



Route To:

 Partners Staff Managers File

LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Audits of Nonpublic Companies

Thirty-seventh Edition (February 2019)

Highlights of this Edition

The following are some of the important new features of the 2019 Edition of *PPC's Guide to Audits of Nonpublic Companies*:

- **Updates for Major New Accounting Standards.** This edition of the *Guide* has been updated for ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which is effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. In addition, so that you can consider the implications on your audit procedures for the upcoming effective date of the new leasing standard, ASU 2016-02, *Leases (Topic 842)*, we have provided supplemental audit program procedures that will apply when the standard is adopted.

We have also updated our guidance, practice aids, and audit programs to recognize the effective date of the guidance in FASB ASC 606, *Revenue from Contracts with Customers*, which is effective for entities other than public business entities (and certain not-for-profit entities and certain employee benefit plans) for years beginning on or after December 15, 2018, and interim periods within years beginning on or after December 15, 2019.

- **New Practice Aid.** In addition to our recurring updates for recent developments, we have added a new practice aid that can be used to document procedures performed related to service auditor's reports and controls at a service organization that are relevant to internal control over financial reporting.
- **Revised Risk Assessment Summary Form.** We revised and clarified the Risk Assessment Summary Form (ASB-CX-7.1) and the Inherent Risk Assessment Form (ASB-CX-7.2) throughout to promote greater understanding of risk assessment concepts applied.
- **Comprehensive, Up-to-date Disclosure Checklist.** The most effective way to ensure the financial statements properly disclose all the required information is to use our comprehensive disclosure checklist. The disclosure checklist for nonpublic entities has been completely updated for the many ASUs issued since the last edition of your *Guide*.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Introduction and Overview	1. Added a discussion of the AICPA's SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	Paragraph 101.13
	2. Updated the discussion of the AICPA initiative on enhancing audit quality.	Paragraph 101.21
	3. Added a paragraph discussing the AICPA's study on risk assessment.	Paragraph 101.26

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Pre-engagement Activities	1. Added a footnote discussing the impact of the new SAS, <i>Omnibus Statement on Auditing Standards—2019</i> , on making inquiries of predecessor auditors.	Paragraph 202.22
	2. Added a footnote discussing the applicability of AU-C 915 to oral advice provided.	Paragraph 202.25
	3. Added a footnote on firm quality control procedures with regard to independence matters.	Paragraph 202.32
	4. Updated the discussion of the AICPA's ethics interpretation, <i>Hosting Services</i> .	Paragraph 202.50
	5. Added a footnote discussing two FAQs issued by the PEEC.	Paragraph 202.66
	6. Added a footnote discussing the pending revision to ET 1.260.040, <i>Leases</i> .	Paragraph 202.67
	7. Added a discussion of the proposed revised interpretation, <i>Information System Services</i> (formerly <i>Information Systems Design, Implementation, or Integration</i>).	Paragraph 202.68
	8. Added a discussion of the proposed interpretation, <i>Staff Augmentation Arrangement Interpretation</i> .	Paragraph 202.69
	9. Updated the discussion on time limitation clauses for recent legal activity.	Paragraph 204.9
	10. Updated the footnote discussing engagement beginning and ending dates according to ET 0.400.39.	Paragraph 204.14
CHAPTER 3 Risk Assessment Procedures and Planning	1. Added a footnote discussing SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	Paragraphs 300.3 and 301.26
	2. Added or updated footnotes to discuss implementing new accounting standards and the impact on the audit.	Paragraphs 301.1, 301.33, 305.22, 305.44, and 306.68
	3. Added to the list of members of management to consider interviewing.	Paragraph 301.15
	4. Added a paragraph discussing the AICPA's <i>Guide to Audit Data Analytics</i> .	Paragraph 301.48
	5. Added an item to the list of fraud-related matters to discuss.	Paragraph 301.64
	6. Updated the discussion of the AICPA Audit Risk Alert, <i>General Accounting and Auditing Developments—2018/19</i> , for the latest edition.	Paragraphs 302.14–.16
	7. Added a discussion on new accounting standards.	Paragraphs 302.48–.53
	8. Updated a footnote to discuss the AICPA's risk assessment resources.	Paragraph 303.14
	9. Added a case study demonstrating the need to obtain a further understanding of control activities.	Paragraphs 305.44–.46
	10. Updated the discussion and footnote regarding the concept of materiality.	Paragraph 306.7
	11. Updated the discussion of using benchmarks for determining materiality.	Paragraphs 306.22–.28

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 4 Assessing Risks and Developing the Detailed Audit Plan	12. Updated the discussion of the auditor's requirement to identify and assess risks of material misstatement.	Paragraph 306.55
	1. Added a discussion on identifying and assessing risks at the financial statement level and relevant assertion level.	Paragraphs 400.3–.5
	2. Expanded the discussion on relevant assertions.	Paragraph 401.9
	3. Updated the exhibit on the use of assertions in PPC practice aids.	Exhibit 4-2
	4. Updated the discussion on identifying risks of material misstatement at the relevant assertion level.	Paragraphs 402.2–.4
	5. Updated the discussion on documenting identified risks.	Paragraph 402.28
	6. Updated the discussion on assessing risks of material misstatement at the relevant assertion level.	Paragraph 403.1
	7. Expanded and modified the discussions on risk of material misstatement, assessing the risk of material misstatement at the relevant assertion level, and using PPC's approach when assessing risks of material misstatement at the relevant assertion level.	Paragraphs 403.9, 403.11, and 403.13–.14
	8. Expanded and modified the discussion on determining significant audit areas.	Paragraphs 403.19–.24
	9. Expanded the discussion of significant risks requiring special audit consideration.	Paragraphs 403.29 and 403.31
	10. Updated the discussion on risks for which substantive procedures alone are not sufficient.	Paragraph 403.41
	11. Modified the discussion on inherent risk assessment factors and documenting the inherent risk assessment.	Paragraphs 403.46 and 403.51
	12. Added a discussion on the need for improvement in assessing control risk.	Paragraphs 403.57–.59
	13. Modified the exhibit that assists auditors in determining the combined assessed risk of material misstatement when the auditor makes separate assessments of inherent risk and control risk and the related discussion to clarify that a range of combined risk results needs to be considered.	Exhibit 4-9; Paragraph 403.61
	14. Expanded discussions to emphasize the importance of linkage of procedures to assessed risks.	Paragraphs 404.27 and 405.1–.2
	15. Expanded the discussion on the use of basic and extended procedures in the audit program and responding to significant risks.	Paragraph 405.22
16. Expanded the discussion on tailoring specified risk audit programs.	Paragraph 405.38	
CHAPTER 5 Substantive Procedures	1. Expanded the discussion on electronic confirmations to include types of confirmations.	Paragraph 504.6

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 6 Testing Internal Control	2. Added a footnote on considerations for ASU 2016-02, <i>Leases (Topic 842)</i> .	Paragraph 506.29
	1. Expanded the discussion for considerations when tests of controls are not efficient.	Paragraph 603.12
CHAPTER 7 Sampling in an Audit Engagement	2. Added a footnote to discuss audit data analytics and related resources.	Paragraph 603.15
	1. Revised the table that assists auditors in determining the combined assessed risk of material misstatement when the auditor makes separate assessments of inherent risk and control risk to clarify that a range of combined risk results needs to be considered.	Exhibit 7-8
CHAPTER 8 Audit Documentation	1. Expanded the discussion and added an example on “reviewability.”	Paragraph 802.7
	2. Added a footnote on the importance of the review of contracts and agreements due to the new accounting guidance in FASB ASC 606.	Paragraph 802.9
	3. Expanded the discussion on signatures and sign-offs to consider precautions to ensure retention of the preparer and reviewer information when archiving in an electronic environment.	Paragraph 807.14
CHAPTER 9 Special Audit Considerations	1. Added a footnote on a proposed ASU, <i>Consolidation (Topic 812): Reorganization</i> .	Paragraph 901.2
	2. Updated the discussion and related footnote for the adoption of ASU 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> .	Paragraph 901.3
	3. Added a discussion on the issuance of ASU 2018-17, <i>Consolidation: (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities</i> .	Paragraph 901.5
	4. Added a footnote on investments previously accounted for under the cost method and the effect of the adoption of ASU 2016-01.	Paragraph 901.14
	5. Updated the footnote for the recent vote to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	Paragraph 901.41
	6. Updated the exhibit and added a discussion for the new ASB-CX-4.4, “Documentation Form for Reliance on a SOC 1 Report.”	Exhibit 9-5; Paragraph 902.27
	7. Updated the footnote to discuss the AICPA’s suite of <i>system and organization control (SOC)</i> services.	Paragraph 902.20
	8. Updated the footnote on the proposed SAS, <i>The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports</i> .	Paragraph 905.2
CHAPTER 10 Cash Balances	1. Clarified bank reconciliation suggestions.	Paragraph 1002.9
	2. Expanded considerations related to the risk of misappropriation of assets.	Paragraph 1006.3

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 11 Accounts Receivable and Revenue	1. Made substantial updates throughout the chapter.	Various
CHAPTER 12 Inventory and Cost of Sales	1. Expanded considerations related to the risk of misappropriation of assets.	Paragraph 1207.3
CHAPTER 13 Property	1. Updated the discussion on leasing standards for recent and exposed ASUs related to ASU 2016-02, <i>Leases (Topic 842)</i> . 2. Added a discussion regarding the transition to FASB ASC 842 (the Other Audit Procedures for Property at ASB-AP-7 provides audit program steps that apply after the adoption of FASB ASC 842). 3. Expanded the list of workpapers that are common when performing property audit procedures. 4. Added a discussion on the requirements of AU-C 230.10 on audit procedures related to inspection of significant contracts. 5. Expanded considerations related to the risk of misappropriation of assets.	Paragraphs 1300.5 and 1300.12 Paragraphs 1300.13–.20 Paragraph 1302.1 Paragraph 1302.6 Paragraph 1306.3
CHAPTER 14 Other Assets	1. Updated the chapter, where appropriate, for ASU 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> , and ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i> , and subsequent related ASUs. In addition, where appropriate, updated and added additional discussions on accounting and auditing other assets. 2. Added a discussion on the issuance of ASU 2018-17, <i>Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interests Entities</i> . 3. Added a discussion on the new accounting guidance in ASU 2017-12, <i>Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities</i> , and the impact on the steps at ASB-AP-8. 4. Expanded considerations related to the risk of misappropriation of assets.	Various Paragraph 1401.35 Paragraphs 1401.57 and 1401.59 Paragraph 1406.3
CHAPTER 15 Liabilities and Equity	1. Updated the discussion on ASU 2106-02 for recent developments and the procedures included in the Other Audit Procedures at ASB-AP-7. 2. Added a discussion on ASU 2018-07, <i>Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting</i> . 3. Updated the discussion for recent developments relating to the proposed ASU, <i>Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)</i> .	Paragraph 1500.6 Paragraph 1500.8 Paragraph 1501.36

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 16 Income Taxes	4. Expanded considerations related to the risk of misappropriation of assets.	Paragraph 1506.3
	1. Expanded the discussion on the Tax Cuts and Jobs Act of 2017 for additional information on SAB 118 and the issuance of ASU 2018-02, <i>Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i> .	Paragraphs 1600.5–.9
CHAPTER 17 Income and Expenses	1. Added a discussion of the five-step model for recognizing revenue under FASB ASC 606.	Paragraphs 1700.4–.6
	2. Added a footnote on the AICPA's <i>Guide to Audit Data Analytics</i> .	Paragraph 1701.14
	3. Added a discussion on the AICPA's approval to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	Paragraph 1701.17
	4. Expanded considerations related to the risk of misappropriation of assets.	Paragraph 1706.3
CHAPTER 18 Concluding the Audit	1. Added a discussion on the AICPA's approval to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	Paragraphs 1806.7, 1810.12, and 1815.1
	2. Updated the footnote on ASU 2016-01 and the incorporation of ASU 2601-01 into the <i>Guide</i> .	Paragraph 1809.34
	3. Added a discussion and a footnote discussing the issuance of ASU 2018-13, <i>Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement</i> , and Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting—Chapter 8, Notes to Financial Statements</i> .	Paragraphs 1809.36 and 1810.27
	4. Added a discussion on the AICPA's recent vote to ballot for issuance a SAS on new reporting guidance which will supersede existing AU-C sections and amend others.	Paragraphs 1813.8–.9
	5. Updated the footnote on changes to Concepts Statement No. 8.	Paragraph 1814.20
CONFIRMATION AND CORRESPONDENCE LETTERS (ASB-CL)		
Audit Engagement Letter	1. Addressed situations where other elements of comprehensive income apply in the Practical Consideration on the description of financial statements.	ASB-CL-1.1
Management Representation Letters	2. Added matters relating to ASU 2016-01, ASU 2016-02 inventories, and discontinued operations to the Practical Consideration on common representations.	ASB-CL-3.1 and ASB-CL-3.2
	3. Added matters relating to debt covenant compliance, loss contingencies, cybersecurity, and other IT-related matters to the Practical Consideration on financial statements or information provided.	ASB-CL-3.1 and ASB-CL-3.2

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
Internal Control Communications	4. Updated Practical Considerations to note that the ASB voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CL-4.1, ASB-CL-4.2, and ASB-CL-4.3
Communication with Those Charged with Governance	5. Updated Practical Considerations to note that the ASB voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CL-5.1, ASB-CL-5.2, and ASB-CL-5.3
Receivables Confirmations and Letters	6. Expanded the Practical Consideration on optional confirmation of special contract terms.	ASB-CL-7.1, ASB-CL-7.3, and ASB-CL-7.5
Benefit Plan Confirmations and Letters	7. Updated a Practical Consideration for the issuance of ASU 2018-14, <i>Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans</i> .	ASB-CL-11.1 and ASB-CL-11.2
Other Confirmations and Letters	8. Updated a Practical Consideration to reference a new confirmation of lease contract after adoption of ASU 2016-02 and for ASU 2018-11, <i>Leases (Topic 842): Targeted Improvements</i> .	ASB-CL-12.3.1
	9. Added a new confirmation of lease contract after adoption of ASU 2016-02.	ASB-CL-12.3.2
	10. Updated a Practical Consideration to note that the ASB voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CL-12.4
	11. Added an item for ASU 2016-02 on leases to the Practical Consideration listing of examples of schedules, analyses, confirmations, and other items that might be requested.	ASB-CL-12.6
Group and Other Auditor Communications	12. Added a Practical Consideration to note that the ASB voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CL-14.8
CHECKLISTS AND PRACTICE AIDS (ASB-CX)		
Engagement Acceptance and Continuance Form	1. Added Practical Considerations on professional competence and availability of firm personnel.	ASB-CX-1.1
	2. Expanded the Practical Consideration on requirements of the AICPA <i>Code of Professional Conduct</i> to consider the familiarity threat to independence.	ASB-CX-1.1
	3. Added a Practical Consideration on the requirements of AU-C 725.11 on supplementary information.	ASB-CX-1.1
	4. Added a Practical Consideration on the consideration of whether the firm and individuals are properly licensed in the state the client operates.	ASB-CX-1.1
	5. Modified a step on the existence of predecessor auditor disputes with the client.	ASB-CX-1.1
Engagement Independence and Nonattest Services Documentation Form	6. Updated the Practical Consideration discussing the AICPA's new ethics interpretation on hosting services for the revised effective date.	ASB-CX-1.2
	7. Added a Practical Consideration discussing additional activities to address independence resolution matters.	ASB-CX-1.2

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>	
Understanding the Entity and Identifying Risks	8. Modified the instructions.	ASB-CX-3.1	
	9. Added a Practical Consideration noting that the ASB has voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CX-3.1	
	10. Added and expanded Practical Consideration discussing ASU 2016-02 and FASB ASC 842 on leases.	ASB-CX-3.1	
	11. Added a Practical Consideration regarding identifying and assessing risk when implementing new accounting standards.	ASB-CX-3.1	
	12. Added a Practical Consideration on ASU 2017-12, <i>Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities</i> .	ASB-CX-3.1	
	13. Added Practical Considerations emphasizing the documentation of sufficient information to assess if there is a risk of material misstatement to the financial statements.	ASB-CX-3.1	
	14. Added a Practical Consideration discussing cybersecurity risks.	ASB-CX-3.1	
	15. Added a Practical Consideration on the evaluation of whether an identified risk is a significant risk requiring special audit attention.	ASB-CX-3.1	
	Engagement Team Discussion	16. Modified the instructions.	ASB-CX-3.2
		17. Added discussion topics on the susceptibility of the financial statements to material misstatements, past experience with the entity, changes in the entity's organization, and the implementation of FASB ASC 606.	ASB-CX-3.2
		18. Added Practical Consideration discussing implementation of FASB ASC 606 and ASU 2016-02.	ASB-CX-3.2
	Fraud Risk Inquiries Form	19. Modified the instructions.	ASB-CX-3.3
		20. Modified a Practical Consideration discussing implementation of ASU 2016-02.	ASB-CX-3.3
		21. Added a Practical Consideration noting that the ASB has voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-CX-3.3
	Audit Inquiries Summary Form	22. Added a Practical Consideration noting that the ASB has voted to issue a final SAS, <i>Omnibus Statement on Auditing Standards—2019</i> .	NPO-CX-3.4
Understanding the Design and Implementation of Internal Control	23. Modified the instructions.	ASB-CX-4.1	
	24. Emphasized that identified risks should be documented at ASB-CX-7.1 at the financial statement level and/or relevant assertion level.	ASB-CX-4.1	
	25. Updated Practical Consideration regarding implementing a significant new accounting standard for FASB ASC 842.	ASB-CX-4.1	
Financial Reporting System Documentation Forms	26. Modified the instructions.	ASB-CX-4.2	

Chapter	Substantive Changes and Additions	Reference
Financial Reporting System Documentation Form—Financial Close and Reporting, Significant Transaction Classes	27. Modified the instructions.	ASB-CX-4.2.1
	28. Added a Practical Consideration on significant risks.	ASB-CX-4.2.1
	29. Added a practical consideration on ASB-CX-4.4, “Documentation Form for Reliance on a SOC-1 Report.”	ASB-CX-4.2.1
Financial Reporting System Documentation Form—	30. Expanded a Practical Consideration for ASB-CX-4.4.	ASB-CX-4.2.2
	31. Modified a step for the consideration of fraud or other significant risks.	ASB-CX-4.2.2
Documentation Form for Reliance on a SOC 1 Report	32. Added a form.	ASB-CX-4.4
Entity-level Control Form for General IT Controls	33. Added a new internal control on obtaining and evaluating SOC 1 type 2 reports.	ASB-CX-5.5
	34. Added a new internal control on cybersecurity training.	ASB-CX-5.5
Control Activities Form for Financial Close and Reporting	35. Added a new internal control on system access.	ASB-CX-5.6
	36. Added a new internal control on system-generated data and reports.	ASB-CX-5.6
Control Activities Form for Accounts Receivable and Revenue	37. Added a new internal control on access to the pricing master file.	ASB-CX-5.8
Control Activities Form Investments and Derivatives	38. Added a new internal control on obtaining and evaluating SOC 1 type 2 reports.	ASB-CX-5.11
Control Activities Form for Accounts Payable and Other Liabilities	39. Added a new internal control on modifying data in the vendor master file.	ASB-CX-5.13
	40. Added a new internal control on vendor banking/remittance information.	ASB-CX-5.13
Control Activities Form for Income and Expenses	41. Added a new internal control on obtaining and evaluating SOC 1 type 2 reports.	ASB-CX-5.17
Fraud Risk Factors	42. Expanded the risk factor of management placing excessive pressure on operating personnel to meet financial targets.	ASB-CX-6.2
Risk Assessment Summary Form	43. Removed the option to permit documentation of risk assessment at the audit area level, revised the determination of combined risk of material misstatement (RMM) to reflect RMM ranges based on auditor judgment, and clarified language throughout to promote greater understanding of risk assessment concepts applied.	ASB-CX-7.1
Inherent Risk Assessment Form	44. Removed the option to permit documentation of risk assessment at the audit area level.	ASB-CX-7.2
Substantive Analytical Procedures Worksheet	45. Modified a step to consider the suitability of the analytical procedure.	ASB-CX-9.1

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Audit Difference Evaluation Form	46. Noted that the list of qualitative factors are only examples and additional qualitative factors may exist and need to be considered.	ASB-CX-12.2
	47. Revised a Practical Consideration to consider prior-period audit differences during the implementation of FASB ASC 606 and FASB ASC 842.	ASB-CX-12.2
Disclosure Checklist	48. Updated the checklist for disclosure requirements of recently issued professional accounting standards.	ASB-CX-13
Supervision, Review, and Approval Form	49. Modified a step on the responsibility for the overall quality of the review.	ASB-CX-14
Significant Estimates Identification Checklist	50. Added significant estimates items for FASB ASC 842 and FASB ASC 606 and imputed rates to discount. Also, added considerations for individually reasonable accounting estimates that are different from the amounts best supported by audit evidence and for differences between prior-year estimates grouped at one end of the range of reasonable estimates and current-year estimates grouped at the other end of the range.	ASB-CX-16.2
AUDIT PROGRAMS— CORE (ASB-AP)		
Audit Program for General Planning Procedures	1. Added a Practical Consideration on using a third-party provider and whether an understanding of the design and implementation of controls at the service organization is necessary.	ASB-AP-1
	2. Added a Practical Consideration for the emphasis on the area of risk assessment.	ASB-AP-1
	3. Added a separate step to emphasize the need to modify the audit programs to respond to the assessed risk of material misstatement.	ASB-AP-1
Other General Planning Procedures	4. Added a step on documenting the other auditor's compliance with independence requirements when there is involvement of another office, correspondent, or affiliate.	ASB-AP-1, Other General Planning Procedures
	5. Added Practical Considerations on use of the new ASB-CX-4.4, "Documentation Form for Reliance on a SOC 1 Report."	ASB-AP-1, Other General Planning Procedures
Audit Program for General Auditing and Completion Procedures	6. Expanded the step on obtaining and evaluating a legal representation letter.	ASB-AP-2
	7. Expanded a step for consideration whether the accounting for subsequent events is appropriate.	ASB-AP-2
	8. Updated Practical Considerations for the final SAS that the AICPA has voted to issue, <i>Omnibus Statement on Auditing Standards—2019</i> .	ASB-AP-2
	9. Added a Practical Consideration on the AICPA's <i>Guide to Audit Data Analytics</i> .	ASB-AP-2
	10. Updated a Practical Consideration on the AICPA's upcoming new SAS relating to auditor's reports.	ASB-AP-2

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Other General Auditing and Completion Procedures	11. Updated a Practical Consideration on the AICPA's exposure draft of a proposed SAS, <i>The Auditor's Responsibilities Relating to Other Information Included in Annual Reports</i> .	ASB-AP-2, Other General Auditing and Completion Procedures
	12. Updated Practical Considerations on ASU 2016-01 and its status within the <i>Guide</i> .	ASB-AP-2, Other General Auditing and Completion Procedures
	13. Updated a Practical Consideration for the issuance of ASU 2018-13, <i>Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement</i> , and Concepts Statement No. 8, <i>Conceptual Framework for Financial Reporting—Chapter 8, Notes to Financial Statements</i> .	ASB-AP-2, Other General Auditing and Completion Procedures
	14. Added a step on determining that changes in the fair value of financial liabilities are reported appropriately for periods after adoption of ASU 2016-01.	ASB-AP-2, Other General Auditing and Completion Procedures
Audit Program for Cash	15. Modified a step on confirmation procedures.	ASB-AP-3, Basic Procedures
Audit Program for Accounts Receivable and Revenue	16. Added a reminder indicating that the audit program has been updated for FASB ASC 606 and that the Other Procedures section provides revenue-related audit procedures before the adoption of FASB ASC 606.	ASB-AP-4, General
	17. Added Practical Considerations regarding FASB ASC 606 and collectability to the steps on testing the adequacy of the allowance for doubtful accounts.	ASB-AP-4, Basic Procedures
	18. Noted a change to the effective date of ASU 2016-13, <i>Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> , and added a practical consideration on ASU 2018-19, <i>Codification Improvements to Topic 326, Financial Instruments—Credit Losses</i> , to the steps on testing the adequacy of the allowance for doubtful accounts.	ASB-AP-4, Basic Procedures
	19. Added sections on revenue-related audit procedures after the adoption of FASB ASC 606.	ASB-AP-4, Basic Procedures and Extended Procedures
	20. Modified the steps on the test of mechanical accuracy for accounts receivable.	ASB-AP-4, Extended Procedures
	21. Reorganized Other Procedures topics to better illustrate steps effective after the adoption of FASB ASC 606 and those effective before the adoption of FASB ASC 606.	ASB-AP-4, Other Procedures
	22. Added a step to the section on confirmation at an interim date.	ASB-AP-4, Other Procedures

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>	
Audit Program for Property	23. Added a step on determining if any interest should be imputed to the section on nontrade receivables.	ASB-AP-4, Other Procedures	
	24. Added a Practical Consideration on ASU 2018-19 to the steps for noncurrent notes and accounts receivable.	ASB-AP-4, Other Procedures	
	25. Added a step to the section on significant financing component of transaction price after adoption of FASB ASC 606.	ASB-AP-4, Other Procedures	
	26. Added Practical Considerations to the section on product warranties provided to customers after adoption of FASB ASC 606.	ASB-AP-4, Other Procedures	
	27. Added a section for basic and extended procedures for revenue before adoption of FASB ASC 606.	ASB-AP-4, Other Procedures	
	28. Updated and added Practical Considerations on ASU 2016-02 to note that the Other Procedures section of ASB-AP-7 provides steps relating to the implementation of the standard.	ASB-AP-7, Basic Procedures and Extended Procedures	
	29. Modified step on useful lives of assets and whether there are indications of impairment.	ASB-AP-7, Basic Procedures	
	30. Added a step for significant sales/dispositions of real estate along with new Practical Considerations on recent accounting guidance.	ASB-AP-7, Extended Procedures	
	31. Included expanded and new sections for “Significant Leases—Before Adoption of ASU 2016-02, <i>Leases (Topic 842)</i> ” and “Significant Leases—After Adoption of ASU 2016-02, <i>Leases (Topic 842)</i> .”	ASB-AP-7, Other Procedures	
	32. Modified the step for sales of real estate before the adoption of FASB ASC 606 and added a new Practical Consideration on recent accounting guidance.	ASB-AP-7, Other Procedures	
	Audit Program for Investments and Derivatives	33. Significantly modified the section on debt and equity securities for the adoption of the guidance in ASU 2016-01 and added new Practical Considerations on the ASU and related matters.	ASB-AP-8, Basic Procedures
		34. Modified the sections on investments accounted for using the equity or consolidation methods for the adoption of ASU 2016-01, including adding new Practical Considerations. Included a new step on determining that the requirements of AU-C 600 have been met for a group audit.	ASB-AP-8, Basic Procedures and Extended Procedures
		35. Added Practical Considerations on ASU 2018-13, Concepts Statement No. 8, and ASU 2016-01 to the concluding steps section.	ASB-AP-8, Basic Procedures
		36. Added a Practical Consideration on ASU 2016-01.	ASB-AP-8, Extended Procedures
37. Modified the step on the test of classifications and added a new Practical Consideration.		ASB-AP-8, Extended Procedures	

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	38. Added and modified steps for additional procedures in response to fraud risk assessment.	ASB-AP-8, Extended Procedures
	39. Added new steps and Practical Considerations for the business combinations section.	ASB-AP-8, Other Procedures
	40. Added and modified steps and Practical Considerations to the section on derivatives and hedging activities.	ASB-AP-8, Other Procedures
	41. Added a new Practical Consideration on ASU 2018-17, <i>Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities</i> , to the section on interests in variable interest entities.	ASB-AP-8, Other Audit Procedures
	42. Added a section, “Basic Procedures for Debt and Equity Securities before Adoption of ASU 2016-01.”	ASB-AP-8, Other Audit Procedures
	43. Added new sections for basic and extended procedures for investments accounted for using the cost method before adoption of ASU 2016-01.	ASB-AP-8, Other Audit Procedures
Audit Programs for Other Assets	44. Added a Practical Consideration on ASU 2018-15, <i>Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i> .	ASB-AP-9, Basic Procedures
Audit Program for Accounts Payable and Other Liabilities	45. Added a Practical Consideration on ASU 2018-13 and Concepts Statement No. 8.	ASB-AP-10, Basic Procedures
	46. Added Practical Considerations on ASU 2018-14, <i>Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans</i> .	ASB-AP-10, Other Procedures
	47. Added a Practical Consideration relating to consideration received from a customer that is expected to be refunded in the customer rebates steps.	ASB-AP-10, Other Procedures
	48. Added a Practical Consideration on ASU 2018-19, <i>Codification Improvements to Topic 326, Financial Instruments—Credit Losses</i> , in the guarantees steps.	ASB-AP-10, Other Procedures
Audit Program for Notes Payable and Long-term Debt	49. Added and/or expanded Practical Considerations on ASUs 2016-01, 2016-02, 2016-13, and Concepts Statement No. 8.	ASB-AP-11, Basic Procedures
	50. Modified a Practical Consideration to refer to a new confirmation letter of a lease contract at ASB-CL-12.3.2.	ASB-AP-11, Extended Procedures
Audit Programs for Income Taxes	51. Added a Practical Consideration on ASU 2018-02, <i>Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i> .	ASB-AP-12, Basic Procedures

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	52. Updated a step and added a Practical Consideration on the review of the calculation of the deferred tax asset or liability and the related deferred tax provision.	ASB-AP-12, Basic Procedures
	53. Added a Practical Consideration on ASU 2016-01.	ASB-AP-12, Basic Procedures
Audit Program for Equity	54. Added a practical consideration on ASU 2018-02.	ASB-AP-13, Basic Procedures
	55. Modified and added a step on share-based payments for ASU 2018-07, <i>Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting</i> , along with new Practical Considerations.	ASB-AP-13, Other Procedures
AUDIT PROGRAMS— SPECIFIED RISK (AP-S)	1. Added a statement to the specified risk assumptions that tailoring will be necessary to ensure that the financial audit program for each audit area reflects those procedures that appropriately address the assessed risk.	Various
	2. Modified a statement to the assumptions that the entity has adopted FASB ASC 606.	ASB-AP-4-S
	3. Added a statement to the assumptions that the entity has not early adopted FASB ASC 842.	ASB-AP-7-S and ASB-AP-11-S
	4. Added a statement to the assumptions that the entity has adopted ASU 2016-01.	ASB-AP-8-S
AUDIT PROGRAMS— INITIAL AUDIT (ASB-IA)		
Additional Audit Procedures for General Planning Procedures	1. Added practical considerations on the implementation of significant new accounting standards and the evaluation whether extended procedures on opening balances are needed, as well as their proper application.	ASB-IA-1, ASB-IA-2, and ASB-IA-8
Additional Audit Procedures for Property Beginning Balance in Initial Audit	2. Modified steps pertaining to procedures before and after the adoption of ASU 2016-02. Added new Practical Considerations.	ASB-IA-7
INTERIM REVIEW PRACTICE AIDS (ASB-IR)		
Interim Review Program	1. Updated a Practical Consideration on the implementation of new accounting standards.	ASB-IR-2
	2. Modified a step on reading other information in the documents containing interim financial information.	ASB-IR-2
Interim Review Inquiries Checklist	3. Added Practical Considerations to consider the effects of implementation of significant new accounting standards.	ASB-IR-3

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
Misstatement Evaluation Form—Interim Review	4. Added a Practical Consideration on ASU 2016-02.	ASB-IR-3
	5. Added a Practical Consideration on ASU 2018-07.	ASB-IR-3
	6. Added a note indicating that auditors should consider additional qualitative factors that may be pertinent to the auditor's evaluation of materiality.	ASB-IR-4
	7. Expanded a note to indicate that auditors should pay special attention to prior-period audit differences during the implementation of new significant accounting standards.	
Disclosure Requirements for Condensed Interim Financial Information of Nonpublic Companies	8. Updated, where applicable, for recent accounting standards and other miscellaneous revisions.	ASB-IR-5
	9. Added matters relating to loss contingencies, cybersecurity, and other IT-related matters to the practical consideration on interim financial information or information provided.	ASB-IR-6
Management Representation Letter—Interim Review		
Supervision, Review, and Approval Form—Interim Review	10. Modified steps on reading other information in the documents containing the interim financial information.	ASB-IR-7
	11. Modified a step on the responsibility for the overall quality of the review.	ASB-IR-7

