

# 2018 PREPARATIONS, COMPILATIONS AND REVIEWS TITLES 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, a program to update the engagement 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 **2018 Knowledge-Based Preparation, Compilation, and Review Engagements** tools have been updated to take into account the latest literature, standards, and guidance applicable to preparation, compilation, and review engagements. The 2018–2019 tools include links 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 U.S. GAAP disclosures and key presentation items currently in effect, using the style referencing under the FASB Accounting Standards Codification.<sup>TM</sup> The tools in this edition of **Knowledge-Based<sup>TM</sup> Preparation, Compilation, and Review Engagements** are current through Statement on Standards for Accounting and Review Services No. 24 (SSARS-24), *Omnibus Statement on Standards for Accounting and Review Services - 2018*; the AICPA Guide *Preparation, Compilation and Review Engagements*; the revised AICPA Code of Professional Conduct (Code), including ET Section 1.295, *Nonattest Services*; AICPA Statement on Quality Control Standards No. 8 (QC Section 10), *A Firm’s System of Quality Control (Redrafted)*; and AICPA Audit Risk Alert *Developments in Preparation, Compilation, and Review Engagements —2017/18*. This update is current through FASB Accounting Standards Codification as of March 31, 2018, through Accounting Standards Update No. 2018-05.

### Preparation Programs (PRPs):

- Modified where applicable with new practice points, practice alerts, and updated references.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>PRP-101 Overall Preparation Program</b>					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Preliminary Understanding of Scope – added “and determine the ethical requirements regarding professional competence will be satisfied”.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	“Determine whether the financial reporting framework selected by management is acceptable.”	Procedure steps	Enhancement	AAG	
Added	“Prepare the financial statements using the records, documents, explanations, and other information provided by management.”	Procedure steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added	“If we assist management with the development of significant judgments regarding amounts or disclosures reflected in the financial statements, discuss with management those judgments with management so management understands the significant judgments reflected in financial statements and accepts responsibility for those judgments.”	Procedure steps	Enhancement	AAG	
Added	“Ensure that a statement is included on each page of the financial statements indicating, at a minimum, that “no assurance is provided” on the financial statements.”	Procedure steps	Enhancement	AAG	
Added	“Draft and issue an appropriate accountant’s disclaimer report, if management refuses to allow the appropriate legend stating “no assurance provided” on each page of the financial statements and related notes.”	Procedure steps	Enhancement	AAG	

**Compilation Programs (CMPs):**

- Modified where applicable with new practice points, practice alerts, and updated references.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>CMP-101 Overall Compilation Program</b>					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Preliminary Understanding of Scope – added “and determine the ethical requirements regarding professional competence will be satisfied”.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	“Determine whether the financial reporting framework selected by management is acceptable.”	Procedure steps	Enhancement	AAG	
Added	“Determine materiality in the context of the applicable financial reporting framework, considering the circumstances of the engagement and the needs of the users of the accountant’s report.”	Procedures steps	Enhancement	AAG	
<b>CMP-102 Compilation Program: Prospective Financial Statements</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
New	Compilation Program: Prospective Financial Statements	Procedures steps	Enhancement	AAG	
<b>CMP-103 Compilation Program: Pro Forma Financial Information</b>					
New	Compilation Program: Pro Forma	Procedures steps	Enhancement	AAG	

### Review Programs (REVs)

- Modified with new practice points, practice alerts, and updated references throughout where applicable.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>REV-101 Overall Review Program</b>					
Added	Practice Point regarding SSARS 24	Instructions			
Modify	Preliminary Understanding of Scope – added “and determine the ethical requirements regarding professional competence will be satisfied”.	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	“Determine whether the financial reporting framework selected by management is acceptable.”	Procedure steps	Enhancement	AAG	
Modify	Preliminary Engagement Activities, step 10 – added “with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters; with additional information that the accountant may request from management for the purpose of the engagement; with unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries; and”	Procedure steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added	“Determine materiality in the context of the applicable financial reporting framework, considering the circumstances of the engagement and the needs of the users of the accountant’s report.”	Procedures steps	Enhancement	AAG	
Modify	“Make appropriate inquiries of entity management and other personnel” to include, “including significant	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	transactions occurring during the period, particularly in the last several days of the period.”				
Added	“Accumulate misstatements, including inadequate disclosure, identified or brought to the attention of the accountant and evaluate, whether individually or in aggregate, misstatements, including inadequate disclosure, to determine whether material modification should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.”	Procedures steps	Enhancement	AAG	
<b>REV-801</b>					
Added	<p>General Section:</p> <ul style="list-style-type: none"> <li>• In what type of industry (industries) does the business operate and does the entity following industry-specific AICPA guidance or industry publication?</li> <li>• Are there any existing, new, or proposed regulatory policies or practices applicable to the entity?</li> <li>• *Have there been any changes in the entity’s personnel in the accounting or governance functions?</li> <li>• *Have there been any changes in the entity’s related-party relationships or any significant new related-party transactions?</li> <li>• *Does the entity participate in any collaborative arrangements?</li> <li>• *Has the entity entered into any business combinations?</li> <li>• *Have any other matters about which questions have arisen during the course of applying review procedures required additional analysis?</li> <li>• How does management ensure the reliability of the records to which the interim financial information was compared and reconciled?</li> </ul>	Procedures steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added	<p>Investments in Marketable Equity Securities Section: For entities that ARE early implementing ASU 2016-01:</p> <ul style="list-style-type: none"> <li>• Have all investments in equity securities that have a readily available fair value and are not required to be accounted for under the equity method of accounting or are not consolidated been reported at fair value?</li> <li>• Has the entity elected the practical expedient to value investments in equity securities without a readily available fair value at cost, less impairment, plus or minus observable price changes?</li> <li>• Has the entity evaluated whether equity securities that are not valued fair value at are impaired?</li> </ul>	Procedures steps	Enhancement	AAG	
Added	<p>Investments in Debt Securities Section:</p> <ul style="list-style-type: none"> <li>• What is the basis of accounting for investments reported in the financial statements (e.g., securities, joint ventures, or closely held businesses)?</li> <li>• Are derivative instruments properly measured and disclosed in the financial statements? If those derivatives are utilized in hedge transactions, have the documentation or assessment requirements related to hedge accounting been met?</li> <li>• Has appropriate consideration been given to the classification of investments between current and noncurrent?</li> <li>• How were fair values of the reported investments determined?</li> <li>• Have unrealized gains and losses been properly reported in the financial statements?</li> <li>• If the fair values of marketable debt and equity securities are less than cost, have the declines in value been evaluated to determine whether the declines are other than temporary?</li> </ul>	Procedures steps	Enhancement	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> <li>• For any debt securities classified as held to maturity, does management have the positive ability and intent to hold the securities until they mature? If so, have those debt securities been properly measured?</li> <li>• Have gains and losses related to disposal of investments been properly reflected in the financial statements?</li> <li>• How was investment income determined? Is investment income properly reflected in the financial statements?</li> <li>• For investments made by the reporting entity, have consolidation, equity, or cost method accounting requirements been considered?</li> <li>• Are any investments encumbered?</li> <li>• Have the held-to-maturity and available-for-sale portfolios been evaluated to determine whether reductions are other than temporary or if ASU 2016-13 has been early implemented, have debt securities been evaluated for impairment using the current expected credit loss (CECL) model?</li> </ul>				
Added	<p>Property, Plant, and Equipment Section:</p> <p>What depreciation methods and rates are used in the financial statements and are depreciation methods and rates appropriate and have they been applied in a consistent manner?</p>	Procedures steps	Enhancement	AAG	
Added	<p>Intangible Assets Section:</p> <ul style="list-style-type: none"> <li>• *Has the entity elected the accounting alternative to subsume certain intangibles into goodwill?</li> <li>• If the alternative accounting approach for goodwill, available to nonpublic entities, has been elected, has goodwill been appropriately amortized?</li> </ul>	Procedures steps	Enhancement	AAG	
Modified	Accounts and Notes Payable and Accrued Liabilities Section:	Procedures steps	Enhancement	AAG	Steps will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> <li>• “Have loans from financial institutions and other short-term liabilities been properly classified”, to include “and are any covenants related to these liabilities properly disclosed in the financial statements?”</li> <li>• “*Have any of the liabilities been collateralized or subordinated” to include, “and if so, are they properly disclosed in the financial statements?”</li> <li>• “*Are there any payables to employees or related parties” to include, “and if so, are they properly disclosed in the financial statements?”</li> </ul>				
Modified / Added	<p>Long-Term Liabilities Sections:</p> <ul style="list-style-type: none"> <li>• “Is the entity in compliance with restrictive covenants of loan agreements” to include, “and have they been properly reflected in the financial statements?”</li> <li>• “*Have any of the long-term liabilities been collateralized or subordinated,” to include, “and are they properly disclosed in the financial statements?”</li> <li>• Have all material lease agreements been properly reflected in the financial statements?</li> </ul>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added/ Modified	<p>Other Liabilities, Contingencies, and Commitments Section:</p> <ul style="list-style-type: none"> <li>• What is the nature of the amounts included in other liabilities?</li> <li>• “*Is the entity responsible for any environmental remediation liability” to include, “and if so, is this liability properly measured and disclosed in the financial statements?”</li> <li>• “*Does the entity have any agreement to repurchase items that previously were sold” to include, “and if so, have the repurchase agreements been taken into account in determining the appropriate measurements and disclosures in the financial statements?”</li> </ul>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Added/ Modified	<p>Equity Section:</p> <ul style="list-style-type: none"> <li>• Does the entity have mandatorily redeemable ownership interests and if so, have these ownership interests been evaluated so that a proper determination has been made related to whether these ownership interests should be measured and reclassified to the liability section of the balance sheet? Are redemption features associated with ownership interests clearly disclosed in the financial statements?</li> <li>• “*Have stock options or other stock compensation awards been granted” to include, “and if so, are these options or awards properly measured and disclosed in the financial statements?”</li> <li>• “*Has the entity made any acquisitions of its own capital stock” to include, “and if so, are the amounts associated with these reacquired shares properly reflected in the financial statements as a reduction in equity? Is the presentation in accordance with applicable state laws?”</li> <li>• “*Are there any restrictions on retained earnings or other capital accounts” to include, “and if so, are these restrictions or appropriations properly reflected in the financial statements?”</li> </ul>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.
Added/ Modified	<p>Revenues and Expenses Section:</p> <ul style="list-style-type: none"> <li>• Are revenues from sales of products and rendering of services recognized in the appropriate reporting period (i.e., when the products have been delivered and when the services have been performed)?</li> <li>• Are purchases and expenses recognized in the appropriate reporting period (i.e., matched against revenue) and properly classified in the financial statements?</li> <li>• “*Does the entity have any gains or losses that would necessitate the display of comprehensive income (e.g., gains/losses on available-for-sale</li> </ul>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.



Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	securities or cash flow hedge derivatives)?” to include, “If so, have these items been properly displayed within comprehensive income (rather than included in the determination of net income)?”				
Added/ Modified	<p>Other Section:</p> <ul style="list-style-type: none"> <li>• “Has the status of material uncertainties previously disclosed been evaluated?” to include, “Are all uncertainties that could have a material effect on the financial statements properly disclosed in the financial statements?”</li> <li>• Does management believes that significant assumptions used by it in making accounting estimates are reasonable?</li> <li>• Has management performed an evaluation of the entity’s ability to continue as a going concern? If so, has management identified conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time and, if so, what are management’s plans to address them? If not, do conditions or events exist that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time? Is management aware of conditions or events beyond the period of management’s evaluation that may have an effect on the entity’s ability to continue as a going concern?</li> <li>• “Are barter or other nonmonetary transactions properly recorded and disclosed?” to include, “Have nonmonetary asset exchanges involving commercial substance been reflected in the financial statements at fair value? Have nonmonetary asset exchanges not involving commercial substance been reflected in the financial statements at carrying value?”</li> </ul>	Procedures steps	Enhancement	AAG	Step will reset on roll forward based on content changes.

## Knowledge-Based Preparation Documents (KBPs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBP-902 Preparation: Review and Approval Checklist</b>					
Added	Engagement Partner Review Section: I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	Procedures steps	Enhancement	AAG	

## Knowledge-Based Compilation Documents (KBCs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBC-902 Compilation: Review and Approval Checklist</b>					
Added	Engagement Partner Review Section: I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	Procedures steps	Enhancement	AAG	

## Knowledge-Based Review Documents (KBRs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
<b>KBR-902 Review: Review and Approval Checklist</b>					
Added	Engagement Partner Review Section: I possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	Procedures steps	Enhancement	AAG	

## Knowledge-Based Compilation and Review documents (KBCRs)

**KBCR-901 - Checklists are current through June 30, 2018, including ASU 2018-08**

**Reports (RPTs):** Reports have been modified and updated to reflect changes based on AICPA guide.

- **NEW RPT-0914A Compilation Report: Prospective Financial Statements— Financial Forecast Supplemented By A Financial Projection**

- **NEW RPT-0959A Compilation Report: Compiled Financial Statements Presented with Prior-Period Financial Statements Compiled by a Predecessor Accountant**
- **RPT 0968A-D** renamed to **RPT-0966A-D**
- **NEW RPT-0994A Compilation Report: Personal Financial Statements**
- **NEW RPT-0994B Compilation Report: Personal Financial Statements – Departure From U.S. GAAP**
- **NEW RPT-1061A Review Report: Special-Purpose Financial Presentation on Comparative Financial Statements Prepared in Accordance With the AICPA’s Financial Reporting Framework for Small- and Medium-Sized Entities**

**Practice Aids (AIDs):** Practice Aids have been modified where applicable with updated and new Practice Points and Practice Alerts, and updated references.

- **AID-819** Removed from toolset.
- **NEW AID-828A Financial Statements: Not-for-Profit (Post Implementation of ASU No. 2016-14 and ASU No. 2016-18)**
- **NEW AID-829A Financial Statements: Presentation of Functional Expenses (Post Implementation of ASU No. 2016-14)**

**Correspondence documents (CORs):** Modified throughout with updated references and, where applicable, to reflect changes based on AICPA guide.

- **NEW COR-201F Engagement Letter: Compilation of Financial Statements Prepared in Accordance with a Prescribed Format**
- **NEW COR-201G Engagement Letter: Compilation Engagement with Respect to One or More Specified Elements, Accounts, or Items of a Financial Statement**
- **NEW COR-208A Engagement Letter: Compilation—Pro Forma Financial Information Prepared by Client in Accordance with U.S. GAAP**

### **Resource Documents (RESs)**

- **RES-001 Knowledge-Based Preparation, Compilation, and Review Methodology Overview** has been modified and updated.
- **RES-002 Index of Engagement Programs, Forms, and Other Practice Aids** has been updated to reflect changes to the toolset.

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

New literature, standards, and developments, reflected in the following current accounting and audit guidance:

- Statement on Standards for Accounting and Review Services No. 24 (SSARS-24), Omnibus Statement on Standards for Accounting and Review Services - 2018);
- AICPA Guide Preparation, Compilation and Review Engagements;
- the revised AICPA Code of Professional Conduct (Code), including ET Section 1.295, Nonattest Services;
- AICPA Statement on Quality Control Standards No. 8 (QC Section 10), A Firm’s System of Quality Control (Redrafted);
- AICPA Audit Risk Alert Developments in Preparation, Compilation, and Review Engagements —2017/18
- FASB Accounting Standards Codification through Accounting Standards Update No. 2018-08

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements covered by this product

## RELATED AND FOUNDATIONS 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.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
<b>KBPs</b>	<b>KNOWLEDGE-BASED PREPARATION DOCUMENTS</b>	
KBP-101	Preparation: Significant Matters	X
KBP-201	Preparation: Client/Engagement Acceptance and Continuance Form	
KBP-902	Preparation: Review and Approval Checklist	
<b>KBCs</b>	<b>KNOWLEDGE-BASED COMPILATION DOCUMENTS</b>	
KBC-101	Compilation: Significant Matters	X
KBC-201	Compilation: Client/Engagement Acceptance and Continuance Form	
KBC-902	Compilation: Review and Approval Checklist	
<b>KBRs</b>	<b>KNOWLEDGE-BASED REVIEW DOCUMENTS</b>	
KBR-102	Review: Significant Matters	X
KBR-201	Review: Client/Engagement Acceptance and Continuance Form	
KBR-902	Review: Review and Approval Checklist	

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
<b>PRPs</b>	<b>PREPARATION PROGRAMS</b>	
PRP-100	Engagement-Level Tailoring Questions	X
PRP-101	Overall Preparation Program	X
PRP-201	Pre-Preparation Program: Procedures Performed Prior to a Preparation Engagement	
PRP-202	Preparation Program: Additional Procedures for Initial Year of Engagement	
PRP-801	Preparation Program: Significant Risks and Uncertainties	
<b>CMPs</b>	<b>COMPILATION PROGRAMS</b>	
CMP-100	Engagement-Level Tailoring Questions	X
CMP-101	Overall Compilation Program	X
CMP-103	Compilation Program: Pro Forma	
CMP-201	Pre-Compilation Program: Procedures Performed Prior to a Compilation Engagement	
CMP-202	Compilation Program: Additional Procedures for Initial Year of Engagement	
CMP-801	Compilation Program: Significant Risks and Uncertainties	
<b>REVs</b>	<b>REVIEW PROGRAMS</b>	
REV-100	Engagement-Level Tailoring Questions	X

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>
REV-101	Overall Review Program	X
REV-201	Pre-Review Program: Procedures Performed Prior to a Review Engagement	
REV-202	Review Program: Additional Procedures for Initial Year of Engagement	
REV-801	Review Program: Client Inquiries	
REV-802	Review Program: Significant Risks and Uncertainties	