

2021 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 **2021 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 2021 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.TM

The tools in this edition of **Knowledge-BasedTM Preparation, Compilation, and Review Engagements** are current through Statement on Standards for Accounting and Review Services No. 25 (SSARS-25), *Materiality in a Review of Financial Statements and Adverse Conclusions*; issued in 2020, and the AICPA Guide *Preparation, Compilation and Review Engagements*. SSARS-25 is effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021. Early implementation is permitted. This edition fully implements the provisions of SSARS-25. If you do not wish to implement SSARS-25.

Caution: This title should only be used by accountants who are implementing the requirements of SSARS No. 25 as which is effective for periods ending on or after December 15, 2021. For engagements where those standards will not yet be implemented, the accountant should continue to use the 2019 titles, released on 8/1/2019.

KBCR-901 Financial Statement Disclosure Checklist

If you are not an early adopter, you still must install this title to obtain the updated KBCR-901 Financial Statement Disclosure Checklist. The disclosure checklist is an independent workpaper and can be added to a binder without updating the other content for the new standards.

After installing, if you choose not to release the title, there are three options for inserting the updated disclosure checklist into a binder:

Note: Each of these options requires a staff member or group to have the right "Insert Workpapers from Unreleased Titles" which can be assigned in the ADMIN module. The staff with this right are noted as "select staff members" in the options below.

- Select staff members can insert the updated checklist and delete the existing checklist from the binder. The new checklist will not include any of the prior responses. However, the user can refer to the checklist in the prior year binder and copy/paste any relevant information.
- Select staff members can use the Update Knowledge Coach Content feature to update to the 2021 checklist. To do this, first check in all workpapers except KBCR-901 Financial Statement Disclosures Checklists to avoid accidentally updating other workpapers. Then, right-click on KBCR-901 in the binder and select **Update Knowledge Coach Content > Update Selected Knowledge Coach Workpapers** to update only the disclosure checklist to the 2021 version. This option retains responses from the prior year other than the tailoring questions (table of contents).

Note: If other forms are accidentally updated, the changes cannot be undone.

- Select staff members can create a binder template with just the updated disclosure checklist. Then, other staff members can copy and paste the disclosure checklist from the template into the client engagement binders. The new checklist will not include any of the prior responses. However, the user can refer to the checklist in the prior year binder and copy/paste any relevant information.

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
PRP-100 Engagement-Level Tailoring Questions					
Removed	Removed TQ “Are the financial statements to be presented in a prescribed form?” and flow to PRP-101.	TQ Table			
PRP-101 Overall Preparation Program					
Removed	Prescribed Forms step deleted along with TQ from PRP-100. This was step 21 under “Preliminary Engagement Activities”	Step 21	Y	SSARS-25	
PRP-201 Pre-Preparation Program: Procedures Performed Prior to a Preparation Engagement					
Modify	Modified step, 8(d) under Interest-Bearing Liabilities as follows: Whether leases have been evaluated and properly classified.				Step will retain on roll forward if user selects to keep all responses.
Modify	Modified step, 10(b) under Operating Accounts as follows: Whether operating lease amounts are being recognized in accordance with the applicable financial reporting framework.				Step will retain on roll forward if user selects to keep all responses.

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
CMP-100 Engagement-Level Tailoring Questions					
Removed	Removed TQ “Are the financial statements to be presented in a prescribed form?” and flow to CMP-101.	TQ Table			
CMP-101 Overall Compilation Program					
Modified	<p>Modified step 10 under “Preliminary Engagement Activities” as follows:</p> <ol style="list-style-type: none"> 1. Establish and document, in the form of an engagement letter signed by both the accountant and either management or those charged with governance, as appropriate, the accountant’s understanding with management and, if applicable, those charged with governance regarding the services to be performed on the engagement, including: <ol style="list-style-type: none"> a. A description of the objectives of the engagement; b. Management’s responsibilities: <ol style="list-style-type: none"> i. For the selection of the financial reporting framework to be applied in the preparation of the financial statements; ii. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from misstatements due to error or fraud; <p>Note: An acknowledgement of responsibility for internal control relevant to reliable financial reporting is not included when the accountant decides to accept responsibility for such internal control.</p> <ol style="list-style-type: none"> i. For preventing and detecting fraud; ii. For compliance with applicable laws and regulations; iii. For the accuracy and completeness of the records, documents, explanations, and 	Step 10	Y	SSARS-25	Step will retain 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
	<p>other information provided by management for the preparation of the financial statements;</p> <p>iii. For the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework, including all appropriate informative disclosures; and</p> <p>iv. To include the accountant’s compilation report in any document containing financial statements that indicate that a compilation has been performed by the accountant;</p> <p>c. The accountant’s responsibilities;</p> <p>d. The limitations of a compilation engagement;</p> <p>e. Identification of the financial reporting framework to be applied to the preparation of the financial statements; and</p> <p>f. The expected form and content of the accountant’s compilation report indicating that circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.</p>				
Modified	<p>Modified step 11 under “Preliminary Engagement Activities” as follows:</p> <p>1. If the engagement letter is between the accountant and exclusively those charged with governance, obtain a letter from management indicating that it acknowledges and understands its responsibilities:</p> <p>a. For the selection of the financial reporting framework to be applied in the preparation of the financial statements;</p>	Step 11	Y	SSARS-25	Step will retain 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
	<ul style="list-style-type: none"> b. For the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework, including all appropriate informative disclosures; c. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from misstatements due to error or fraud, unless the accountant has decided to take responsibility for such internal control; d. For preventing and detecting fraud; e. For compliance with applicable laws and regulations; g. For the accuracy and completeness of the records, documents, explanations, and other information provided by management for the preparation of the financial statements; and h. To provide: <ul style="list-style-type: none"> i. Access to all information of which you are aware is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters; ii. Additional information that we may request from you for the purpose of the compilation engagement; and iii. Unrestricted access to persons within the entity of whom we determine it necessary to make inquiries. 				
Modified	Modified step 12 under “Preliminary Engagement Activities” as follows:	Step 12	Y	SSARS-25	Step will retain 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
	<p>1. If we do not intend to use one of the illustrative example engagements letters provided, include in the understanding with the client an indication that we will issue an accountant’s compilation report in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA). Also:</p> <ul style="list-style-type: none"> a. The understanding should indicate the expected form and content of the accountant’s compilation report. b. The understanding should indicate that circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. 				
Modified	<p>Modified step 13 under “Preliminary Engagement Activities” as follows:</p> <p>(1) Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from misstatements due to error or fraud.</p> <p><i>Note:</i> If this engagement is for the compilation of a specified element, account, or item of a financial statement or of pro forma financial information, there should be no reference to financial statements:</p> <p>“Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial information.”</p>	Substep 13(3)	Y	SSARS-25	Step will retain on roll forward if user selects to keep all responses.
Removed	<p>Prescribed Forms step deleted along with TQ from PRP-100.</p> <p>This was step 19 under “Preliminary Engagement Activities”</p>	Step 19	Y	SSARS-25	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modified	Modified step 5 under “Performing Compilation Procedures” as follows: Consider materiality for the purpose of identifying an obvious material misstatement or a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements.	Step 5	Y	SSARS-25	Step will reset on roll forward due to content changes.
CMP-201 Pre-Compilation Program: Procedures Performed Prior to a Compilation Engagement					
Modify	Modified step, 8(d) under Interest-Bearing Liabilities as follows: Whether leases have been evaluated and classified appropriately.				Step will retain on roll forward if user selects to keep all responses.
Modify	Modified step, 10(b) under Operating Accounts as follows: Whether operating lease amounts are being recognized in accordance with the applicable financial reporting framework.				Step will retain on roll forward if user selects to keep all responses.

Review Programs (REVs)

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

	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
REV-101 Overall Review Program					
Modify	Modified steps 10f., 12i. under “Preliminary Engagement Activities” as follows: The expected form and content of the accountant’s review report indicating that there may be circumstances under which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-	Substep 10f., 12i.	Y	SSARS-25	Steps will reset on roll forward due to content changes.

	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	matter or other-matter paragraph(s), or withdraw from the engagement.				
Modify	Modified step 12b under “Performing Review Procedures” as follows: Comply with the requirements or financial reporting provisions of a contract or governmental regulatory agency to whose jurisdiction the entity is subject (specify name of contract or governmental regulatory agency below)”	Substep 12b.	Y	SSARS-25	Step will retain on roll forward if user selects to keep all responses.
New Step	New step 18 under “Performing Review Procedures” as follows: Determine that each analytical procedures to be performed is suitable and consider the reliability of data from which the accountant’s expectation of recorded amounts or ratios is developed — taking into account the source, comparability, and nature and relevance of information available.	Step 18	Y	AICPA Guide	
New Substep	New substep 19d. under “Performing Review Procedures” as follows: Comparing disaggregated revenue data, as applicable, such as by sub-period, product line, operating segment or location.	Substep 19d.	Y	AICPA Guide	
REV-201 Pre-Review Program: Procedures Performed Prior to a Review Engagement					
Modify	Modified step, 8(d) under Interest-Bearing Liabilities as follows: Whether leases have been evaluated and classified appropriately.				Step will retain on roll forward if user selects to keep all responses.
Modify	Modified step, 10(b) under Operating Accounts as follows:				Step will retain on roll forward if user selects to keep all responses.

	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Whether operating lease amounts are being recognized in accordance with the applicable financial reporting framework.				
REV-801 Review Program: Entity Inquiries					
Modify	Modified Step 2 under “General” as follows: Does management have a process for determining that significant accounting estimates including underlying assumptions are reasonable in the circumstances?	Step 2	Y	SSARS-25	Step will retain on roll forward if user selects to keep all responses.
Modify	Modified Step 3 under “General” as follows: Have there been any material transactions between or among related parties and if so, are they properly reflected in the financial statements? Identify (or reference) related parties below:”	Step 3	N		Step will reset on roll forward due to content changes.
Modify	Modified Step 38 under “General” as follows: *Have actions taken at meetings of stockholders, board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements been appropriately reflected in the financial statements (e.g., approval of officer compensation, loan agreements, dividends, and dispositions)?	Step 38	N		Step will retain on roll forward if user selects to keep all responses.
Modify	Modified step 7 under “Intangible Assets” as follows: If the U.S. GAAP alternative accounting approach for goodwill, available to nonpublic entities, has not been elected, have goodwill and other intangible assets not subject to amortization been tested for impairment in accordance with the applicable financial; reporting framework	Intangible Asset Section Step 7.	Y	FASB ASC Private Company Alternative	Step will retain on roll forward if user selects to keep all responses.

Knowledge-Based Preparation Documents (KBPs)

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

Knowledge-Based Compilation Documents (KBCs)

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

Knowledge-Based Review Documents (KBRs)

- 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
KBR-101 Information for Analytical Procedures					
New Table	Table Added to document consideration of disaggregated revenue data.	Analytical procedures section	Y	AICPA Guide	

Knowledge-Based Compilation and Review documents (KBCRs)

KBCR-901 - Checklists are current through June 30, 2021, including ASU 2021-04.

Reports (RPTs): Reports have been modified and updated to reflect changes based on SSARS-25.

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

- **AID-201 Nonattest Services Independence Checklist** Added a new section “Leases – Excluding Loans and Leases With Lending Institutions and added further notes about documentation in first step under “Section III: Threats to Independence and Safeguards”
- **AID-841 Variable Interest Entities: Suggested Procedures** Removed former step 14 and modified Step 15 for consistency with other KBA Programs.

Correspondence documents (CORs): Modified throughout with updated references and, where applicable, to reflect changes based on SSARS-25.

- **NEW COR-201F Engagement Letter: Compilation of Financial Statements Prepared in Accordance with the Cash Basis of Accounting**
- **COR-204 through 209C** Updated with minor revisions to the responsibilities sections to be consistent with other KBA tools.
- **COR-209C, COR-216, COR-220** Updated to incorporate provisions of SSARS-25.
- **NEW COR-905 Communicating Significant Review Matters/Findings** - Illustrative template for Communicating Significant Review Matters/Findings

Resource Documents (RESs): Modified throughout with updated references and, where applicable, to reflect changes based on SSARS-25.

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. 25 (SSARS-25), *Materiality in a Review of Financial Statements and Adverse Conclusions*;
- 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. 2021-04

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>
KBPs	KNOWLEDGE-BASED PREPARATION DOCUMENTS	
KBP-101	Preparation: Significant Matters	X
KBP-201	Preparation: Client/Engagement Acceptance and Continuance Form	
KBP-902	Preparation: Review and Approval Checklist	
KBCs	KNOWLEDGE-BASED COMPILATION DOCUMENTS	
KBC-101	Compilation: Significant Matters	X
KBC-201	Compilation: Client/Engagement Acceptance and Continuance Form	
KBC-902	Compilation: Review and Approval Checklist	
KBRs	KNOWLEDGE-BASED REVIEW DOCUMENTS	
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>
PRPs	PREPARATION PROGRAMS	
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	
CMPs	COMPILATION PROGRAMS	
CMP-100	Engagement-Level Tailoring Questions	X
CMP-101	Overall Compilation Program	X
CMP-103	Compilation Program: Pro Forma Financial Information	
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	
REVs	REVIEW PROGRAMS	
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: Entity Inquiries	
REV-802	Review Program: Significant Risks and Uncertainties	