CCH® ProSystem *fx*® Knowledge Coach

Welcome to 2020 Knowledge-Based Audits™ of Public Entities for Knowledge Coach

This bulletin provides important information about the 2020 release of Knowledge Based Audits™ of Commercial Entities. Review this bulletin carefully. If you have any questions, additional information is available on CCH Support Online.

Information about the Title

This title is designed to help the auditor efficiently and effectively perform financial statement audits and, when applicable, audits of internal control over financial reporting, of nonpublic commercial entities in accordance with auditing standards promulgated by the PCAOB. The Knowledge-Based Audit™ Methodology is a risk-based methodology that emphasizes using knowledge of the entity to make risk assessments in connection with a financial statement audit. This method allows the auditor to focus audit efforts on those areas which, in the auditor's judgment, are the most significant and pose the most risk of material misstatement to the financial statements. The knowledge-based methodology is also designed to help the auditor efficiently and effectively perform examinations regarding compliance reports or reviews regarding exemption reports of broker or dealer entities in accordance with the PCAOB attestation standards, as applicable.

Conducting audits of public entities requires the exercise of the auditor's professional judgment. Additionally, the operations of public entities are often unique and complex, and may require specialized accounting and auditing knowledge. This edition includes specific up-to-date guidance for auditing public entities.

This document is published for the purpose of communicating the updates and enhancements included in the current version to users of the toolset. This document is not, and should not, be used as, an audit program to update the audit documentation of an engagement started in a previous version of this product.

If you are updating from a 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.

The 2020 documents include links to specific guidance in CCH® Accounting Research Manager®. These links give you instant access to detailed analysis of the steps and processes discussed in the workpapers.

New in this Release

CCH® ProSystem *fx*® Engagement 2019 Compatibility
This title can be installed on Engagement v2019 by first installing the Engagement v2019.2.6 Update. The latest update can be downloaded via CCH Software Delivery Manager. This update allows you to use the 2020 content without installing Engagement v2020 until your firm plans to update.

2020 Edition of Knowledge-Based Audits of Public Entities
This edition features numerous enhancements, including:

- Function of KBA-901 updated for a new, streamlined approach to tailoring.

- Adding new default answers in KBA-103 for columns 13, 14, and 15 based on answers in column 12.

- Adding sorting to the "Communication of Internal Control Deficiencies" table in KBA-103. The flow of deficiencies to this table now automatically sorts based on the text in the Deficiency No. column in the first table.

- Modifying the answer floatie in the conclusion section of KBA-303 from "No" to "No Inconsistencies Noted."

- Adding a new default answer in Column 7, "CR" in KBA-502.
  If a user selects "Yes" to one of the below questions in AUD 100 and selects "No" in Column 5 of KBA 502, "Controls Selected for Testing of Operating Effectiveness," then CR will default to "Max."

  – Are you conducting an integrated audit?

  – Does the auditor intend to test the operating effectiveness of internal controls over financial reporting?

- Adding columns to KBA-503 for relevant assertions and inherent risk assessment that will flow from KBA-502. Also changing function so that user selects which audit areas to flow from KBA-502.

- Modifying the header in the second column of "Section I: Risk Assessment Procedures and Related Activities" to now read, "Does the Factor Exist Yes/No" to avoid confusion about how this column should be documented.

- Removing colons from workpaper names so that user may publish or save forms outside of engagement without receiving the error message for an invalid character.

- Enhancing instructions and procedures throughout the toolset to improve workflow.

- Adding new AUDs, CORs, and RESs as follows:

  – AID-847 Analysis of Service Auditor Report

  – COR-823 Request for Confirmation of Multiemployer Defined Benefit Plan Information

  – COR-922 Communication to Entity with Significant Deficiencies and/or Material Weaknesses: Review of Interim Financial Information

  – RES-029 Implementing New Accounting Principles

Click here for the 2020 Audits of Public Entities Title Overview for Knowledge Coach Users.

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:

- FASB Accounting Standards Codification™ as of June 30, 2020, through Accounting Standards Update No. 2020-05

- AS 1105, Audit Evidence; PCAOB Staff Guidance, Using the Work of a Company's Specialist

- AS 1210, Using the Work of an Auditor-Engaged Specialist; PCAOB Staff Guidance, Supervising or Using the Work of an Auditor's Specialist

- AS 2501 (Revised), Auditing Accounting Estimates, Including Fair Value Measurements

- AS 4105, Reviews of Interim Financial Information, AT No. 1: Examination Engagements Regarding Compliance Reports of Brokers and Dealers

- AT No. 2: Review Engagements Regarding Exemption Reports of Brokers and Dealers

Best Practices

- Save changes to workpapers before closing the workpaper or the binder to ensure data is correctly updated.

- If Microsoft® Word crashes when using Knowledge Coach, before closing the binder, use the **Save Knowledge Coach Answers** option in the binder view under the Tools menu. This step saves all data within tables.

- You can view other Knowledge Coach best practices in the knowledge base article What are the best practices for using CCH® ProSystem *fx*® Knowledge Coach? on our Support Web site.

License Requirements

This title requires the Knowledge-Based Audits of Public Entities license. Users who do not have a license for this title cannot use Knowledge Coach functionality in workpapers.

For information on updating your licensing, see How do I add or update CCH ProSystem *fx* Engagement Licenses? on our Support Web site.

For information on assigning licenses, see How do I assign Engagement Licenses? on our Support Web site.

Download and Installation Instructions

See How do I add a new CCH® ProSystem *fx*® Knowledge Coach title to CCH® ProSystem *fx*® Engagement? for instructions on installing a new Knowledge Coach title.

Notes:

- You must install the 2020 Financial Statement Base title before installing this title.

- This title can be installed on Engagement v2019 by installing the v2019.2.6 or later update available on Software Delivery Manager.

- On some occasions the content package file (.KCP) will download with the extension changed to .ZIP. If this occurs, change the extension of the downloaded file to KCP, using all capital letters.

We also have a utility to help you install and release your titles. See How do I use the CCH® ProSystem *fx*® Knowledge Coach Title Install Utility? for more information.

Using Your Knowledge Coach Content with CCH® Accounting Research Manager®

CCH Accounting Research Manager (ARM) 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.

Available on ARM, the Knowledge-Based Audits of Public Entities Guide helps you comply with the most recent professional standards and guidance for conducting audits of Public Entities. It also integrates practice aids, tools, and other resources with its guidance. This publication supplements and complements the knowledge-based documents that are available in Knowledge Coach.

If you subscribe to an ARM library that includes Public Entity content, you can link directly to source material from Resources within Knowledge Coach documents. These links have been updated to refer to the accounting standards under the FASB Accounting Standards Codifications. Also, if you subscribe to the Knowledge-Based Audits of Public Entities Guide on ARM, you can take advantage of references to the guide material from within the Knowledge Coach documents.

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