2011 Knowledge-Based Audits™ of Public Entities (7/27/11) for Knowledge Coach

ProSystem *fx*
Knowledge Coach
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Release Bulletin

Welcome to the *2011 Knowledge-Based Audits of Public Entities (7/27/11),* the latest title available in the ProSystem *fx*® Knowledge Coach series! Please review this bulletin prior to installation and use. If you have any questions, call Technical Support at 1-800-PFX-9998, option 4.

Knowledge-Based Audits of Public Entities is designed to help the auditor efficiently and effectively perform financial statement audits of commercial entities in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States) and the requirements of the Securities and Exchange Commission (SEC). The knowledge-based audit is a risk-based methodology that emphasizes using knowledge of the entity to make risk assessments in connection with a financial statement audit, as well as the audit of internal control over financial reporting. The documents in this edition have been developed in accordance with PCAOB and SEC authoritative guidance.

The 2011 edition of *Knowledge-Based Audits of Public Entities* includes the very latest information and has been updated to take into account the PCAOB risk assessment standards and conforming amendments and all new or pending auditing standards and guidance, including PCAOB Auditing Standards AS-8 through AS-15. Also included are SEC, SOX, MD&A, and Form-10Q disclosure checklists designed to help the auditor determine whether the financial statements and related disclosures comply with SEC rules, and a completely 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 documents now include Accounting Research Material links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. This is the first update to this Knowledge Coach title. If you are updating from the 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.

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.

WORKPAPER UPDATES AND ROLL FORWARD NOTES

Important Note for Customers updating binders from 2010 Knowledge Based Audits of Public Entities:

You **must** download and install the Knowledge Coach 1.7 Update before updating to the 2011 Public Entities content. The Knowledge Coach 1.7 Update will ensure that all the 2011 content is updated correctly. For more information on the Knowledge Coach 1.7 Update, review the Release Notes and associated Knowledge Base article at the following link: http://support.cch.com/updates/KnowledgeCoach/. If you have not installed Knowledge Coach 1.7, make sure to update all related and independent workpapers at the same time.

General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content during roll forward, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The following workpapers have been updated throughout to reflect changes in standards, where applicable, update or add new practice points, and add links to the corresponding guide, **Knowledge-Based Audits™ of Public Entities: A Guide to PCAOB Standards and SEC Rules**:

- Audit Programs (AUDs)
- Practice Aids (AIDs)
- Correspondence Documents (CORs)
- Auditor's Reports (RPTs)

Knowledge-Based Audit Documents (KBAs): Updated throughout to reflect changes in standards, where applicable, update or add new practice points, and add links to the corresponding guide, *Knowledge-Based Audits™ of Public Entities: A Guide to PCAOB Standards and SEC Rules*.

- **KBA-400 Understanding Internal Controls: Scoping and Mapping** – Updated to provide documentation of the auditor's expectation of significant financial statement disclosures.

- **KBAs 403 through 409 Activity-Level Controls** – Updated with a new step for selecting controls for testing of operating effectiveness.

- **KBA-901 Series – Financial Reporting and Disclosure Checklists** – assist the auditor in ensuring the client has properly reported, presented, and disclosed its financial statement activity in accordance with GAAP and SEC rules. The checklists follow the FASB Accounting Standards Codification format and are current through March 31, 2011.

Resource Documents (RESs):

- **RES-001 Knowledge-Based Audit Methodology Overview** has been updated to reflect organizational and instructional changes, and to reflect changes in standards.

- Former **RES-002 Broad Requirements for Performing Audit Procedures** has been deleted.

- **RES-003 Consideration of Fraud in Accordance with PCAOB AU 316 Auditing Standards in the Knowledge-Based Audit** has been updated to reflect organizational changes.

- **NEW RES-010 2011 Public Entities Title Overview for Knowledge Coach Users** has been added as a reference document for the workpaper update information, along with a list of related workpapers for the title.

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:
  - Auditing Standards (AS):
    - AS 8, *Audit Risk*
    - AS 9, *Audit Planning*
    - AS 10, *Supervision of the Audit Engagement*
    - AS 11, *Consideration of Materiality in Planning and Performing an Audit*

- AS 12, *Identifying and Assessing Risks of Material Misstatement*
- AS 13, *The Auditor's Responses to the Risks of Material Misstatement*
- AS 14, *Evaluating Audit Results*
- AS 15, *Audit Evidence*

- This title and the KBA methodology incorporate all of the requirements of the new risk assessment standards and conforming amendments.

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 PCAOB standards and SEC rules, and may be used 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 PCAOB standards and SEC rules.

Risk Assessment Standards-The practice aids and tools in the *2011 Edition of Knowledge-Based Audits of Public Entities* are designed around the PCAOB's auditing standards to assist auditors by:

- Facilitating compliance with PCAOB standards and SEC rules.
- Providing a detailed discussion of how to identify and select internal controls for testing of operating effectiveness, including a new comprehensive example of a process narrative, identification of key controls, and selection of subset of controls for testing.
- Encouraging more effective audits through tailored audit 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 Tailoring Question Workpaper**).

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 Codification™. Also, if you subscribe to the *Knowledge-Based Audits of Public 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

- **Note:** If you are updating from the *2010 Knowledge-Based Audits ™ of Public Entities*, you must install Knowledge Coach 1.7 Update to ensure that your content updates correctly.
- 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:
  - 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 6.5 and higher. If you are upgrading from ProSystem *fx* Engagement 6.0, 6.1 or 6.1.2, please contact Technical Support at 1-800-PFX-9998, option 4 for detailed instructions.
- A minimum of 2GB of RAM is required for optimal performance when opening and navigating through ProSystem *fx* Knowledge Coach documents.

Download Instructions

Download the *2011 Knowledge-Based Audits™ of Public Entities* 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 Public Entities: A Guide to PCAOB Standards and SEC Rules**. 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 6.5 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).

The following 2011 Knowledge-Based Audits of Public Entities (7/27/11).KCP download is a proprietary file that must be installed from within Engagement. Save this KCP file to a location on your local drive, extract it, and follow the Installation Instructions included in the Release Bulletin.

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 Public Entities,* 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 "unrelease" previous versions of the title.

To unrelease a title:

1. Select a previous version of the KBA Public 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.

   Note: 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 Public Entities* 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.

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 6.5 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 Public 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.

Newly available is the Knowledge-Based Public Entities, an audit guide that helps you comply with the PCAOB'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 public 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.
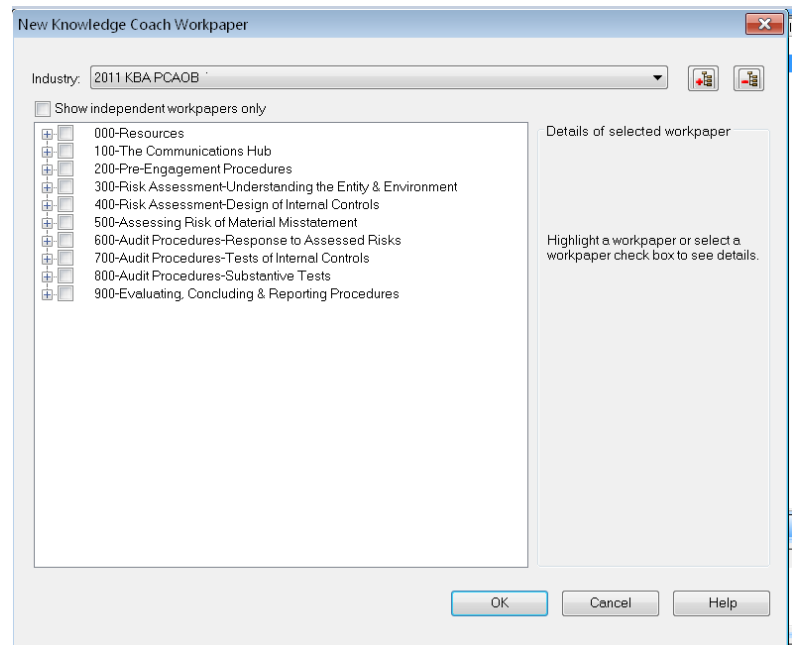

Links to Accounting Research Manager (ARM)

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 are 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 Public Entities (7/27/11)
Version:	Engagement v. 6.5 with Knowledge Coach or higher
Release Date:	July 2011
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.