 kbps
License:	Full Version
Platforms:	Windows XP/Vista
Office:	Microsoft Office 2007 required

Contact Information

For a demo or to purchase additional titles as they become available — 1-800-PFX-9998, option 1
Technical Support — 1-800-PFX-9998, option 4

The ProSystem *fx* Engagement version of the Knowledge Coach Integrated Knowledge-Based 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.