

# CHECKPOINT LEARNING

Contact us at: [cplsupport@cerifi.com](mailto:cplsupport@cerifi.com)  
844.245.5970



|                                                                            |    |                                                   |    |
|----------------------------------------------------------------------------|----|---------------------------------------------------|----|
| <b>EXECUTIVE SUMMARY</b> .....                                             | 1  | <b>PART 2. AUDITING</b>                           |    |
| <b>EXPERT ANALYSIS AND COMMENTARY</b> .....                                | 3  | Audit Sampling.....                               | 19 |
| <b>PART 1. ACCOUNTING</b>                                                  |    | <b>SUPPLEMENTAL MATERIALS</b>                     |    |
| How to Effectively Analyze and<br>Implement a New Accounting Standard..... | 3  | Audit Sampling.....                               | 26 |
| <b>SUPPLEMENTAL MATERIALS</b>                                              |    | <b>GROUP STUDY MATERIALS</b>                      |    |
| How to Effectively Analyze and<br>Implement a New Accounting Standard..... | 16 | A. Discussion Questions .....                     | 31 |
| <b>GROUP STUDY MATERIALS</b>                                               |    | B. Suggested Answers to Discussion Questions..... | 32 |
| A. Discussion Questions.....                                               | 17 | <b>GLOSSARY</b> .....                             | 33 |
| B. Suggested Answers to Discussion Questions.....                          | 18 | <b>CPE QUIZZER</b> .....                          | 35 |

Topics for future editions may include:

- Accounting Alert
- Acts Discreditable

# EXECUTIVE SUMMARY

---

## PART 1. ACCOUNTING

### How to Effectively Analyze and Implement a New Accounting Standard ..... 3

Susan Longo, CPA, answers the questions most CPAs have when the FASB and the GASB issue new pronouncements. The discussion covers what CPAs have to do, how the new standard differs from what is currently required, options available, and more. *[Running time: 1:39:00]*

**Learning Objectives:** Upon completion of this segment, the user should be able to:

- Determine the scope of and reasons for the issuance of an accounting standard.
- Analyze the key provisions of a new accounting standard.
- Compare the accounting standard with previously codified GAAP rules.
- Implement application guidance from the FASB/GASB and specialized industry guidance from standard setters and others.
- Develop templates to assist clients in implementation choices embedded in the standard.

## PART 2. AUDITING

### Audit Sampling ..... 19

Kurt Oestrieher, CPA, takes a look at the guidance provided in AU-C 530 as he discusses various issues related to sampling including the purpose, risk, sample size, and projection of results of testing. *[Running time: 28:05]*

**Learning Objectives:** Upon completion of this segment, the user should be able to:

- Recall the purpose and application of audit sampling in compliance with AICPA AU-C Section 530.
- Identify and evaluate the risks associated with sampling, including sampling risk and its impact on audit conclusions.
- Apply appropriate methodologies to determine sample size and evaluate the results of audit sample deficiencies.

## ABOUT THE SPEAKERS

**Susan Longo, CPA**, provides financial reporting services to industry and CPA practices throughout the United States and Canada. Having been recognized as an “Outstanding Instructor” by the AICPA and numerous state CPA societies, she has authored, edited, and instructed courses in accounting, auditing, nonprofits, and governmental entities for leading providers in the continuing professional education field. In addition, she has served as director of development for the AICPA and as accounting department/MBA chair for two universities. Her practice expertise is in compliance auditing for nonprofit organizations, governmental entities, employee benefit plans, HUD, financial institutions, broker-dealers, CIRAs, and contractors. After graduating from the University of Michigan, she joined a national accounting firm, where she received extensive auditing experience with governmental agencies, Fortune 500 companies, and in business consulting.

**Kurt Oestrieher, CPA**, is a CPA and partner with the accounting firm of Oestrieher and Company in Alexandria, Louisiana. He is in charge of accounting and auditing services, and is also involved in litigation support and small business consulting engagements. In addition to his client responsibilities, Kurt has served as a discussion leader for numerous accounting and auditing courses. He has served on the AICPA Accounting and Review Services Committee and is currently serving a three-year term on the AICPA Council.

Be sure to include the completed sheet when you request certificates for this event.

|                                                                                   |                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Title of Course (Enter full title)                                                |                                                                                                                                                                                                              |
| Date of Class (MM/DD/YYYY)                                                        |                                                                                                                                                                                                              |
| Time (Enter time of class)                                                        |                                                                                                                                                                                                              |
| Location (Enter location of class)                                                |                                                                                                                                                                                                              |
| Learning Objectives (Refer to executive summary)                                  |                                                                                                                                                                                                              |
| Program Description (Refer to executive summary)                                  |                                                                                                                                                                                                              |
| Instructional delivery method                                                     | Group Live                                                                                                                                                                                                   |
| Recommended CPE credit                                                            | 3.0 Credits                                                                                                                                                                                                  |
| Recommended field of study(ies)<br>(Refer to executive summary)                   |                                                                                                                                                                                                              |
| Program Level                                                                     | Update                                                                                                                                                                                                       |
| Prerequisites (Circle One)                                                        | <ul style="list-style-type: none"> <li>• Basic Accounting and Auditing professional experience</li> <li>• Basic Tax professional experience</li> <li>• Basic Governmental professional experience</li> </ul> |
| Advance preparation                                                               | None required                                                                                                                                                                                                |
| Course registration and, where applicable, attendance requirements <sup>(1)</sup> |                                                                                                                                                                                                              |

(1) Insert instructions for your students to register for the class and any other attendance requirements (e.g., bring your laptop, be prepared to work in groups, you will be required to sign in and sign out of the session, etc.)

© 2024 CeriFi, LLC. All rights reserved. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a *Committee of the American Bar Association* and *Committee of Publishers and Association*

### PART 1. ACCOUNTING

#### How to Effectively Analyze and Implement a New Accounting Standard

Welcome to the first program section for the A&A portion of this month's program. In this session, we'll be looking at how to effectively analyze and implement a new accounting standard.

In our discussion today, we will determine the scope and reasons for the issuance of an accounting standard, analyze the key provisions of a new standard, compare the accounting standard with previously codified GAAP rules, implement application guidance from the FASB, GASB, and specialized industry guidance from standards setters and others, and develop templates to assist clients in implementation choices embedded in the standard.

Now let's join Susan Longo, CPA, who will lead us as we delve into analyzing and implementing a new accounting standard.

#### **Ms. Longo**

Hello, I'm Susan Longo. The FASB and the GASB issue pronouncements on a recurring basis, and practitioners and clients are always asking the same questions. What do I have to do? How is the standard different from what I'm currently doing? Are there options that I have so I don't have to do everything in the standard? Can I have a sample of what the debits and credits are and what the footnote looks like? And the answer to all these questions is always yes, and the answer is always actually in the pronouncement itself. But it's difficult for both practitioners and clients to read through several hundred pages, figure out exactly what is germane to them. So the objective of this particular session is to discuss a structured approach to analyzing new standards. We're going to talk about a ten-step methodology and illustrate the contents of each of those components. We will utilize during the course of this the revenue standard ASU 2014-19 or colloquially known as Topic 606 as our guidance. So every time we go to illustrate what is actually supposed to be happening in the analysis, we will be referring back to Topic 606.

So the 10-step methodology or approach is to first of all understand why is the FASB doing this. You know, when you look at the change to the lease standard, for instance, why would the FASB do it? I mean, [unintelligible] been around a long time, it got codified as Topic 840. Everyone's been happy. Well, the answer was that the FASB had been working on off-balance sheet accounting since the 1980s and leases, in particular operating leases, were the last thing that wasn't on the balance sheet and it was on the balance sheet for every other regulator around the world. So a reason for the standard. We're going to look at the objectives of the pronouncement, talk about the importance of understanding glossary and key terms, look at how to actually diagram, flow chart, or analyze the provisions of the standard, be able to compare and contrast with prior rules. Look at the specific implementation guidance provided by the standard setters, understand transition rules, disclosure requirements. Remember the tax implications, so we know whether or not the standard creates a deferred tax, and then look at the documentation requirements from both perspectives. What does the client have to provide and what does the practitioner need to have? And that's what we're going to do.

So we're going to start with the background. This gives us a framework for understanding what issues were addressed by the standard setters. Standard setters are primarily interested in recognition, measurement, and disclosure, but not all standards address all three. Oftentimes the standard setters will start with disclosures, issue a pronouncement, watch to see whether those disclosures now become a bit more standardized and uniform. And then when they identify what is creating the dissimilarities, they will then look at recognition and measurement rules. You need to familiarize yourself with the correspondence between when did we have a pronouncement and what was going on in the marketplace. So as an example, in the meltdown between 2008 and 2011, we also found out that LIBOR had been manipulated. The rest of the world fixed that very, very quickly. But it actually took between 2011 and 2020 before the FASB responded. So we now have a great reference for [unintelligible]. So sometimes the FASB is behind the marketplace. In the last year, they just issued something on cryptocurrencies when people have been asking for this for well over five years. In other times, the FASB does anticipate what is needed in the marketplace.

So when it comes to the revenue standard, the revenue standard was issued in response to two things. One, the fact that the International Accounting Standards Board was already working on a revenue project and FASB as a member of that understood what the changes were going to be. And then because we have so many cross-border transactions, there are actually more foreign companies owning US entities than there are US entities owning foreign companies anymore. They needed to make some sort of harmonization between them. But the most important reason was when this was examined by the FASB, there were over 180 unique pronouncements just related to very specialized industries from broker dealers and nonprofits to software and technology. And FASB has been moving much more toward principle-based standards. Let's not come up with very specific rules, let's create a framework and that all users should be able to understand the accounting rules within that framework.

In addition, whenever these changes happen, you have to understand that they will roll through everything else in the codification. So inventory changed in terms of the administrative cost. Property, plant, and equipment in terms of actually knowing whether or not gains and losses will be computed using Topic 360 or whether it actually is a revenue. And leases, there's a whole lot of things where the lessor doesn't use 842 but actually uses 606. And another one, when there's a business combination and we adjust the fair value for the balance sheet, FASB has carved out and said if you have contract assets, that is things like billings in excess of cost and cost in excess of billings or inventory and refunds and that sort of thing, they will remain using the amounts determined under 606.

So why? Why did we go through this process? And, because, the FASB is very, very sensitive to the fact that people are constantly saying it's too costly to make any changes. So the FASB does actually go through a cost-benefit analysis as part of the process of issuing the standard. So the topics are initially identified by requests from stakeholders and regulators and others. And then there's research done as to whether or not this is very specialized. For instance, there's a lot of specialized stuff that comes through in the insurance industry and that is just a very specialized group of standards and the FASB doesn't attempt to create any principal-based pronouncements. At the point where there is clearly a consensus that there needs to be some discussion, the item will go on the agenda and it will be a discussion memo. So it is a formal outline of the issues. Those issues are then deliberated in public meetings. The public meetings are generally of two types. One, the FASB will literally conduct open meetings in selected sites around the country and then their own deliberations are of course open. They will issue an initial exposure draft and then hold additional public meetings on the exposure draft. Based upon the comments received, they will redeliberate. They may issue a second exposure draft before they issue and get additional comments before they issue a final standard. To make sure everybody understands, the comments received in public hearing do result in major changes to the pronouncement. And you can look at both the revenue standard, the lease standard, and the credit quality standard and you can actually see the various comments reflected in the changes. Once the standard is issued, there's always a delay between then and the effective date and there's a lot of educational material provided. And then there are usually DIGs, implementation committees, and task forces that push out additional information. So it's a very structured process to get to an actual pronouncement.

So the same process was clearly used with respect to the revenue standard. The previous revenue standard only talked about whether, two criteria for recognizing revenue. And because those criteria were not as easily applied and they certainly were not of the type of principles that various industries found easy to utilize, it was just a plethora of industry-specific requirements. So the FASB in its research decided to attack this with a principle-based approach and to identify that our issue was the fact that we had exchange transactions. So therefore we needed to make sure we had the right buyer-seller relationship reflected, that because it was an exchange transaction, we had to understand the consideration, that all of it had to be well documented and that it had to be legally enforceable, which meant we had to have a contract. And so therefore we were talking about contracts with customers and that it should apply regardless of the industry.

So the next question we all have is, so who has to do this? In most cases, the standard will come out and say it affects everybody. If there are exceptions, the exceptions are usually built within the standard identifying for instance that nonpublic entities don't have to do certain provisions. And we see that in terms of disclosures in particular that we have simplified disclosures. The debits and credits in the view of the FASB should basically be the same. It's the amount of disclosures that can be modified. So the scope of a standard is basically the who, what, where, when, and why of what is supposed to be included in financial reporting and disclosures. Again, the standard setters want to

make sure that the scope of the standard addresses the issues that have been raised by the various stakeholders. The net effect of the standard will generally be one of three things. We have a current standard and we want to revise it. That is the project that's been going on by the FASB since 2015, which they called the simplification project. They have gone through the codification looking for recognition and measurement and disclosure rules that they no longer think the marketplace needs. For those of you not watching that, Topic 740 on income taxes has had some significant changes where the simplification of that calculation has occurred as well as the disclosures for the nonpublic, in some cases. And in other cases, Topic 740 actually has had an expansion and a push down of public entity disclosures to the nonpublic, which will include much more detail if you have deferred taxes. The standard can supersede and create a clean slate so to speak, and the standard can expand or clarify.

So when we look at the revenue standard, the intent of the revenue standard was first of all to make sure it applied to everybody. And the only exclusions were exclusions that were specifically addressed by other sections in the codification. And as we have moved forward with the implementation of Topic 606, a lot of those exclusions no longer apply. So in other words, lease contracts are now under 606 if you are a lessor because we weren't looking at Topic 606 as a standard in 2014, we come along in 2016, and we issued the lease standard, and so a lot of those exceptions no longer apply. But the importance of the standard is to identify, that regardless of the industry, as long as you have a contract and as long as you've got customers, then revenue is going to be accounted for under 606.

So if that's the case, if we know the issues and we know the entities that are going to use the standard, then what's the objective? The objective is simplification, which is something that the FASB has been working on for some time. Or it may be that if the FASB does a survey of content of disclosures in financial statements, or whether or not the disclosure occurs, they may want to reduce the variability. And it can be pretty basic topics. So for years the FASB struggled with getting people to understand that going concern needs to be disclosed, that it's not an assurance decision, it's a GAAP decision. And if there are events and circumstances, you're going to disclose. The only way you don't have going concern is if you don't have the events and circumstances. Now you can mitigate it and that may mean you don't have a report modification, but it's the disclosure. And what the FASB was worried about is that we'd have financial statements for significant numbers of periods with nothing, nothing. Everything looks just rosy, everything's going fine. And then all of a sudden, bam, this is a going concern. And the next thing you know, it's a bankruptcy. And FASB doesn't like surprises and the marketplace doesn't like surprises. Sometimes the standard will address an entirely new issue. Cybersecurity – that affects the accounting of certain of our financial instruments to be embedded in accounting rules. Cryptocurrency, a brand new area. And sometimes what you'll find is the FASB addressed it but didn't have to. And the answer is ... price level accounting ... when we had huge inflation in the 80s, we did price level accounting and now we don't need that. Sometimes it's the harmonization and again sometimes we do recognition and measurement in one standard and disclosure in an entirely different standard.

Now when it comes to the revenue standard itself, the objective was to provide a comprehensive framework, a principle-based standard that would eliminate inconsistencies and fill gaps in how people were doing it. So we really had a concept statement on revenue, but we really didn't have a revenue standard. We had in the public entity a staff accounting bulletin and a lot of people use that, but we did not have a pronouncement. And so they needed to fill that gap with a comprehensive framework. And we did want more disclosures. Everybody talked about more and more disclosures being necessary. So the intent was to provide useful information and to focus on the nature, amount, timing, and uncertainty of revenues and cash flows. A broad objective, agreed, but the evaluation of the success or failure of the framework is whether or not we have the principles to address nature, amount, timing, and uncertainty and appropriate disclosures.

It is really critical that clients and practitioners understand the vocabulary behind accounting rules, and I don't think people spend enough time with the glossary. The standard itself has links to the glossary. When there is a new pronouncement, they list all the glossary, new definitions, and changes to definitions. And it's interesting. Everybody thinks they know the definitions of certain of our standard accounting terms. And in fact, if you read the definition, you might be just a little bit surprised. So the intent is to, in any new standard, create a vocabulary and hopefully a vocabulary that all users can understand. Interestingly enough, the vocabulary is critical in crafting your accounting policy. And a lot of times people will do a cut, paste, and assemble. That is, they will have seen some sample of an accounting policy, including one that might have been illustrated in the standard. And that's what they will use without

really having looked at the glossary to say, is that really the language that I need to be using. So we would, while we're going to talk about this with respect to the revenue standard, we want to warn you that you better take a look at the new income tax standard because there's some critical changes in vocabulary in that standard. And if you're currently crafting an accounting policy for income taxes, and most people are, you've been using one that's been in 740 for many years, and this is quite different. So it's important to look at the new definitions and terms. It's important that you recognize that those new definitions and terms show up in accounting policies and in topical footnotes. And there are times when we'll see people utilizing market value instead of fair value. And there's a distinct difference between the two, for instance. So the intent is to make sure you know the glossary terms. If you are creating your own internal CPE, the session on glossary is always an interesting discussion for people to say, "Oh, I didn't realize that was a part of what was happening." The glossary itself is built into the taxonomy. For those of you not familiar, at the back of all the pronouncements, there is a taxonomy. It is designed for XBRL, which is a database that is linked to how one electronically files accounting records. The XBRL taxonomy is built into accounting software packages. So the new definitions are built into that taxonomy. And for those of you that do electronic filings of any kind, it's critical that you understand how the glossary is going to affect that database.

So in the case of the revenue standard, what actually happened was we created a whole set of new definitions. A customer is someone that has contracted in an exchange transaction. It is based upon the entity's ordinary activities. It is exchanges of goods and services and it requires an exchange of consideration broadly defined. And what you see in that basic definition will be all the elements of the five-step model. Now the contract is primarily concerned with any promises that might have been made with respect to any goods or services that are going to be transferred. So it's goods or services or some bundle of it, and the accounting depends upon the transfer patterns. Now it is not a case of timing, it is not a case of straight math. It is a case of understanding transfer patterns. Revenue is inflows of assets or settlements of liabilities or some combination. It applies to ongoing major or central operations. So one of the things that you need to recognize is the importance of understanding the issue we had before, which is the scope – to whom does this apply. So when we look at, for instance, a not-for-profit organization, we have to remember that the not-for-profit organization will actually have two different revenue streams. They'll have a revenue stream that is applicable under 606 because it's a series of customers, it's a major activity, and there are exchange transactions. On the other hand, they will have a series of transactions with the donor base and that donor base will be a 958. So that standard will say, "Yep, nonprofits have to use the standard." But what they will do is they'll bifurcate their activities into the central exchange transactions and the transactions with their donor base. The transaction price is the consideration. And then that is a fairly complex calculation depending upon whether we have fixed and variable consideration.

So once we sort of have the foundation of the standard, then the next thing is to actually turn around and be able to outline the requirements of the standard. What's actually sitting there, and the importance of understanding this means that you need to develop a format that is understandable for everybody. Now the FASB writes in outline form, it does create lists, it does highlight. The FASB also provides flow charts and decision trees at times. But the standard, when it runs on for several hundred pages, people can get pretty lost in all the various requirements. So there needs to be a way to sort of break that out and be able to understand the various components of it. So understanding key provisions means you basically need to understand the structure of what's occurring in the standard. Sometimes it's easy to start with the three parts of what's recognition, what's measurement, and what's disclosure, and then the nuances in between each one. That may not be the way you want to look at it. You might want to look at recognition, initial measurement, subsequent measurement, revaluation. You may want to break it down further than that. But you need to be able to sort of think about the implications of understanding exactly what is the various requirements are. Always start with the full-blown standard. Don't get sidetracked into options, elections, and practical expedients. So you really need to know what are the requirements first, what do you actually have to do? And then after that you can look at, are there any adjustments that can be made to those requirements? The thing to remember about options, elections, and practical expedients is only those charged with governance can make those decisions. So a practitioner who is providing accounting services and drafts the financial statements, that's great, but only can be done when the client has decided, "Well, we're not going to use this part of the standard or if we have the option not to, let's." And sometimes accountants think the options, elections, and practical expedients are part of the basic standard. So for instance, right now people are totally confused, not understanding that the lease standard and the option for a short-term lease exception is not part of the basic requirements. It's an election. The practitioner can't make that election,

the client has to, and there are rules that apply to it. So we need to be able to understand those options, elections, and practical expedients. Those are chosen by those charged with governance and they are always disclosed in the accounting policy. And then since 2014 in particular, the FASB has been very, very, very sensitive to the fact that there is a certain amount of burden that attaches to standards, and for the nonpublic their marketplace doesn't warrant a lot of those disclosures. So we have seen a real sensitivity to that.

So in the case of the revenue standard, the first thing the FASB did to help everybody work their way through the requirements was to set up a five-step model. And the provisions of the standard revolved around this five-step model. It was a core principle that said we're going to recognize revenue. We're going to recognize revenue in an exchange transaction based upon transfer patterns. So the core principles are going to drive all the accounting, and as a matter of fact, they're going to drive all of the comp review and audit procedures as well. So internal controls were set up based upon the five-step model, audit procedures, review procedures, everything got set up based upon a five-step model that gets to identify a contract, performance obligations, transaction prices, and disclosure. We'll also take this and say this is pretty easy to look at, and that is step one is a recognition standard and step three is the measurement standard. So we can see the framework of recognition, measurement, and disclosure in the model if we actually search for it.

So I do want to encourage everybody to develop a graphic display of a new standard. A picture is worth a thousand words. That's absolutely true. A lot of people need a visual cue and you can read the words over and over and over again and maybe you can put some meat on the bone, so to speak, after you get the visual cue. But you need to have some way of simplifying the complexity of the standard and the flow chart is one of the best ways to do it. Now there are some pluses to it. So first of all, it creates a series of steps which often represent a series of decisions that get made. Sometimes the decisions are yeses and nos, meaning do you actually have to apply this part of the standard or not? It will always focus on how we actually move the information through the process. So how do we take contract terms and move it through the rest of the five-step model? And then when you're done with the process, the intent is you ought to be able to know what the journal entries are and you ought to know what the disclosures are. And if the client or you as a practitioner create the appropriate flow chart, decision tree, or whatever graphic device you want to use, if you do it properly, in the end, that's exactly what will drop out, is the journal entries and the disclosures, and you can tie that right back then to footnote and face disclosures.

Now a lot of times the FASB understands the importance of this. And so as part of the standard, will provide a flow chart as an opening. And so what you see is the five-step model, right in this particular footnote. What you see is right from the very beginning, step one says identify contract. And the answer is, do you actually have a contract with a customer? Now the standard has five criteria that attaches to that, and the footnote doesn't have to have a lot of detail. And the answer is if it doesn't meet that criteria, then you've got to go find some other GAAP. And that's what the flow chart says. Not that you don't have to account for it, but you better find another GAAP. And then it moves you on to the next, which is does the contract meet the revenue recognition criteria? And if the answer is no, then they say, OK, go look at the contract and see if you can modify the contract. Otherwise, you're going to be back up here which says you don't have revenue GAAP. So it works you through decisions trying to make sure that you understand the provisions, and in this particular case, it's highlighting the five-step model.

Now flow charts are useful, no doubt about it. Flow charts are very useful, but not everybody wants to take the time to create one, assuming that you have the skill to do so, and not everybody sort of thinks that way. So the option is to create in fact a decision tree, and decision trees are simply a way to sort through the various procedures that are listed in the standard. And it gives you a lot of different ways of saying yes or no, or I have to do step one, before I do step two, before I do step three. And that's a common question, the five-step model: Do I have to do all five steps? And the answer is yes. The only exception is step four, which says allocate the transaction price. And if you only have one performance obligation, you wouldn't have to do the allocation. So the answer is all five steps apply except for four if you only have one performance obligation. Do you do them in the order of 1, 2, 3, 4, 5? And the answer is yes, you do. Now, sometimes what you may want to do is create inputs, processes, and outputs as a way of creating a decision tree instead of yes or no. Please remember that the decision tree needs to get to the very end with rules for recognition, measurement, and disclosure.

So here's an example of a decision tree that we can make as part of looking at the revenue standard. And the question is, are customer incentives provided – coupons, vouchers, price concessions, those sorts of things? And if we have an option to acquire additional goods and services, you bought 150, we're going to let you have another 50, and that 50 is going to be at a different price. The question is, does this turn out to be a material right? And if the answer is yes, then the material right is accounted for as a separate performance obligation. If the answer is no, it's not. And if the material right exists, then I'm supposed to be determining the standalone selling price of that option. Now notice it doesn't say market or fair value, it says standalone selling price. So this is a way to graphically explain what we do when we have customer incentives.

Here's another one that is very useful to understand, and that is that when we have variable consideration, there's actually two pieces to it. There's a measurement piece and there's a recognition piece and they are distinct, so I need to be able to break that apart. So the answer first is that I need the measurement piece. So how do I measure discounts, rebates, refunds, credits, price concessions, incentives, bonuses, penalties, future events? And there are methodologies in the standard for that measurement. Two that are allowed – expected value and most likely. They have rules attached to them. But having measured it, I need to know, can I in fact recognize that variable consideration? And the rule is not if you're going to book a journal entry in the future that reverses that revenue. And it takes both recognition and measurement to actually have determined the transaction price. And sometimes this kind of a graphic helps you understand that we have two pieces to determine for a transaction price.

The recognition of revenue is the same kind of thing. There are two options: over time and point in time. Over time is the default. And it is assumed that that's in fact what's happening. But over time would mean you have to have a measurement of progress, which can be inputs or outputs. Point in time is when control transfers, so they look quite different. But the FASB is focused on control. So we need to be able to understand the transfer of control when we make the decisions. So sometimes this kind of a graph is quite useful.

Now, as we said at the beginning, both practitioners and clients say, "OK, we got a new rule, but I need to ground myself in what's different from what I'm currently doing." Sometimes so I can complain about it, other times so I can understand how much of a change really applies to a particular reporting entity. So the concept basically is that you need to find a way to create a roadmap. And what I want in that roadmap is what the old or current standard wants and what the new standard requires. But I got to figure that out. And so the first thing is to really list particular points on that road from what we've been doing to where we'll be going. And if we look at it, we ask ourselves questions like, "What makes the contract look different?" "What makes the measurement tool look different?" "What makes a specific nuance in the measurement look different?" "Are there things I have to disclose now that I didn't have to disclose before?" So again, we have the flow chart that we've already done and you can superimpose on that flow chart by just highlighting where things are different. So it's not like we're going to start with something brand new and create another device. What we're going to do is highlight the changes. So when we look at the revenue standard as we will in a minute, you'll see that you think about the lease standard the same way. The lease standard starts out by saying everything is a finance lease. There's no definition of an operating lease. Everything's a finance lease. And you have certain criteria to determine whether it remains a finance lease or, if it doesn't meet that criteria, then it can be called an operating lease. But we don't start out with two different definitions. We start out with a finance lease, and an operating lease is defined as it's not a finance lease. Now that's quite different. When we take, again, if we start pulling through all of these various components of this structured approach, we have a glossary that talks about residual values for leases. And once we understand the definition of the residual value and the change in that definition, then we can go to the accounting rule that basically says, "Well before all of the residual value was included in the calculation and now only that which is probable to be owned." So the concept of taking a flow chart, adding the vocabulary, and creating that, "Well, this is where it's different," helps you really understand the key provisions of the standard. We want to highlight the new requirements. We want to note where we have any exceptions and, of course, if we're nonpublic, to identify those key differences.

So transfer of control. It is a transfer of control model which says that for control to transfer, two things have to be present: the ability to direct the use and the ability to obtain economic benefits. And if both are not there, there has not been a transfer of control, which is entirely different from the risks and rewards analysis that we had before. We

have a default assumption. We need to understand the patterns of control that relate to this change as opposed to a general recognition criterion of is it earned. We have variable consideration subject to a constraint which is different from fixed and determinable fees. So legacy accounting, one set of vocabulary and accounting rules around it. And now some significant changes in how the nature and terms of the contract are going to drive the revenue recognition, which is not what was there before.

So as an example, multiple element arrangements are by and large the same provided the criteria of distinct is met. Capitalization of costs to obtain and fulfill have different accounting. We didn't have capitalization before and now it's only related to incremental costs, which also means that there's a lot of overhead and personnel costs that would not be included. Everything in the prior standard was superseded and all the industry guidance was superseded. And in order to have the GAAP rule present, you need the ASUs and the revenue recognition guide. So I need what the FASB has done and I need to have what the FASB in conjunction with the AICPA did. It's the only way you're going to know the industry stuff is that you have an historic [unintelligible] relationship.

Now we get into the heart and the most difficult part sometimes of the standard. So we need to remember that the way the standard is written, there's a Part A and a Part B. The Part A you have to do, that's mandatory. That's the heart and soul of the standard. Part B is the basis for the conclusion. It is our implementation. It's a whole series of appendices. It's the taxonomy. It's the rewrite of the standard. All of those other parts are useful information. The core of what you need to know is often in the basis of consideration because it actually says, "You know, we had, we could look, we looked at three different things, and based upon the comments we got, this is how we landed." And sometimes there is a further explanation of the content of the standards in the basis of conclusion. So please don't skip by that. The application guidance is explanations, amplifications, and clarifications. It does link to all the codifications. So one of the appendices is literally a list of all the codification topics that have been adjusted by that particular pronouncement. The background for consideration is how the choices were made. And then we have a lot of guidance as to how we should actually use the standard.

So an example from the revenue standard would say we've got a contractor, he enters into a contract to build a hospital, and the contractor is responsible for the management of the project including engineering, site clearance, foundation, procurement, construction, piping, wiring, installation, and finishing. And now the question is, the basic fundamental question is, how many performance obligations do we actually have? That's step number two. We've got a contract. So we already know we have step number one in the model. We're at step number two, which is how many performance obligations: engineering, site clearance, etc., etc., etc. They're certainly capable of being distinct, that is, the customer can benefit from those services. The entity regularly sells those services. However, they're not separately identified in the contract. The contract says build a hospital, and when you're done, hand the keys over to the president or chairman of the board. And the chairman of the board does not care about the individual components it took to do that. They want keys to a hospital which has got a certificate of occupancy and all the right licensing from all of the right regulators. That's great. Which would mean that we have a single performance obligation. Accountants around the world would go, "Yay, that's what I want." "I don't want to account for all this separately." The only problem is you can't record revenue until you satisfy the contract, which would mean until you gave the keys to the chairman of the board. And the contractor doesn't want to do that. So the contractor has to figure out within the framework of, "I've got one performance obligation, how can I actually have revenue before I transfer control?" Because that's the point. Remember, revenue recognition requires a transfer of control. Well, I'm not transferring control of the bathrooms individually. I don't have right of use until I have occupancy. I don't have economic benefits until I can use the hospital and my patients can use the bathrooms. So I have to figure out how to work through the standard when I say, "OK, that's great, I've got one [performance obligation]."

So now here's another one. We have monthly payroll processing. It's a single performance obligation. The customer will receive and consume at the same time. So therefore we're going to recognize based upon some measurement of progress, which may mean the number of times you pay the payroll. Now that would look very different if the payroll processing services also add add-ons such as we're doing HR, so we're keeping the personnel records, and we're doing the tax filings, and we might be doing some salary consultation. And now it looks quite different because I will have to bifurcate that and I would have not a single performance obligation, but I would have 1, 2, 3, 4. And while one might be over time, the others might be point in time.

What I also want to know is what does this actually mean for the client? What does it mean for their operations? What does it mean for their financial reporting? And what does it mean for their compliance? So one of the first things is to understand, as I mentioned, whenever we have accounting policy options, elections, and practical expedients, those charged with governance have to make the decisions. So I have to find a way to put that in front of the client so they can document those decisions. You have to document the decisions. That's, by the way, a large gap that sits in a lot of workpapers in that there's a lot of accounting policies, and if I were to ask for documentation of the client actually making those accounting policy decisions, I wouldn't find it anywhere. Oftentimes an accounting pronouncement will change the accounting system. Tracking of leases looks different under the lease standard. Tracking of revenue looks different under Topic 606, and that will mean there'll be changes in internal controls. So again, I need to see the documentation of those changes. I may rewrite contracts as a result of it. An example of that is when we look at nonprofit organizations. In order to have an exchange transaction apply to a grant, there has to be commensurate value. Otherwise, the grant is a contribution and generally a conditional contribution, and nonprofits aren't real happy with that answer. So contractual arrangements get rewritten so that there is an indication of commensurate value. And then we need to understand the budgeting, planning, and monitoring that would go on as a result.

In the case of the revenue standard, there was sort of a basic outline of things that needed to be done. So this is often viewed as implementation guidance and there's a number of sources for it. When you are looking at the revenue standard itself, the FASB came out with an implementation guide. That implementation guide was created into a checklist by Thomson Reuters. And if you are a subscriber of Checkpoint, then you had the opportunity to have that implementation checklist. If you're not a subscriber, then what you can find is those kinds of things are often available from the large accounting firms up on their websites because they provide it to their clients and they provide it to everybody else as well. So there's lots of published sources for implementation guides. So the steps involved in doing this created a template which you then handed to the client and said, "You know, fill in the blanks, please, and tell us what actually happened." So how did you analyze the five-step model? What were the data requirements and the information systems changes? And we can see that, for instance, with the credit standard that now is applicable for our allowance for credit losses. This is data-driven, not a subjective evaluation anymore, and so the information systems changes. First of all, had to record the allowance at the transaction date rather than at some accounting date, and it was required a model that would compare prior experience, current data, and a reasonable forecast. And so we had a lot more going on in the accounting systems over allowances. It created a change to billings and ledger systems, changes in calculations, changes in accounting policies, practical expedients that had to be adopted. All those things had to occur.

So to get there, again, the FASB and the GASB often have very good guidance available. Accounting and auditing guides provide that. Trade association in particular industries looking at GFLA, GAO, lots of places, and regulatory bodies. One of the things that's interesting to think about when there's a complex standard that comes out like revenue or leases, some of these others, is that the standard might be issued on April 24th and on April 25th there's just a wealth of information available, and that's because those people in the industry, those people involved in the GAAP world, have been tracking the standard all the way through that standard-setting process and they have been building the guidance. It doesn't look any different from the industry that's built around tax standards. When the tax law comes out, are you able to go on the internet the next day and see an entire analysis of the tax law? And are you, in a lot of cases, able to get a guide immediately about the implications of it and the kinds of adjustments, the calculations, and the effect on this, this, this, and this? Absolutely. And it's the day after the standard, if not the day of the issuance of the standard. And that's because people have been tracking it for some time. You need to find the body that you want to use to help you with that analysis of the standards. Please also know that there are accounting firms that do this all the time. So we know that the Final Four—Deloitte, EY, KPMG, PwC—they do it. RSM does it, Grant does it, BDO does it. There's lots of places where this analysis comes out. And in most cases the analysis is free. You just have to register and it gets pushed to you.

So let me show you several examples of this. And one was a recognition that, as with the lease standard, so with the revenue standard, there's going to be deferred taxes. There's a difference between book tax. So lots of guidance came out that talked about the differences because you're using a cost-to-cost input method and the percentage of completion for tax are not going to be the same. So we have a lot of differences and then we have loss accruals and variable considerations and warranties and everything that's listed on the screen, all of those items will in fact generate deferred taxes.

We will find that if we analyze the AICPA revenue guide that the revenue guide will focus on issues such as contract modification for manufacturers. What's a performance obligation and how do I modify it if I have marketing support? Is marketing support a separate performance obligation or not? What about financing components? And what happens if FOB shipping is not indicative of the transfer of control?

How do I look at retail with right of return? Because right of return will create a contract asset and a contract liability, and they will look different and be measured different. Loyalty programs are going to create a separate performance liability as do gift cards, and the accounting is different than what we had before.

Real estate. We don't have risks and rewards anymore. Collectability looks different. There will be earlier recognition of revenue for home builders, but delayed recognition for the sales of condos and timeshares. The legally enforceable right to payment for progress to date is defined differently than revenue earned and that is a major difference for real estate.

Technology. What happens when you have licenses versus service contracts and what is intellectual property under license arrangements?

Healthcare. If we have a continuing care retirement community, that really looks different under the revenue standard.

The auto industry. Material rights for discounts, cash rebates, below-market financing, financing for maintenance programs and extended warranties, product warranties versus service warranties. And so in the auto industry, auto dealers are finding quite different accounting than they had before.

So the guidance is out there. That's the wonderful thing about it. The guidance is out there. Now, if we know the implications, if we know what the client has to address in the implementation of a standard, then what we need to remember is it doesn't matter if you are in the audit world or if you are in the comp and review world. Both sets of standards have a requirement that says the practitioner must inform the client of all changes, major changes, in accounting principles, prior to the effective date of the standard. Now for small practitioners, that flies in the face of how they practice. "I don't talk about this stuff until after year end, when I'm there three or four months after year end." And the answer is the standards require that when there's a major change in accounting principle—revenue standard, lease standard, credit standard, all of those things required to change in accounting principle. How do I know when I'm doing this? If the standard requires a restatement of a prior period, and that would occur anytime there's a retrospective application, that's going to be an emphasis of matter. You have to inform the client beforehand, before the effective date, so that they understand the requirements and they understand what could be happening to both the report as well as the footnotes. So knowing that it's a required communication prior to the date of the standard and that you need to talk about the standard itself, plus any options, elections, and practical expedients, you need to find a communication tool.

So, just a basic letter addressed to the client identifying the basics of the standard and then saying, "OK, we have to adopt this thing and there's some options we've got. And what is it that you want to do?" And then here's what's going to happen to the report once you've elected all of those things. It's a simple, straightforward communication to the client. And once you've created whatever format you want—this is just one example—then you can use it for absolutely everything that you have to provide for the client.

Alright, implementation. I need to warn everybody. Implementation examples are based upon a fact pattern. If your client's transactions don't meet that fact pattern, you can't use that implementation example. So oftentimes what happens is practitioners and clients will look at the title of the example and look at a couple of pieces of the calculation and go, "OK, this is how I do it," because everybody wants a formula. "I just want to be able to have this little template and I'm going to plug in my numbers and I'm going to get the right answer." But the key is to remember that the examples are based upon a fact pattern, and if you don't meet that fact pattern, you can't use that answer. Also, don't skip an example because you don't have the client in the portfolio. I use examples in the leased area where the FASB implementation examples deal with railroads and solar farms, and probably 99% of the client base is not railroads and solar farms. But it's a principle-based standard, and so if you understand the principles in the illustration, you can plug in your fact pattern and come up with the right answer. But don't skip it because you say, "Well, I don't have a solar farm." The examples are designed to be as generic as possible, but they are based upon a particular set of business facts.

So here's an example from the revenue standard. There's a manufacturer who sells a product to a distributor that then resells it to an end customer. There's an explicit prompt to provide maintenance services for no additional consideration to the end customer that purchases the product. Now the maintenance services are actually outsourced to the distributor and payment is made to that distributor when they perform the services. So there are two performance obligations: the product and the maintenance services. So the question is, are they distinct and how do I account for them? Well, the answer is they clearly are distinct by virtue of the fact that they have a standalone basis in the marketplace and the customer benefits from it.

The implicit promise is that there'll be maintenance at no additional cost, but it is customary business practice and so the maintenance service becomes a performance obligation.

Transition Rules. Everybody always wants to know, when do we actually have to do this? So first of all, determine whether you can adopt early. Secondly, determine whether the adoption date is the same for public and nonpublic. Usually, the nonpublic has at least a one-year delay and that's so that the nonpublic can piggyback on what the public entity has learned. Early adoption is something that should always be examined. There are, especially when it comes to the simplification project, when the FASB says you don't have to do this, waiting two or three years to not do it is costly for you and the client. So look to see if it's part of the simplification project, and then tackle the early adoption. Retrospective or prospective. The retrospective requires the restatement, the prospective just moves forward. Sometimes there are special transition rules for particular provisions in the standard.

So as an example, the revenue standard, the full retrospective method was every reporting period presented, and for the public they had companies that were a lot of periods modified and had a cumulative effect of the date of application. And then there was an option to do all contracts or contracts not completed. And there was lots of guidance as to which one to choose.

So this is the kind of thing that, when there are questions about which way do I go, that you need to put something like a decision tree like this in front of your client. So full retrospective is when you want to present comparative trend information, and it's really important to have the current year be the baseline and all prior years look the same. There were practical expedients. We won't go into all the details, but for each of them, short-term contracts, variable considerations, the long-term contracts, all of those things had nuances where there were some choices that made some sort of sense. For most, if there was little change expected, then what people basically did was the cumulative effect to opening retained earnings and you moved on. And in fact, if we look at the lease standard, the same thing happened. Lots of options, and eventually what the FASB said was, "OK, we'll let you continue to use 840 right up to the beginning of the year that you adopt, rather than even having to restate the prior year. Just opening retained earnings." So the FASB is quite sensitive, especially to small clients, to say, "Alright, as of the beginning of the year, that's good enough." However, you do have to remember that as of the beginning of the year means as of January 1, and there'd better be a journal entry on January 1, not in February or March, a year and a half later, when the practitioner is finally getting around to doing the books.

Disclosure Requirements. You need to remember that there will always be an adoption footnote in the year that you adopt, and that will lead to a change in accounting principal footnote. And once you have done that, you're not done. You still need your accounting policy, which will include all options, elections, and practical expedients. And then you will need your topical footnotes. Please remember that most of the new standards will require some risks and uncertainties. Very difficult for anybody to have implemented the revenue standard without a risks and uncertainties disclosure. And as I said, anytime that you do a retrospective change in accounting principle, you will have an emphasis-of-matter modification to the report.

So with respect to the revenue standard, there was both quantitative and qualitative information necessary and there was a whole list of requirements of disclosures which were segregated between what the public had to do and what the nonpublic had to do. Separate sources of revenue, contract assets and liabilities, performance obligations, allocations of the price to those performance obligations, judgments, contract costs, all of those sorts of things. And they were segregated between public and nonpublic.

And what the standard setters did was become very, very sensitive to the fact that the nonpublic needed some exemptions. They created a whole host of them and said, "In some cases, you still have to provide the disclosure. You can just do it in a narrative form instead of numerically." "I don't need an Excel schedule. I just need you to write the words." So we had to disaggregate revenue, and instead of having to do the segment reporting that the public would, just tell us about the timing – point in time or over time. Disclose opening and closing balances. If you do comparative financial statements, that's fine. And there were things you just didn't have to do. The intent was to give users the critical information necessary. But as we said, users of public entity statements and users of nonpublic entities—they have different needs.

Now we need to just identify the fact that if in fact you were going to implement a brand new standard, this is pretty much what would happen in the year of adoption. First of all, if it's a change in accounting principle that's retrospectively applied, there will be an emphasis-of-matter in the report. Doesn't matter whether you're a review or an audit, it's still the same rule. Doesn't matter if it's a compilation—still required. And if it's significant, even if you're a compilation with no disclosures, you will need an accounting policy. You need an adoption footnote, which will include an identification of the standard, description of it, the adoption date, the nature and reason of the change, the method of adoption, the effect on the financial statements, your judgments, your options, elections, and practical expedients. You will do a change in accounting principle, which will be a tabular format with the prior accounting, the adjustments that were made, and the current reporting. And you will need an accounting policy, the provisions of the standard, and anything that is unique in the industry. And then you need topical footnotes. Don't forget that some of those changes in standards will affect footnote #1, nature of operations, and revenue recognition was one of those. So we did have to talk about the various types of revenue and how that revenue was being reported in nature of operations. You need a change in accounting principal footnote with the specific line items in the balance sheet, income statement, statement of comprehensive income, statement of stockholders' equity, and statement of cash flows. Then there will be the specific provisions of 606. Sometimes we put them all under one revenue standard, sometimes they wind up in different footnotes. And then you need the risks and uncertainties. So if I looked at the standard reporting that occurred the year that you adopted Topic 606, that's what I would have found in the reporting package.

Now, as we said, it's important to be able to give a client a template to sort of make this happen. And so I have provided an example of a template where we talk about what is it going to take to implement the standard and what topics do we need to discuss with a lot of people in the business. So first of all, we've got to set up a team and there's a whole lot of people that should be involved. But on the other hand, that often slows the process down. So some people will—some functional areas will be directly involved, others can be in the review. We really need to start with understanding the standard. So we create an outline of the basic issues and then we expand that understanding the specifics of what we have to identify. So what terms and conditions of our standard contracts might have to change? How do we identify in that contract language the ability to identify distinct performance obligations meeting the definition in the standard? Where do we create variable consideration that we want and where do we create variable consideration we no longer want and therefore have to make some changes? What about rules for warranties and licenses and related parties and financing? What about the new requirements on collectability, on combinations of contracts, and contract modifications? So we set the issues in front of the right functional people to start making the conversation happen.

We will also have to discuss how we actually want to make the transition. When do we want to do it? What method do we want to use? How do we communicate that? And we need to understand the various choices. And then the communications so that we understand to whom we have to provide a lot more information about what's actually happening.

So we might start to then look at changes to operations and systems, and those functional areas will begin to identify all the things that could happen. This kind of a template would apply to any kind of standard.

Start with some basic questions. If you're going to adopt, are there significant changes in internal controls? So the first thing is to start to look at processes and controls and see where that leads you in it.

The next is looking at policy decisions and then assumptions and judgments with respect to the measurement rules. So these things help you understand the measurement and the recognition rules that have to be there. How have you documented everything that you determined and make sure that documentation applies to the accounting policy decisions and the methodologies, as well as to the changes in internal controls?

So you do need to remember that, as accountants, we all have requirements to document the decisions we've made and the basis for those decisions. So we need to find a process to make that happen. What does the accounting standard require, what do regulators require, and what does the accountant or auditor providing the services require? It does not mean that a disclosure checklist will be your prime source when there is a new standard. The disclosure checklist is functioning at the final product level of the footnote narrative, but there's a whole lot more beyond that. So oftentimes we need some other kind of device other than a disclosure checklist.

So one of the things that you might recognize is that we have a five-step model. So why don't we use the five-step model to identify what the issues are and what the documentation from the client ought to be?

Step 1: Here's your contract. Well, what do we mean by an approved contract? A purchase order going to work? And what's the evidence to indicate approval and the effective date? It's a major issue, and I need to have that documentation in policy form and in practice from the client. For a contract, what are the party's rights and where are the material rights and payment terms? What does enforceable right to payment mean? And remember, it's a function of the jurisdiction in which the contract is executed. So that's step one.

Step 2: The issue is what's distinct and how have we met the criteria and what happens when I've got business practice.

Step 3: Transaction price. The issue is variable consideration. So how did management address variable consideration?

Step 4 is all about allocation. Allocation requires that you use the standalone selling price, which has to be an observable price. And how was that established?

And Step 5 is how do we recognize revenue? And it's all about control transfer patterns. So I can talk to the client, I can give the client some sort of checklist. But what I need is to have a way of saying, "Here are the things that we need to know related to how you've recorded revenue." And it would seem, you know, in this particular case, because the revenue recognition is driven by the five-step model, that what we should be asking the client for is the documentation on each of the five steps.

And then how they adopted and made the transition to 606. That's kind of the final piece of it.

We do also want to be sure that when we analyze the standard, we know the difference between the US standards and international. And you will find that generally the FASB will not identify that. But there are sources where the difference between the two is outlined. So whether it's the revenue standard or the lease standard or anything else, there's guidance to the differences. The same thing is true with the FASB and the GASB. They will not address special purpose frameworks. This is cash basis, tax basis, contractual basis, regulatory basis. The important thing to remember is that for special purposes, special purpose frameworks, the disclosure requirements will be exactly the same. We will change recognition and measurement, but we will not change disclosure, and that is sometimes misunderstood.

So in the case of the revenue standard, Topic 606 versus IFRS 15, and there are not very many differences—shipping and handling, an election to treat as fulfillment expense, non-cash consideration, sales tax, and completed contracts. Not very many differences, and that was the success of the fact that this was a joint project.

Always we want to know whether or not there are deferred tax implications, and that is a requirement to look at the timing, tax provisions, as well as specialized industry guidance and foreign tax considerations.

For those of you who have not thought about it, there are some very distinct deferred tax implications in the revenue standard. If we look at the five-step model, the tax law does not look at probability of collection and collectability the way the model does. Performance obligations. How goods or services are bundled. We may have a change in tax method. And the number of deliverables could change. Transaction price—always difference when we have variable consideration.

Standalone prices are used in the GAAP rule, prices stated in the contract and tax rules, and the tax year in which the right becomes fixed and determinable is different from control transfer patterns. So distinct differences.

Lots of places to help you find the guidance that you need: FASB and GASB, AICPA, and all kinds of regulators, CPA associations, trade associations, the national firms that I mentioned before, publishers like Thomson Reuters, and a whole bunch of others.

We do recommend that you become familiar with EDGAR if you are not. So one of the benefits of a nonpublic company having a one- or two-year delay is that the public companies have already done this and they have already filed, and their filings have been vetted by four different groups. So by the time it sees the light of day, we're pretty sure that it complies with the requirements of the new pronouncement. Now, it does not mean that if you use an example that you might have all the components of that example because the public company may be considerably more complex, but the overall content of the disclosures is not that distinctly different. And so most practitioners always want a sample. "Give me a sample of the footnote. I don't want to start with a blank WORD page." And the best way is to go out and EDGAR and do a search and look at the examples of companies that have adopted, find one that sort of fits best to your style of presentation and build your template from there.

So that's a quick review of a ten-step structured methodology to analyze the issuance of all new standards.

## SUPPLEMENTAL MATERIALS

---

### **How to Effectively Analyze and Implement a New Accounting Standard**

by Susan Longo, CPA

---

There are no supplemental materials for this segment. Proceed to the next page for discussion questions.

## GROUP STUDY MATERIALS

---

---

### A. Discussion Questions

---

1. What is the purpose of the structured approach to analyzing a new accounting standard?
2. What is the significance of the five-step model in revenue recognition under Topic 606?
3. What are practical expedients, and who decides their application?
4. How do new accounting standards impact internal controls and accounting systems?
5. Why is it important to document accounting policy decisions when implementing a new standard?
6. What is the difference between retrospective and prospective adoption of a new accounting standard, and when might one be preferable over the other?

## **B. Suggested Answers to Discussion Questions**

---

1. The structured approach helps practitioners and clients break down complex standards into manageable steps. It ensures they understand the scope, key provisions, transition rules, and application of the new standard, and aids in comparing it to existing GAAP rules.
2. The five-step model guides the recognition of revenue by identifying contracts with customers, determining performance obligations, setting transaction prices, allocating prices to performance obligations, and recognizing revenue when obligations are met.
3. Practical expedients are simplifications that entities can use when applying a standard. They are optional and must be chosen by those charged with governance, such as the entity's management or board, not by the practitioner.
4. New standards often necessitate changes in internal controls and accounting systems. These changes are needed to ensure accurate tracking, measurement, and recognition of financial transactions under the new guidelines, especially for complex standards like revenue recognition and leasing.
5. Documentation is essential for compliance and audit purposes. It ensures that decisions related to accounting policies, options, and elections are formally recorded and can be reviewed during audits or financial reviews to validate the accuracy of financial reporting.
6. Retrospective adoption requires restating previous financial statements as if the new standard had always been applied, while prospective adoption applies the standard going forward. Retrospective adoption may be preferred for comparative trend information, while prospective is simpler and less costly for entities without significant historical changes.

---

## PART 2. AUDITING

---

---

### Audit Sampling

---

Welcome to the second and final program section for the A and A portion of this month's program. AICPA auditing standards provide authoritative guidance to auditors when they determine that sufficient appropriate audit evidence can be obtained without testing all items within a population that makes up a significant account balance in the financial statements subject to audit. In today's session, we'll take a look at the guidance provided in AU-C 530 as we discuss various issues related to sampling including the purpose, risk, sample size, and projection of results of testing.

To guide us through this topic, we have Kurt Oestrieher, CPA and partner with Oestrieher and Company in Alexandria, Louisiana. Kurt is joined by CPE Network's Debi Grove Casey.

#### Ms. Grove Casey

Kurt, welcome to the program.

#### Mr. Oestrieher

Hi, good morning. Good to be here, Debi.

#### Ms. Grove Casey

Today we want to talk a little bit about an audit topic that really we use all the time, although to some extent maybe the digital world will make that change. But we want to talk about audit sampling. To begin with, why don't you talk about where the guidance is for audit sampling and what that is, why we use it.

#### Mr. Oestrieher

Well, the guidance is obviously in your favorite third-party practice aid, right? That's where people always tend to look, in whatever practice aids they're using. But of course, the underlying authoritative guidance, which is what we should all look at, is in section 350 of our codification of the auditing standards. What's interesting, and I think a good thing, there really have been no updates to this since 2012, and that was just when they codified it. The concepts of auditing sampling really have remained unchanged. It's hard to believe in September, I will have been practicing for 38 years. The underlying concepts really haven't changed much as far as what the auditing standards tell us we do. It is the guidance, because we understand we can't test every transaction, so at some point you're going to have to sample. This guidance was put in there and it really has remained largely unchanged. So this is not more of an update type thing. It's more about, hey, reinforcing what you already know or further understanding the process so we can be more efficient in our audit sampling.

#### Ms. Grove Casey

Let's talk a little bit about the purpose of sampling.

#### Mr. Oestrieher

Again, this is addressed specifically in the standards. In the simplest form, we are going to look at a portion of the population—of a data population, if you will—to draw a conclusion on the entire population. This is when you get into theory that goes beyond accounting, people use sampling and other things. In the year we have a political election, we have polls and they go and ask 4,000 people, and based on that they say, “Oh, this is what's going to happen in this election or this is the way it's going,” and people make strategy decisions in their campaigns based on what the poll says because they believe this 4,000 people might be representative of an entire nationwide election or a gubernatorial election. Well, same thing applies here. Instead of polling people's attitude to determine what we think the entire population may be, we're going to look for various attributes of a population. It can be either for substantive testing to actually draw a conclusion as to whether or there's a material misstatement—

meaning that if we find misstatements of this part, we can extrapolate—or it is to determine if controls are working properly. We're not going to test and look if there's a, let's just say something very simple, purchase order has to be attached to every invoice. Well, we don't have to look at all of them to determine if it's working. We can take a sample and based on what we find in that sample, we can draw a conclusion as to whether a control works or not. So it's a very efficient way to determine if something's either working the way it's designed or if there are material misstatements in a certain population.

**Ms. Grove Casey**

Let's talk about the risks that are associated with sampling, because when you're not looking at the entire population, and sometimes even if you are, you end up with that chance that maybe you didn't get the entire population because something was hidden or missed or whatever. Let's talk about sampling risk.

**Mr. Oestrieher**

I think there's two different types of risk. The first risk is human error, that they misapply sampling techniques or sampling concepts. And that's a lot of what we're going to talk about today to make sure we're not making those errors in how we either select a sample, determine sample size, or project a population. So that's risk that can be fixed, if you will, and controlled by proper training, proper supervision, proper review.

The other type of risk we just accept. It is the risk, for lack of a better term, we get a bad sample, meaning we get a sample that is not representative of the population. Let's say we're testing controls. We're going to pull a sample of 60 items. Under well-adopted theory, and there's some statistical background to support this in theory, if you pull a sample size of 60 and there are no deviations, in other words, going back to that example there, for every invoice, there's a purchase order, it's properly approved and all that, then you can assume that it's working properly. Yes, there might be one or two, but for the most part, if you pull 60 with no deviations, you can have low control risk, meaning that the controls appear to be working. A sampling risk might be that they actually have 70,000 of these type transactions during the year. Only 100 of them are right, and you happen to get 60 of the 100 that were right. Now, we've heard the term “statistical improbability,” okay? That's what we're talking about here.

If you notice our audit reports even tell people, the engagement letters tell people, hey, we're giving reasonable assurance. Even when you give reasonable assurance, there could be misstatements that go undetected. That is, of course, largely because of this sampling error. And when we tell people that, we tell them we can do the audit properly. So that's human error, that's not sampling error. In other words, audits can go bad because of human error, and that is something we don't accept and won't accept. That's why we have quality control and peer review and all that. Does it happen? Yes. But the sampling error can't be fixed. In other words, the true statistical sampling error cannot be fixed. But it does reduce sampling error. If you do sampling properly, sampling error is what we would call an acceptable risk. In other words, without that, if we had to test every transaction, your average audit report we get out about four and a half years after the balance sheet date and so we accept that risk. Acknowledging that risk and understanding if you have a very significant account class or population, you might say, “We're not going to sample here or we're going to stratify and look at more individually significant items.” That's where the judgment comes in to help reduce that type of sampling risk.

**Ms. Grove Casey**

Do you want to talk about the impact of sample size?

**Mr. Oestrieher**

Well, I think that's the biggest thing. When you're talking about reducing sampling risk—just that inherent risk that's within sampling—obviously, the larger your sample size, the less risk you have. That's why we, as CPAs, let's call us the nerds that we are, right up there with the engineers and actuaries, we want to get that risk as low as possible. We've always used the term “over auditing.” Typically, when we talk about over auditing, this is the area where we're just simply taking sample sizes that are larger than what they need to be.

So to help us in this, there's really three different things that I would call our techniques to determine a sample size. First is just flat out non-statistical, judgmental. I just look at it and I say, okay, we want to test cash disbursements because by God, any CPA knows that their license is going to be pulled if they don't do cash disbursements testing in an audit. That's actually not a true statement, but people believe it. And again, we're going to keep this as simple as possible. We're looking at cash disbursements. Let's say it's a governmental organization, modified accrual basis. Most everything that hits their general ledger is a cash transaction. There was 2,800 checks written during the year, obviously a small governmental organization. And I just look at that and say, I'm going to take 10%, or 280. So that's just judgmental. And you don't even have to reduce it to a percentage.

You just say, "I think 200 is good." You just use your professional judgment and that is quite acceptable. Most people say, well, I've got to come up with something that is comparable to what other people are doing. And you don't, but it makes us feel more comfortable. I think the most likely source or methodology that would people use—and I always call this kind of a hybrid of pure statistical sampling and judgmental because it some elements, the way this model was built, it has some elements of the pure statistical models in it—and it's called probability proportional to size sampling. Basically, what you're going to do is you're going to take your population, and use it from a dollar amount, and divide it by something which typically is going to be tolerable misstatement that you calculated in audit. That gives you a preliminary number. If you don't stratify your sample (we'll talk about that in little bit) then you multiply that typically by 1.2 and that gives you your sample size. I can tell you almost any time we've ever done this or any practicing CPA has done this, they get a number a lot smaller than that 200 judgmental sample. In fact, you can come up with such a low sample size, you're not comfortable with it. I don't know how many years ago, but our Louisiana Legislative Auditor, we have a big governmental conference. They flat out told us, okay, I know you all have your own models and that's all good.

You have to have a minimum sample size of 25 on anything you do. They just came out and they can do that because they're the legislative auditor and they're our regulator. So that isn't generally accepted auditing standards, but I can tell you it is a rule of thumb that many auditors I've talked to use. say, regardless of what PPS may come out, we can always do a minimum sample size of 25. Just got to keep your staff busy, right? So that makes sense. You just adjust it for those items.

Now the pure statistical models, which I last addressed when I was studying for the CPA exam in 1986, which again, they are statistical based. From a standpoint of accuracy—I shouldn't say accuracy, because it's not an accurate sample. A standpoint of having the best theoretical support for your sample size is based on that pure statistical sampling. And interestingly, if you assigned various audit teams of licensed and competent CPAs to look at a population—and one would use pure statistical, one would use non-statistical pure judgmental, and one would use something like probability proportional to size—I think in almost every case, Debi, the statistical people would come up with the lowest sample size. In other words, they have the best support, but they have the lowest sample size. The PPS would be in the middle, that would be the middle there. And then the pure judgmental, because we always tend to over audit, is going to take the larger sample size. So it's an interesting dichotomy in that we're trying to reduce sample risk, and we actually use these more advanced methodologies to justify a lower... to not do as much to reduce sampling risk by taking a smaller sample size. That's why I think in practice, most people are using these probability proportional to size model.

Understand anything is acceptable. But if you're going to use the pure statistical models, now you better get your math right. You better have somebody that knows what they're doing, if it's something you haven't done. I have seen firms that say, "To audit more efficiently, we are going to go to pure statistical sampling." But now if you do the math wrong or get a number wrong from the table, which of course you're not. In 1984, I was going to books when I was taking my auditing class to get all the various numbers. If you do your math wrong, now you have a potential audit failure because you didn't do the math right.

Where if I just say 100, no one can argue with that unless it's just unreasonable. If you have a large population, it's an area that in your risk of material misstatement, you believe there are significant risks, and you pull a simple size of 10 and just say, that's my judgment. Yeah, I think the other side might find an expert that would say that was too low. So it has to be within some reason.

That is kind of a long-winded version of sample size, but that's the methodologies that are out there.

**Ms. Grove Casey**

Yeah, think probability proportional to size is my favorite. Maybe because you covered the dollars.

**Mr. Oestrieher**

Right. It's why we use it. That's what you're looking for when you do that. Now, I mentioned earlier about stratification, there's two things stratification accomplishes. One, sometimes you will get smaller sample sizes because instead of just saying one population, you're going to say, I'm going to take three populations and stratify by size. Where this really reduces sampling risk, you might get, just because of sampling risk, you select 60 items and they're all low dollar items. You can have one or two big dollar items that maybe are misstated. Let's say you're looking for unrecorded payables. Now, while you had a chance to select them, it was less of a chance when those two dollar items were one of 2,000 in the population. But if you stratify your sampling, say I take the highest dollar amount, everything down to \$20,000 and that's one strata. And then dollar transactions that are between \$20 [thousand] and \$10 [thousand] are another strata, and \$10,000 to zero another strata, you know you're going to capture some of those large dollar amounts because by definition, you're going to pull some of those in that third strata. That's a way you can reduce sampling risk, and in most cases, you want to.

But there's a common mistake that is made, and it brings in these stratification theories. In our firm, we always determine what is an individually significant item (ISI). I would think almost every CPA, I mean, it's pretty much in there. Once you come up with tolerable misstatement, you come up with ISI. Let's say you're going to confirm receivables and you determine you have a population of \$4.3 million in receivables, individually significant items are let's say \$13,000 and so every receivable—that's probably too low, \$25,000. Every receivable over \$25,000 is going to be selected.

That's not sampling because you stratified, but that top level of strata—your strata, which is anything over your individually significant item—you're testing those a hundred percent.

**Ms. Grove Casey**

Yeah, 100% of it is not sampling.

**Mr. Oestrieher**

So, it's everything below that. That's where you're sampling. A mistake people will make is they will say, "Oh, well look, when I pull my individually significant items, that was 42% of the total population. Therefore, I already have enough coverage, I don't need to sample the rest." No, you have excluded 58% of your population from ever having the chance to be tested. So that is probably the most common—and I won't even call it sampling error, because you're not sampling—the most theoretical incorrect assumption CPAs are making, because they think they're sampling when they're not, and you haven't done anything. Now, maybe you're not going to confirm the items below that, but you still have to do some testing. So items that were not ISI, maybe you're doing analytical procedures, you look at subsequent collections. So I'm not saying you have to do the exact same test, but if you perform no audit procedures on the amounts that are not ISI, you can't do that because you cannot extrapolate what you find in the individually significant item strata to the population that was never subject to the possibility of being selected in the sample.

**Ms. Grove Casey**

Yeah, stratifying can be really useful in terms of making sure you've got coverage, but it's not sampling if you're looking at everything 100%. It's just not.

**Mr. Oestrieher**

Correct, if you just take that highest level of strata and say "I've got enough," that's not sampling. And even if you stratify and let's say you have four different strata sizes, the top one is individually significant items and the next one

is obviously the next larger dollar item, you can't look at that percentage and say "I've got coverage." Because again, you've excluded... you have to do some sampling within each strata or some testing within each strata.

**Ms. Grove Casey**

Yeah, and a lot of that comes down to knowing your population, right? So before you decide what or how you're going to sample, you want to look at the entire population. A lot of that is judgment. Because when you look at the individual balances that make up the population and you're picking—that's what that is, that's judgmental. I'm looking at it and going, "Hmm, I think I should take a look at that." That's judgmental. That's not sampling.

**Mr. Oestrieher**

We've talked about, "Blockchain is going to revolutionize auditing," and now it's "AI is going to revolutionize auditing." Well, I've always believed AI is—I understand what it is, it's just that it's not intelligent. It is the ability to manage a lot of data.

**Ms. Grove Casey**

Large quantities.

**Mr. Oestrieher**

I've been doing this since we had Lotus one, two, three, okay? Forget about Excel. You know, in the 1980s—now it's easier if I can take client data and export it into Excel. Back then it might have been manual, but if I have a population, once you get it into any kind of database, it doesn't have to be a spreadsheet, now you can sort it. If I have 2,100 items, I can sort it highest to lowest. Like I said, you can use your eyeballs to say, "Okay, I'm going to cut my strata here, here and here." So we've been able to work with and manage large amounts of data. That's truly the heart of it. Whatever tools you're using. There's lots of audit assistance software out there, whatever you want to call it, make sure you're using it. It can be something as basic as an Excel spreadsheet. When we're looking at journal entries, same thing. We export their journal entries. Now you can sort and we can look at the big old debits and credits and the time of the month they are. On some, we're going to actually want to look at the underlying journal entries, some of them we will test. And then the ones that we're doing the sample, again, we use these sampling methodologies, but at least we can sort. I hope I'm never going to spend a lot of time auditing a journal entry for six dollars to record bank account charges. You can always put the trivial stuff and say, I'm not going to test the trivial stuff.

**Ms. Grove Casey**

Let's talk a little bit about the projection of the results that we get from that sampling, because really we're trying to get to the point where we have audit evidence to support the conclusion we're coming to that the balance is either correct or it's not correct.

**Mr. Oestrieher**

Again, and that's where sometimes there are some theoretical issues that happen. So in the purest sense, and we didn't have to have an accounting class to teach us this, we say—and I am going to keep these numbers simple with my feeble brain—so let's say we're in a strata and the dollar amounts, the total population in the strata was one hundred thousand. And my sample size tested five percent of that, five thousand dollars was tested and in case my math is wrong, that should be 1/20th, right, 5%. So I get \$300 of error in that population. I have to extrapolate that \$300: multiply it by 20, divide it by 0.05, either one gives you the same result. I have to project that over that entire population. Now, again, if we stratified the sample, we'll have three or four of those numbers that we then add together and then we come up with our potential misstatement.

But let's say it is in fact accounts receivable where you get a confirmation back and the client says, "Oh, no, no, no, I didn't owe this amount. There's a timing problem. You know, this invoice was January 3rd on my end, the 1st on their end," and it's an \$1,800 error. Well, now we're going to project that error to the entire population to come up with a potential misstatement. Here's the issue, and I'd love to hear your thoughts on this and talk to other people. So

let's say, "Wow, we projected a material misstatement." If I find an unrecorded payable for \$17,843.62 and can point to that invoice, I can tell the client, here is the actual misstatement. Here's the journal entry. Here's the transaction. If I propose a journal entry to reduce revenues and reduce receivables by a projected amount, Debi, can you tell me which subsidiaries I should project that to and adjust those accounts? Because I'd like it to be mine if it's reducing it, right?

One of the things you hope is that you don't find a material misstatement that you're projecting, because now especially if it's receivables or something that ties to a subsidiary... so what do you do? A lot of times what people do is they'll say, "Okay, maybe we did get a bad sample," and you'll go back and sample additionally. You don't throw away that sample, but you pull larger items or, excuse me, not larger items, you pull another 30 items in your sample.

**Ms. Grove Casey**

Additional items. Yeah.

**Mr. Oestrieher**

Well, if that projects to roughly the same number, now statistically, and a statistical nerd will tell you, "Okay, yeah, if you got this twice, now this is what you have to the client: 'Okay, y'all need to go back and find, there's something systemic going on here, and you need to figure it out.' Now, I'm not worried about your management and all that kind of stuff, but right now, we believe receivables and revenue should be reduced by X number of dollars for financial reporting, but you've got a problem there."

It's not our responsibility to worry about, what exact accounts may be misstated, but management needs to be aware of this and find out that they have—and especially if it all ties to some cutoff problem. If we're sending stuff out that's speed billing, if you will, but now you get into that whole fraud revenue recognition, everything's tied together. From an auditor standpoint, what you would like to find is a couple of small errors that projects to something that's less than material or trivial, and then you can conclude that, the financial statements are materially misstated. But it does produce a challenge when you project the result and it is a material misstatement, and this gives them the communications with management and those charged with governance, whatever it may be. But make sure you're projecting those misstatements. And again, a failure that I've heard from peer reviewers is people don't project the misstatement. They just say, "I found X number of dollars," and leave it there and do not project that to the entire population.

**Ms. Grove Casey**

And that's the whole point of sampling, is to project it to the population.

**Mr. Oestrieher**

Correct, not just test those.

**Ms. Grove Casey**

That's the error you found in the ones you looked at. That's not the error you found across the population. So if you forget to project, you've got a bigger issue.

**Mr. Oestrieher**

Just to be the cynical auditor, either the cynical auditor or the auditor that has professional skepticism, if we have a certain history with the client—and understand, we're probably going to find a couple of things—and you pull a sample this year and there's nothing that's found, one of three things may have happened. One, the client may have cleaned up their act and implemented some of the things you asked them to do and there truly are fewer errors. Two, the staff that was assigned to actually do the work didn't do it properly. Or three, you don't have a population that's representative and I'm actually inclined to test this a little bit more because this was not within my expectation. My expectation was that these 60 items probably found a couple of screw ups. And if there aren't, you may have just found a bad sample that way. Most likely, the new staff person didn't know what they were looking at. So again, let's go back and look at these and make sure. I know there's a sense of relief that we didn't find anything. But if that was

not your expectation, you should think about any of those areas that I just discussed to make sure that you are getting sufficient appropriate audit evidence. And this is more about sufficient evidence, not appropriate—appropriate is the design of the procedures. Sufficiency relates to your sampling size.

**Ms. Grove Casey**

So maybe the supervising auditor would not necessarily think about what you just said, right? They would just feel the relief. They wouldn't have had the expectation maybe that there should be errors.

**Mr. Oestriecher**

We're getting close to Friday. We're supposed to be gone by then wrap it up. But again, I don't want to call it a cynical audit. It is the auditor that understands what the expectation was and sometimes their expectation is, "Hey, it's an organization, we're going to find a couple of little things here," but just go with that expectation.

**Ms. Grove Casey**

Well, a couple of things is not per se a big deal or a problem. It's human error because there are humans involved, right? I mean, that's why you have an expectation, because there are humans involved.

**Mr. Oestriecher**

Right. Humans have mis-designed airplanes that have crashed and humans can, you know, may make an audit sampling error or perform the testing correctly. We always have to be aware of that potential possibility.

**Ms. Grove Casey**

So do you want to give us some wrap-up tips on sampling?

**Mr. Oestriecher**

Yeah, I guess from the perspective of our firm, as always, it is a great tool, it is a very efficient and effective audit tool. So now do we go efficiency and we try to reduce effectiveness? No, I think it's both efficient and effective. I think using the things we talked about... we didn't talk too much about actually selecting sample. That's because there's so many different methodologies. Once you determine I'm going to select 60 items, you can do it haphazard. Most of the times, what we do is we just, because we have the population in an Excel spreadsheet, we just simply assign a number to each line and then do a random number generator and pick the items that are on that line.

If your client still has ledgers that are printed out and there's 40 pages in the ledger and your sample size is 60, we all know you say, "Okay, well, I'm going to take the seventh item on each page and then go back and take on every other page the 13th item," which, that always makes it fun. Now, just the pure haphazard—I've never liked that because there's too much human bias there where you see a general ledger and you see, "Ooh, I want to see who this was to." We try to avoid the haphazard selection. We like to have a very systematic methodology on which items are selected because that, again, not using that leads to more sampling error because your human eye wants to go towards certain things. Pay attention to how you're selecting that sample, make sure that you're properly projecting it. At the end when you're concluding, when you're drawing your conclusion and you have your—I still use the work paper, I know we're supposed to use audit documentation terminology—but just stop and think: Did I get sufficient evidence here? Am I comfortable that I applied all the sampling appropriately, that this could pass muster if someone else were to look at it. Then if you go through that step-by-step process, then an auditor should feel comfortable that they have applied all the techniques that are required under Section AU 300 and that you have sufficient audit evidence.

**Ms. Grove Casey**

Well, thanks, Kurt.

**Mr. Oestriecher**

All right, Debi.

# SUPPLEMENTAL MATERIALS

---

## Audit Sampling

by Kurt Oestrieher, CPA

---

### Introduction

AICPA Auditing Standards Section AU-C 530 provides authoritative guidance to an auditor when the auditor determines that sufficient appropriate audit evidence can be obtained without testing all items within a population that makes up a significant account balance in the financial statements subject to audit.

An auditor must be careful to apply appropriate sampling methodology to not only comply with standards, but to also ensure that sound reasoning is used when applying all elements of sampling. This course is designed to provide the auditor with the necessary background and understanding of sampling theory and AU-C 530 so that sampling theoretical errors are avoided and AICPA standards are followed:

### Purpose of Sampling

AICPA Auditing Standards state the following as the objective of audit sampling:

*“The objective of the auditor, when using auditing sampling, is to provide a reasonable basis for the auditor to draw conclusions about the populations from which the sample is selected”.*

The conclusions the auditor may draw will be based on the type of items or attributes that are subject to the test.

### Tests of controls

An auditor may determine that internal controls are properly designed and that a more efficient audit approach would be achieved by relying on the internal controls over financial reporting that are established by the client. In order to place such reliance on client internal controls, those controls must be tested for operational effectiveness. In almost every instance of testing internal controls that are in place over transactions, it would be inefficient or impossible to test every transaction to determine if the internal controls were properly applied. Using sound sampling methods, an auditor may select a sample of transactions throughout the year. In this type of test, the result is binary. The control was either properly applied, or it was not properly applied. As discussed later in evaluating the results of sampling the auditor may draw a conclusion on the effectiveness of internal controls based on the results obtained from the sample.

Examples of controls testing where sampling would be appropriate are:

- Proper authorization of accounts payable disbursements
- Proper documentation in receiving reports
- Proper use of purchase orders
- Proper posting and deposit of accounts receivable payments

### Tests of balances

An auditor will typically obtain audit evidence on accounts balances by comparing the transactions (income statement accounts) or balances (balance sheet accounts) to supporting documentation such as invoices, receipts, purchase orders, or any other documentation that will provide evidence that the transaction occurred or existed, and is properly classified and recorded in the proper period.

Audit efficiency mandates that some, if not most, of these transactions or balances would be tested by sampling the population rather than testing every transaction or balance. Unlike testing of controls, which results in a binary conclusion (yes or no), tests of balances can yield varying results. A transaction may be recorded in the proper period, but the transaction amount was transposed yielding a balance that should be present (existence), is recorded in the proper period (cutoff), but is not measured correctly (accuracy).

Examples of balances or transactions that are normally sampled are:

- Cash disbursements
- Accounts receivable confirmations
- Inventory costing
- Search for unrecorded payables
- Payroll transactions
- Revenue testing
- Fixed assets and depreciation

### **Sampling Risk**

Simply stated, sampling risk is the risk that the items selected for testing are not representative of the entire population. An auditor is willing to accept this risk as an audit is designed to provide reasonable, but not absolute, assurance. Sampling risk is not defined as a risk that the auditor will choose an inappropriate sample size, perform the test incorrectly, or draw an erroneous conclusion that is not based on the data obtained from the sample. Sampling assumes that the auditor applies appropriate sample theory and follows the guidance in AU-C 530.

#### ***Sampling risk related to testing of internal controls***

Because sampling is used in most every instance of testing internal controls, the risk that the sampled items do not accurately reflect whether controls are performing as intended can lead to an overreliance on internal controls. Because internal controls are one-half of combined risk of material misstatement (with inherent risk being the other half), an erroneous reliance on internal controls can lead to the auditor performing audit procedures on tests of balances and transactions that may not be sufficient. If the sample had appropriately revealed a lack of effectiveness of internal controls, the auditor would have increased control risk, thus reducing detection risk. The auditor controls detection risk by adjusting the nature, timing, and extend of audit procedures.

Unlike sampling risk when performing tests of balances or transactions, sampling risk does not necessarily mean that a misstatement may go undetected. Just because the auditor may ultimately perform fewer procedures as a result of the erroneous sample, this does not mean that a misstatement actually existed.

#### ***Sampling risk related to tests of balances or transactions.***

When a sample does not accurately reflect the misstatements in an account balance, the potential impact on the auditor report is more serious than sampling risk in testing of internal controls. If there is a misstatement in an account balance and the sample does not alert the auditor to the misstatement, the auditor will not evaluate the misstatement to determine if an adjustment should be proposed or the audit report modified

Because of the potential of the risk of incorrect acceptance, most auditors prefer to use either pure statistical sampling methods or use sampling methods that yield larger samples sizes than would ordinarily be used. If sampling error

occurs, an auditor would be able to defend his or her use of sampling by documenting the methodology and reasons for using such methodology. By using statistical sampling methods, an auditor can rely on the science behind statistical sampling. However, many auditors choose instead to use methods other than pure statistical sampling because those methods will often lead to much larger sample size. By sacrificing audit efficiency, the auditor reduces the chance of sampling risk occurring. The only defense against sample risk is larger sample sizes. The larger the sample, the greater the likelihood of a misstatement being detected.

## **Sample Size**

The determination of sample size is critical as this is the only defense against sampling risk (as discussed in the previous section). An auditor will use either statistical or non-statistical sample methods to determine sample size.

### ***Statistical sampling***

Audit standards define statistical sampling as an approach to sampling that has the following characteristics

(a) random selection of the sample items and (b) the use of an appropriate statistical technique to evaluate sample results, including measurement of sampling risk.

It is important to note that the auditing standards do not specifically define what constitutes an “appropriate statistical technique”. A quick google search will yield multiple examples of sampling techniques that would appear to use mathematics and models to measure sampling risk. The use of statistical sampling will typically yield smaller sample size, however if an auditor misapplies any of the inputs or methodology of the sampling technique, then auditor error will occur. While many auditors were introduced to statistical models while pursuing their formal education, the application of statistical models in practice, especially with smaller firms, is rare. Because of the general lack of familiarity and training related to statistical sampling, many smaller firms use non statistical sampling models.

### ***Non statistical sampling***

Any sampling method that does not fall within the definition of a statistical sampling model is a non-statistical sampling method. The purest form of non-statistical sampling is an auditor looking at the number of units in a population and using his or her experience or judgement to choose a sample size. This methodology will typically yield the largest sample size of any other methodology. The auditor reduces sampling risk, but risks inefficiency.

An often applied non statistical method that combines some of the theory of statistical sampling is probability proportional to size. Using PPS methodology, the auditor will typically divide the entire account balance by a measure such as tolerable misstatement (a portion of calculated materiality) and multiplying the resulting amount by a factor that is based on the risk that other procedures will not detect a misstatement. The resulting sample size is sometimes further adjusted if the population is not stratified. See the appendix for an example of PPS methodology when determining the sample size for confirmation of accounts receivable.

### ***Stratification of the population***

An effective tool to reduce sampling risk is to stratify the population that is to be tested. As an example, if the auditor is performing a test of the accounts receivable balance provided by management, an auditor will often confirm individual balances directly with the customers of the auditee. The auditor will typically confirm all amounts that are above the amount that is determined to be an individually significant item. The rest of the population will be sampled. If the population contains a large number of small balances, there is a risk that the sample selection methodology may yield a disproportionate amount of small balances, which could lead to sampling error. In order to reduce this risk, the auditor may divide the sample population into different strata to ensure that both high dollar and small dollar amounts are selected.

The number of strata to be used is subject to the auditor. The auditor will make this judgement based on the overall audit risk, as well as any identified risk within the account balance subject to the audit procedure. The higher the risk, the more strata the auditor will typically use in order to reduce sampling risk.

The appendix to this course presents a sample for accounts receivable wherein the auditor has applied the stratification methodology when determining sample size.

## **Sample Selection**

Once the sample size is determined, the items to be tested must be selected. There are numerous options for determining which items should be selected, but the auditor should always keep the following protocols in mind when determining the sampled items:

- The sample should be representative of the population
- There should be no auditor bias in the selection

If the population is made up of sequentially numbered documents such as check numbers or purchase orders, using a random number generator is typically considered the most effective method as it eliminates all bias.

If a population is not sequentially numbered, a random number generator can also be used if the auditor assigns a number to each item in the population. The most effective method of assigning numbers is to dump the population into a spreadsheet, then number each item.

If it is not effective or reasonable to use a random number generator, any other method of selection can be used. Haphazard selection is when an auditor scans a population and randomly selects the items to be tested. This methodology can lead to auditor bias as the auditor will typically be inclined to select larger items or items that have identifiable information (such as a customer or vendor) that would lead the auditor to select the item.

## **Evaluation the results of the sampled population**

### ***Evaluation of sample for tests of controls***

When an auditor tests internal control over financial reporting by sampling documentation related to compliance with the internal control policies, the objective is to make a determination as to the extent that an auditor can rely on the operational effectiveness of the controls. The determination is not a simple yes or no. There are levels of assessment of control risk that are normally referred to as high, moderate, or low. When the auditor concludes, based on the sample, that there is high risk, the auditor cannot rely on that internal control to reduce substantive testing. If there are no exceptions noted, the auditor will assess control risk as low, and reduce substantive testing on the respective account balances at the assertion level that the internal control is designed to either prevent, or detect and correct, misstatements. The auditor may also assess control risk as moderate, which will enable to reduce some of the substantive procedures, but not to the extent that would be possible if control risk was assessed at low.

An auditor will typically select a sample of 40 items for compliance testing. If no exceptions are found, then control risk can be assessed at low. If one exception is found, the auditor will typically assess control risk at moderate, or increase the sample size to 60. One exception with a sample size of 60 will typically yield low control risk.

Ultimately, the auditor must use judgement based on the overall audit risk and whether or not significant risks have been identified in determining the sample size and using the results to reduce control risk below maximum. The AICPA Auditing Standards do not provide specific guidance on the acceptable level of deviations that are allowed to support a control risk assessment below high.

***Evaluation of sample results for substantive testing***

AU-C 530.13 requires the auditor to project the results of the audit sample to the populations, but does not prescribe any specific methodology. Most auditors will use a simple math equation to project the results. If twenty percent of a population is tested, and a \$2,000 misstatement is found, the projected misstatement would be \$10,000 ( $\$2,000/2$ ). If a population is stratified, an auditor may project known misstatements at the overall level and at each stratum. This methodology would provide a potential range for the misstatement. See attached Exhibit A for an example of projecting known misstatements at both the strata and overall level. In this example, a projected misstatement in the range of \$50,815 to \$52,982 would be evaluated to determine if a material misstatement is present.

**Summary**

In order to audit efficiently, most every audit will include some element of sampling. An auditor should be very familiar with not only AU-C 530, but the general principles related to sampling. At the conclusion of the audit, the auditor should be careful to ensure that all sampling results have been properly evaluated and potential misstatements evaluated in order to determine if adjustments are needed to the financial statement or a modification of the audit opinion.

## GROUP STUDY MATERIALS

---

---

### A. Discussion Questions

---

1. Why is audit sampling necessary in the context of auditing financial statements?
2. How does sampling risk impact the auditor's assessment of internal controls and account balances?
3. How should an auditor evaluate the results of sampling for substantive testing and controls testing?

## **B. Suggested Answers to Discussion Questions**

---

1. Audit sampling is necessary because it is often inefficient or impractical for auditors to test all items within a population that contributes to significant account balances. Sampling allows auditors to provide a reasonable basis for drawing conclusions about the entire population by testing only a subset. This helps auditors comply with auditing standards like AU-C 530, ensuring that the audit is both effective and efficient.
2. Sampling risk is the risk that the sample selected does not accurately represent the population. In the context of internal controls, sampling risk can lead to overreliance on controls, potentially causing the auditor to perform insufficient substantive testing. When testing account balances, sampling risk could result in a failure to detect a misstatement, leading to inaccurate financial reporting. The auditor manages sampling risk by increasing the sample size or using statistical sampling methods.
3. For substantive testing, auditors must project the results of the sample to the entire population and evaluate whether a material misstatement is present. This involves calculating potential misstatements and determining if adjustments are needed. For controls testing, auditors assess control risk based on the sample results. If no exceptions are found, control risk may be assessed as low, but if exceptions are identified, the auditor may increase the sample size or adjust the level of substantive testing accordingly. Judgment is required to interpret the findings in light of overall audit risk.

## GLOSSARY

---

**AICPA**—American Institute of Certified Public Accountant

**Audit Sampling**—The application of an audit procedure to fewer than 100% of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class. Audit sampling may be statistical or nonstatistical and requires professional judgment.

**Contract Asset**—An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

**FASB**—Financial Accounting Standards Board

**GAAP**—Generally Accepted Accounting Principles

**GASB**—Governmental Accounting Standards Board

**Performance Obligation**—A promise in a contract with a customer to transfer to the customer a distinct good, service, or right; or a series of distinct goods, services, or rights, or a combination thereof, that are substantially the same and that have the same pattern of transfer to the customer.

**Revenue Recognition**—An accounting principle under generally accepted accounting principles (GAAP) that states that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**Sampling Risk**—Sampling risk arises from the possibility that, when a test of controls or a substantive test is restricted to a sample, the auditor's conclusions may be different from the conclusions that would have been reached if the tests have been applied in the same way to all the items in the account balance or class of transactions (i.e., a particular sample may contain proportionately more or less deviation from prescribed internal controls or monetary misstatement than exists in the balance or class as a whole). Sampling risk exists in both statistical sampling and nonstatistical sampling and arises because the sample is not representative of the population. Aspects of sampling risk include the following: When performing substantive tests of details: (1) The risk of incorrect acceptance; and (2) The risk of incorrect rejection. When performing tests of controls: (1) Risk of overreliance; and (2) Risk of under reliance. The sample must be representative of the population (i.e., selected from the entire population in such a way that every element in the population has an equal chance of being selected). For a sample of a specific design, sampling risk varies inversely with the sample size the smaller the sample size, the greater the sampling risk.

**Statistical Sampling**—A sampling plan in which the laws of probability are used for selecting and evaluating a sample from a population for the purpose of reaching a conclusion about the population. It allows the auditor to design an efficient sample, to measure the sufficiency of the evidential matter obtained, and to evaluate the sample results. It enables the auditor to quantify sampling risk. For a sampling plan to be statistical the sample must be statistically selected (e.g., using random selection) and the sample results must be mathematically evaluated.

**Test of Balances**—Tests applied directly to the details of balances in general ledger accounts, e.g., confirming the balances of accounts in the service accounts receivable subsidiary ledger with individual customers.

**Test of Controls**—Tests directed toward the design or operation of internal controls to assess their effectiveness in preventing or detecting material misstatements in a financial statement assertion. They are used to test the specific controls the auditor would like to use to reduce control risk. The auditor is testing for the number of deviations from the control (e.g., the number of credit sales invoices that do not show proper credit approval).

**Topic 606**—A principle-based standard issued by FASB that provides a comprehensive framework for revenue recognition in contracts with customers.

**Transaction Price**—The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

**Variable Consideration**—A transaction price that may fluctuate due to rebates, price concessions or other contingencies

**Term Title**—Deferred Tax

**Definition**—Deferred tax is the amount of future tax consequences attributable to temporary differences that will result in net taxable amounts (deductions) in future years, as computed currently. Recognition and measurement does not anticipate the tax consequences of losses or expenses (income) that may be incurred (earned) in future years.

---

Choose the best response and record your answer in the space provided on the answer sheet.

1. What is the first step in the ten-step methodology discussed in this course?
  - A. Analyzing the scope of the standard.
  - B. Identifying performance obligations.
  - C. Understanding the objectives of the pronouncement.
  - D. Understanding why the FASB is issuing the statement.
  
2. What was one reason FASB issued the revenue standard Topic 606?
  - A. To address environmental sustainability issues.
  - B. To align with the International Accounting Standards Board (IASB).
  - C. To establish new rules for lease accounting.
  - D. To simplify accounting for cryptocurrency.
  
3. What is suggested as a significant challenge for both practitioners and clients regarding new pronouncements?
  - A. Reading through hundreds of pages of content.
  - B. Performing audits under the new standard.
  - C. Difficulty understanding glossary terms.
  - D. Aligning the standard with tax regulations.
  
4. What is a key component of the FASB's process for issuing new standards?
  - A. Conducting public meetings on the draft.
  - B. Focusing solely on tax implications.
  - C. Immediate implementation without delays.
  - D. Issuing new rules without public comment.
  
5. When discussing performance obligations in a contract, what is emphasized as a key factor?
  - A. The contract's pricing structure.
  - B. The distinctiveness of the good or service.
  - C. The type of accounting software used.
  - D. The use of international standards.

*Continued on next page*

6. What happens if a company fails to meet the five criteria for identifying a contract?
  - A. The contract must be renegotiated.
  - B. The contract is subject to immediate recognition.
  - C. The company must look for another applicable GAAP.
  - D. The company must adopt international standards.
  
7. What type of transactions do nonprofit organizations categorize under Topic 606?
  - A. Transactions with donors.
  - B. Grants without a commensurate value.
  - C. Contributions from other nonprofits.
  - D. Central exchange transactions with customers.
  
8. What is the impact of practical expedients on a company's accounting policy?
  - A. They must be disclosed in the company's accounting policy.
  - B. They apply to both public and nonpublic entities equally.
  - C. Practical expedients replace all GAAP requirements.
  - D. Only auditors can select practical expedients.
  
9. What key disclosure is required when adopting a new accounting standard?
  - A. A detailed explanation of all prior company contracts.
  - B. A footnote explaining the nature and reason for the change.
  - C. A forecast of future revenue under the new standard.
  - D. A summary of stockholder approvals for the standard.
  
10. What is a significant difference between the new revenue recognition standard and legacy accounting?
  - A. Legacy accounting allowed revenue recognition before contract approval.
  - B. Legacy accounting required the use of fair value, whereas the new standard uses market value.
  - C. Legacy accounting standards had numerous industry-specific requirements, leading to lack of uniformity unlike the new standard.
  - D. The new standard eliminates the need for performance obligations

*Continued on next page*

11. What is the primary purpose of audit sampling as described in the AICPA auditing standards?
  - A. To avoid testing any transactions.
  - B. To guarantee no errors in the population.
  - C. To provide a reasonable basis for conclusions.
  - D. To replace substantive testing entirely.
  
12. Which method is described as yielding larger sample sizes but reducing the likelihood of sampling risk?
  - A. Haphazard sampling.
  - B. Non-statistical sampling.
  - C. Probability proportional to size.
  - D. Pure statistical sampling.
  
13. Which sampling method combines statistical and non-statistical elements and is often used to calculate a sample size?
  - A. Haphazard sampling.
  - B. Judgmental sampling.
  - C. Probability proportional to size.
  - D. Pure statistical sampling.
  
14. What is the main advantage of stratifying a population before sampling?
  - A. It eliminates the need for statistical techniques.
  - B. It ensures all items in the population are tested.
  - C. It reduces sampling risk by ensuring representation of all groups.
  - D. It reduces the overall audit time.
  
15. How should the results of a sample be projected to the population in an audit?
  - A. By assuming the sample reflects only the tested items.
  - B. By conducting additional tests on the same sample items.
  - C. By ignoring errors if they are immaterial.
  - D. By multiplying the found errors by the total population size.

## Subscriber Survey Evaluation Form

Please take a few minutes to complete this survey related to **CPE Network® A&A Report** and return with your quizzer or group attendance sheet to CeriFi, LLC. All responses will be kept confidential. Comments in addition to the answers to these questions are also welcome. Please send comments to **CPLgrading@cerifi.com**.

How would you rate the topics covered in the November 2024 **CPE Network® A&A Report**? Rate each topic on a scale of 1–5 (5=highest):

|                                                                    | Topic<br>Relevance | Topic<br>Content/<br>Coverage | Topic<br>Timeliness | Video<br>Quality | Audio<br>Quality | Written<br>Material |
|--------------------------------------------------------------------|--------------------|-------------------------------|---------------------|------------------|------------------|---------------------|
| How to Effectively Analyze and Implement a New Accounting Standard |                    |                               |                     |                  |                  |                     |
| Audit Sampling                                                     |                    |                               |                     |                  |                  |                     |

Which segments of the November 2024 issue of **CPE Network® A&A Report** did you like the most, and why?

---



---



---



---

Which segments of the November 2024 issue of **CPE Network® A&A Report** did you like the least, and why?

---



---



---



---

What would you like to see included or changed in future issues of **CPE Network® A&A Report**?

---



---



---



---

How would you rate the effectiveness of the speakers in the November 2024 **CPE Network® A&A Report**? Rate each speaker on a scale of 1–5 (5 highest):

|                 | <b>Overall</b> | <b>Knowledge of Topic</b> | <b>Presentation Skills</b> |
|-----------------|----------------|---------------------------|----------------------------|
| Susan Longo     | _____          | _____                     | _____                      |
| Kurt Oestrieher | _____          | _____                     | _____                      |

Are you using **CPE Network® A&A Report** for: CPE Credit  Information  Both

Were the stated learning objectives met? Yes  No  \_\_\_\_\_

If applicable, were prerequisite requirements appropriate? Yes  No  \_\_\_\_\_

Were program materials accurate? Yes  No  \_\_\_\_\_

Were program materials relevant and contribute to the achievement of the learning objectives? Yes  No

Were the time allocations for the program appropriate? Yes  No  \_\_\_\_\_

Were the supplemental reading materials satisfactory? Yes  No  \_\_\_\_\_

Were the discussion questions and answers satisfactory? Yes  No  \_\_\_\_\_

Specific Comments: \_\_\_\_\_

Name/Company \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Email \_\_\_\_\_

**Once Again, Thank You...**

**Your Input Can Have a Direct Influence on Future Issues!**





# CHECKPOINT LEARNING NETWORK

# CPE NETWORK<sup>®</sup>

# USER GUIDE

REVISED December 31, 2023

## Welcome to CPE Network!

CPE Network programs enable you to deliver training programs to those in your firm in a manageable way. You can choose how you want to deliver the training in a way that suits your firm's needs: in the classroom, virtual, or self-study. You must review and understand the requirements of each of these delivery methods before conducting your training to ensure you meet (and document) all the requirements.

This User Guide has the following sections:

- **“Group Live” Format:** The instructor and all the participants are gathered into a common area, such as a conference room or training room at a location of your choice.
- **“Group Internet Based” Format:** Deliver your training over the internet via Zoom, Teams, Webex, or other application that allows the instructor to present materials that all the participants can view at the same time.
- **“Self-Study” Format:** Each participant can take the self-study version of the CPE Network program on their own computers at a time and place of their convenience. No instructor is required for self-study.
- **Transitioning From DVDs:** For groups playing the video from the online platform, we suggest downloading the video from the Checkpoint Learning player to the desktop before projecting.
- **What Does It Mean to Be a CPE Sponsor?:** Should you decide to vary from any of the requirements in the 3 methods noted above (for example, provide less than 3 full CPE credits, alter subject areas, offer hybrid or variations to the methods described above), Checkpoint Learning Network will not be the sponsor and will not issue certificates. In this scenario, your firm will become the sponsor and must issue its own certificates of completion. This section outlines the sponsor's responsibilities that you must adhere to if you choose not to follow the requirements for the delivery methods.
- **Getting Help:** Refer to this section to get your questions answered.

**IMPORTANT:** This User Guide outlines in detail what is required for each of the 3 formats above. Additionally, because you will be delivering the training within your firm, you should review the Sponsor Responsibilities section as well. To get certificates of completion for your participants following your training, you must submit all the required documentation. (This is noted at the end of each section.) Checkpoint Learning Network will review your training documentation for completeness and adherence to all requirements. If all your materials are received and complete, certificates of completion will be issued for the participants attending your training. Failure to submit the required completed documentation will result in delays and/or denial of certificates.

**IMPORTANT:** If you vary from the instructions noted above, your firm will become the sponsor of the training event and you will have to create your own certificates of completions for your participants. In this case, you do not need to submit any documentation back to CeriFi, LLC.

If you have any questions on this documentation or requirements, refer to the “Getting Help” section at the end of this User Guide **BEFORE** you conduct your training.

**We are happy that you chose CPE Network for your training solutions.  
Thank you for your business and HAPPY LEARNING!**

#### **Copyrighted Materials**

CPE Network program materials are copyrighted and may not be reproduced in another document or manuscript in any form without the permission of the publisher. As a subscriber of the **CPE Network Series**, you may reproduce the necessary number of participant manuals needed to conduct your group study session.

# “Group Live” Format

## CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

**50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours**

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

**\*Effective November 1, 2018:** Checkpoint Learning CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

## Advertising / Promotional Page

**Create a promotion page** (use the template after the executive summary of the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

## Monitoring Attendance

You must monitor individual participant attendance at “group live” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **attendance sheet**. This lists the instructor(s) name and credentials, as well as the first and last name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant arrives late, leaves early, or is a “no show,” the actual hours they attended should be documented on the sign-in sheet and will be reflected on the participant’s CPE certificate.

## **Real Time Instructor During Program Presentation**

“Group live” programs must have a **qualified, real time instructor while the program is being presented**. Program participants must be able to interact with the instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

## **Elements of Engagement**

A “group live” program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

## **Make-Up Sessions**

Individuals who are unable to attend the group study session may use the program materials for self-study online.

- If the emailed materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the email address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his/their CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

## **Awarding CPE Certificates**

The CPE certificate is the participant’s record of attendance and is awarded by Checkpoint Learning Network after the “group live” documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

## Subscriber Survey Evaluation Forms

**Use the evaluation form.** You must include a means for evaluating quality. At the conclusion of the “group live” session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

## Retention of Records

Regardless of whether Checkpoint Learning Network is the sponsor for the “group live” session, it is required that the firm hosting the “group live” session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Group Study Attendance sheets; indicating any late arrivals and/or early departures)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations.

## Finding the Transcript

**Note:** DVDs no longer ship with this product effective 3/1/2023.

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- <https://get.adobe.com/reader/>

The entire transcript is also available as a pdf in the Checkpoint Learning player in the resource toolbox at the top of the screen, or via the link in the email sent to administrators.

### Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group live” session should be sent to Checkpoint Learning Network by the following means:

Email: [CPLgrading@cerifi.com](mailto:CPLgrading@cerifi.com)

When sending your package to CeriFi, you must include ALL of the following items:

| Form Name                         | Included? | Notes                                                                                                                                                                                                                                               |
|-----------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advertising / Promotional Page    |           | Complete this form and circulate to your audience before the training event.                                                                                                                                                                        |
| Attendance Sheet                  |           | Use this form to track attendance during your training session.                                                                                                                                                                                     |
| Subscriber Survey Evaluation Form |           | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to CeriFi any evaluations that were completed. You do not have to return an evaluation for every participant. |

**Incomplete submissions will be returned to you.**

## “Group Internet Based” Format

### CPE Credit

All CPE Network products are developed and intended to be delivered as 3 CPE credits. You should allocate sufficient time in your delivery so that there is no less than 2.5 clock hours:

**50 minutes per CPE credit TIMES 3 credits = 150 minutes = 2.5 clock hours**

If you wish to have a break during your training session, you should increase the length of the training beyond 2.5 hours as necessary. For example, you may wish to schedule your training from 9 AM to 12 PM and provide a ½ hour break from 10:15 to 10:45.

**\*Effective November 1, 2018:** Checkpoint Learning CPE Network products ‘group live’ sessions must be delivered as 3 CPE credits and accredited to the field(s) of study as designated by Checkpoint Learning Network. Checkpoint Learning Network will not issue certificates for “group live” deliveries of less than 3 CPE credits (unless the course was delivered as 3 credits and there are partial credit exceptions (such as late arrivals and early departures). Therefore, if you decide to deliver the “group live” session with less than 3 CPE credits, your firm will be the sponsor as Checkpoint Learning Network will not issue certificates to your participants.

### **Advertising / Promotional Page**

**Create a promotion page** (use the template following the executive summary in the transcript). You should circulate (e.g., email) to potential participants prior to training day. You will need to submit a copy of this page when you request certificates.

### **Monitoring Attendance in a Webinar**

You must monitor individual participant attendance at “group internet based” programs to assign the correct number of CPE credits. A participant’s self-certification of attendance alone is not sufficient.

Use the **Webinar Delivery Tracking Report**. This form lists the moderator(s) name and credentials, as well as the first and last name of each participant attending the seminar. During a webinar you must set up a monitoring mechanism (or polling mechanism) to periodically check the participants’ engagement throughout the delivery of the program. Participants’ two-way video should remain on during the entire presentation.

In order for CPE credit to be granted, you must confirm the presence of each participant **3 times per CPE hour and the participant must reply to the polling question**. Participants that respond to less than 3 polling questions in a CPE hour will not be granted CPE credit. For example, if a participant only replies to 2 of the 3 polling questions in the first CPE hour, credit for the first CPE hour will not be granted. (Refer to the Webinar Delivery Tracking Report for examples.)

Examples of polling questions:

1. You are using **Zoom** for your webinar. The moderator pauses approximately every 15 minutes and asks that participants confirm their attendance by using the “raise hands”

feature. Once the participants raise their hands, the moderator records the participants who have their hands up in the **webinar delivery tracking report** by putting a YES in the webinar delivery tracking report. After documenting in the spreadsheet, the instructor (or moderator) drops everyone's hands and continues the training.

2. You are using **Teams** for your webinar. The moderator will pause approximately every 15 minutes and ask that participants confirm their attendance by typing "Present" into the Teams chat box. The moderator records the participants who have entered "Present" into the chat box into the **webinar delivery tracking report**. After documenting in the spreadsheet, the instructor (or moderator) continues the training.
3. If you are using an application that has a way to automatically send out polling questions to the participants, you can use that application/mechanism. However, following the event, you should create a **webinar delivery tracking report** from your app's report.

#### **Additional Notes on Monitoring Mechanisms:**

1. The monitoring mechanism does not have to be "content specific." Rather, the intention is to ensure that the remote participants are present and paying attention to the training.
2. You should only give a minute or so for each participant to reply to the prompt. If, after a minute, a participant does not reply to the prompt, you should put a NO in the webinar delivery tracking report.
3. While this process may seem unwieldy at first, it is a required element that sponsors must adhere to. And after some practice, it should not cause any significant disruption to the training session.
4. **You must include the Webinar Delivery Tracking report with your course submission if you are requesting certificates of completion for a "group internet based" delivery format.**

#### **Real Time Moderator During Program Presentation**

"Group internet based" programs must have a **qualified, real time moderator while the program is being presented**. Program participants must be able to interact with the moderator while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). This can be achieved via the webinar chat box, and/or by unmuting participants and allowing them to speak directly to the moderator.

Where individual participants log into a group live program they are required to enable two-way video to participate in a virtual face-to-face setting (with cameras on), elements of engagement are required (such as group discussion, polling questions, instructor posed questions with time for reflection, or a case study with engagement throughout the presentation) in order to award CPE credits to the participants. Participation in the two-way video conference must be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. The participant-to-attendance

monitor ratio must not exceed 25:1, unless there is a dedicated attendance monitor in which case the participant-to-attendance monitor ratio must not exceed 100:1.

### **Make-Up Sessions**

Individuals who are unable to attend the “group internet based” session may use the program materials for self-study either in print or online.

- If emailed materials are used, the user should read the materials, watch the video, and answer the quizzer questions on the CPE Quizzer Answer Sheet. Send the answer sheet and course evaluation to the email address listed on the answer sheet and the CPE certificate will be mailed or emailed to the user. Detailed instructions are provided on Network Program Self-Study Options.
- If the online materials are used, the user should log on to her/his individual Checkpoint Learning account to read the materials, watch the interviews, and answer the quizzer questions. The user will be able to print her/his CPE certificate upon completion of the quizzer. (If you need help setting up individual user accounts, please contact your firm administrator or customer service.)

### **Awarding CPE Certificates**

The CPE certificate is the participant’s record of attendance and is awarded by Checkpoint Learning Network after the “group internet based” documentation is received (and providing the course is delivered as 3 CPE credits). The certificate of completion will reflect the credit hours earned by the individual, with special calculation of credits for those who may not have answered the required amount of polling questions.

### **Subscriber Survey Evaluation Forms**

**Use the evaluation form.** You must include a means for evaluating quality. At the conclusion of the “group live” session, evaluations should be distributed and any that are completed are collected from participants. Those evaluations that are completed by participants should be returned to Checkpoint Learning Network along with the other course materials. While it is required that you circulate the evaluation form to all participants, it is NOT required that the participants fill it out. A preprinted evaluation form is included in the transcript each month for your convenience.

### **Retention of Records**

Regardless of whether Checkpoint Learning Network is the sponsor for the “group internet based” session, it is required that the firm hosting the session retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (Webinar Delivery Tracking Report)
- Copy of the program materials
- Timed agenda with topics covered
- Date and location (which would be “virtual”) of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name and credentials
- Results of program evaluations

### **Finding the Transcript**

**Note: DVDs are no longer shipped effective 3/1/2023**

When the DVD is inserted into a DVD drive, the video will immediately begin to play and the menu screen will pop up, taking the entire screen. Hitting the Esc key should minimize it to a smaller window. To locate the pdf file of the transcript either to save or email to others, go to the start button on the computer. In My Computer, open the drive with the DVD. It should look something like the screenshot below. The Adobe Acrobat files are the transcript files. If you do not currently have Adobe Acrobat Reader (Mac versions of the reader are also available), a free version of the reader may be downloaded at:

- <https://get.adobe.com/reader/>

**Alternatively, for those without a DVD drive, the email sent to administrators each month has a link to the pdf for the newsletter. The email may be forwarded to participants who may download the materials or print them as needed.**

## Requesting Participant CPE Certificates

When delivered as 3 CPE credits, documentation of your “group internet based” session should be sent to Checkpoint Learning Network by the following means:

Email: [CPLgrading@CeriFi.com](mailto:CPLgrading@CeriFi.com)

When sending your package to CeriFi, you must include ALL the following items:

| Form Name                        | Included? | Notes                                                                                                                                                                                                                                               |
|----------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advertising / Promotional Page   |           | Complete this form and circulate to your audience before the training event.                                                                                                                                                                        |
| Webinar Delivery Tracking Report |           | Use this form to track the attendance (i.e., polling questions) during your training webinar.                                                                                                                                                       |
| Evaluation Form                  |           | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. Return to CeriFi any evaluations that were completed. You do not have to return an evaluation for every participant. |

**Incomplete submissions will be returned to you.**

# “Self-Study” Format

If you are unable to attend the live group study session, we offer two options for you to complete your Network Report program.

## Self-Study—Email

Follow these simple steps to use the printed transcript and video:

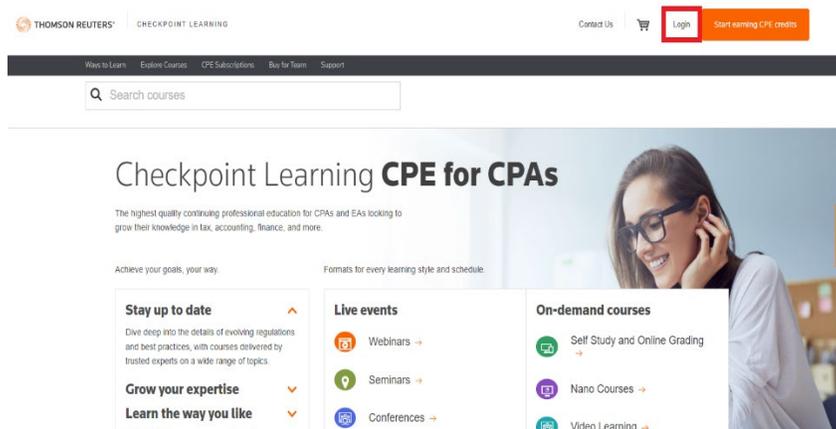
- Watch the video.
- Review the supplemental materials.
- Read the discussion problems and the suggested answers.
- Complete the quizzer by filling out the bubble sheet enclosed with the transcript package.
- Complete the survey. We welcome your feedback and suggestions for topics of interest to you.
- E-mail your completed quizzer and survey to:

**CPLgrading@cerifi.com**

## Self-Study—Online

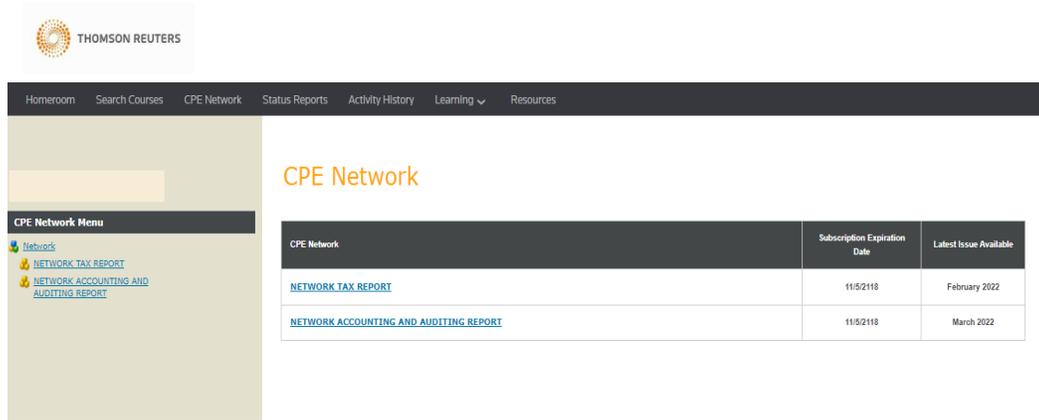
Follow these simple steps to use the online program:

- Go to [www.checkpointlearning.thomsonreuters.com](http://www.checkpointlearning.thomsonreuters.com) .
- Log in using your username and password assigned by your firm’s administrator in the upper right-hand margin (“Login or Register”).

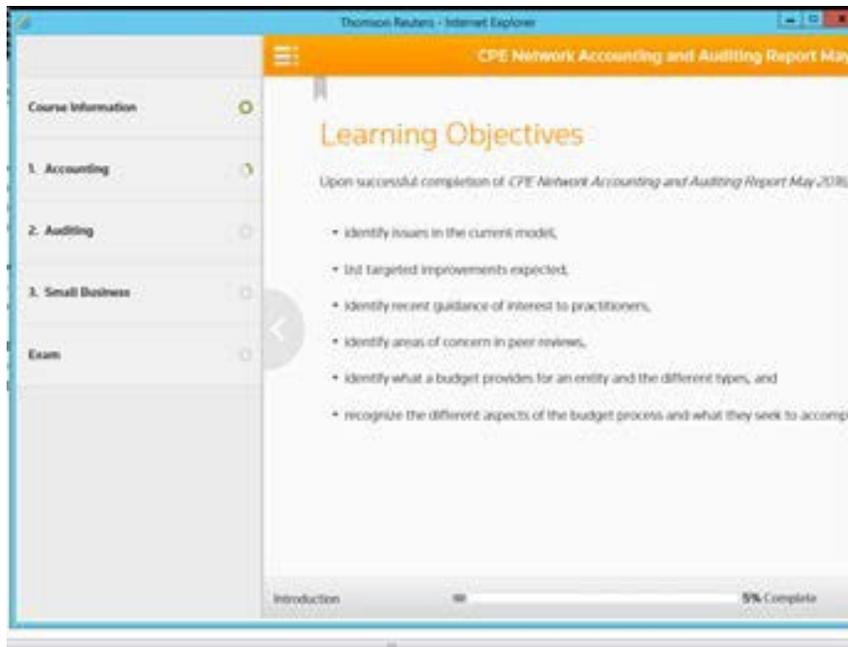


The screenshot shows the homepage of the Checkpoint Learning website for CPAs. At the top, there is a navigation bar with the Thomson Reuters logo, a search bar, and links for 'Contact Us', 'Login', and 'Start earning CPE credits'. Below the navigation bar, there is a search bar with the text 'Search courses'. The main content area features a large banner with the text 'Checkpoint Learning CPE for CPAs' and a sub-headline 'The highest quality continuing professional education for CPAs and EAs looking to grow their knowledge in tax, accounting, finance, and more.' Below the banner, there are three columns of content: 'Stay up to date', 'Live events', and 'On-demand courses'. The 'On-demand courses' column includes links for 'Self Study and Online Grading', 'Nano Courses', and 'Video Learning'. A woman wearing glasses is visible in the background of the banner.

- In the **CPE Network** tab, select the desired Network Report and then the appropriate edition.

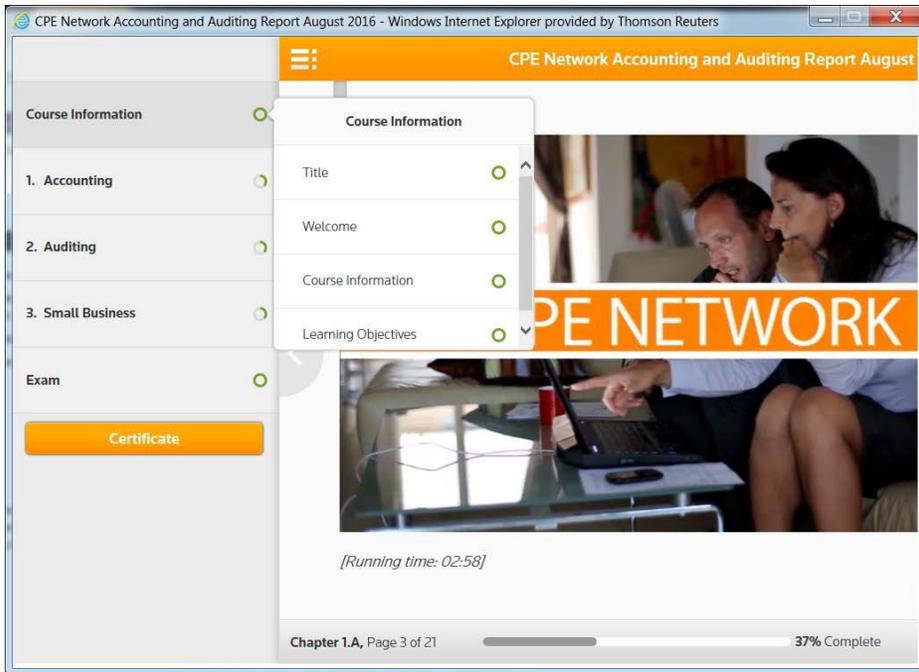


The Chapter Menu is in the gray bar at the left of your screen:



Click down to access the dropdown menu and move between the program Chapters.

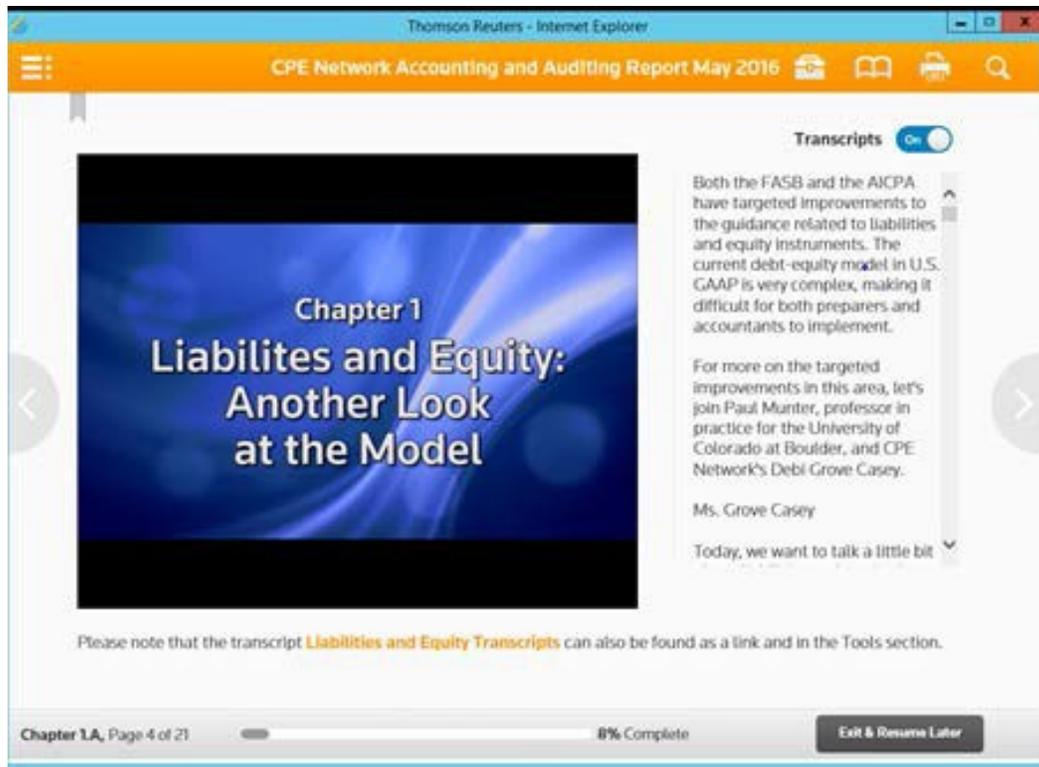
- **Course Information** is the course Overview, including information about the authors and the program learning objectives



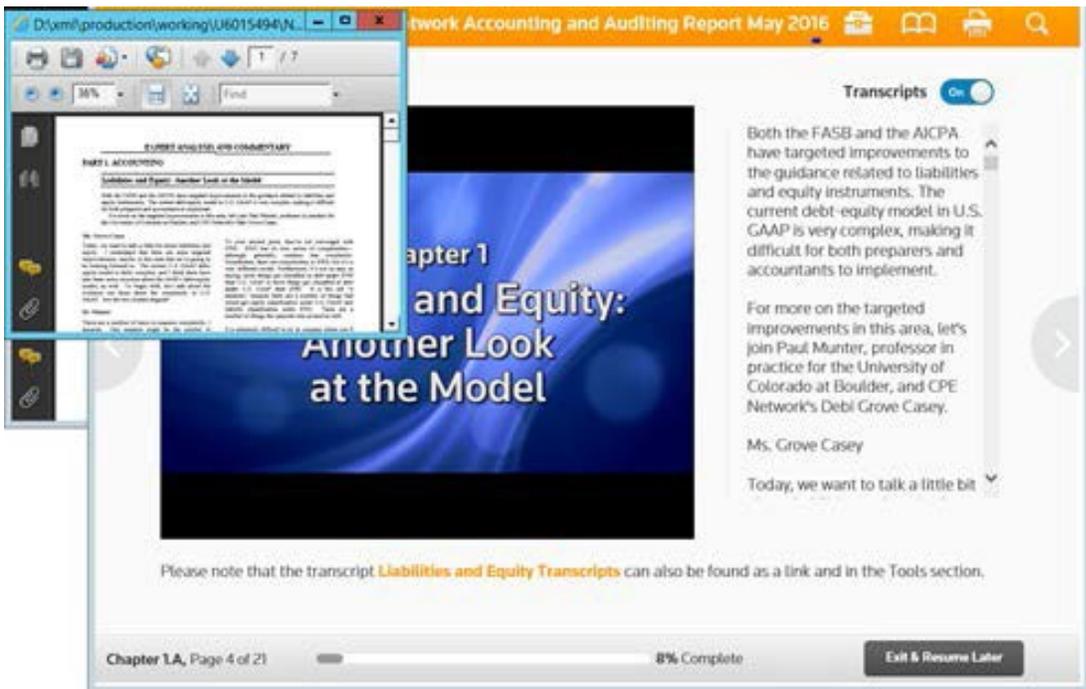
- **Each Chapter is self-contained.** Each chapter contains the executive summary and learning objectives for that segment, followed by the interview, the related supplemental materials, and then the discussion questions. This streamlined approach allows administrators and users to more easily access the related materials.



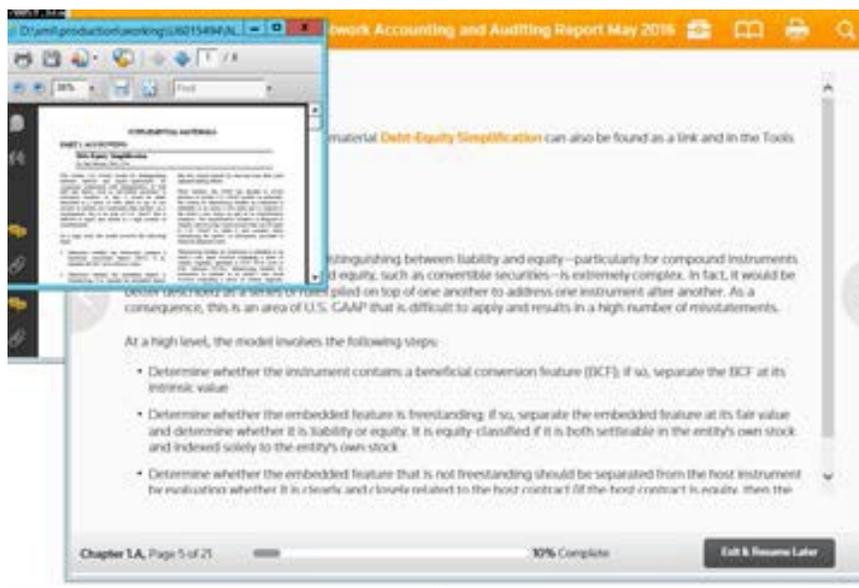
Video segments may be downloaded from the CPL player by clicking on the download button. Tip: you may need to scroll down to see the download button.



Transcripts for the interview segments can be viewed at the right side of the screen via a toggle button at the top labeled **Transcripts** or via the link to the pdf below the video (also available in the toolbox in the resources section). The pdf will appear in a separate pop-up window.



Click the arrow at the bottom of the video to play it, or click the arrow to the right side of the screen to advance to the supplemental material. As with the transcripts, the supplemental materials are also available via the toolbox and the link will pop up the pdf version in a separate window.



Continuing to click the arrow to the right side of the screen will bring the user to the Discussion problems related to the segment.

The Suggested Answers to the Discussion Problems follow the Discussion Problems.

The screenshot shows a digital document interface with an orange header bar. The header contains the text "CPE Network Accounting and Auditing Report July 2016" and several icons: a printer, a book, a document, and a magnifying glass. Below the header, the main content area is titled "Suggested Answers to Discussion Problems". It contains three numbered items:

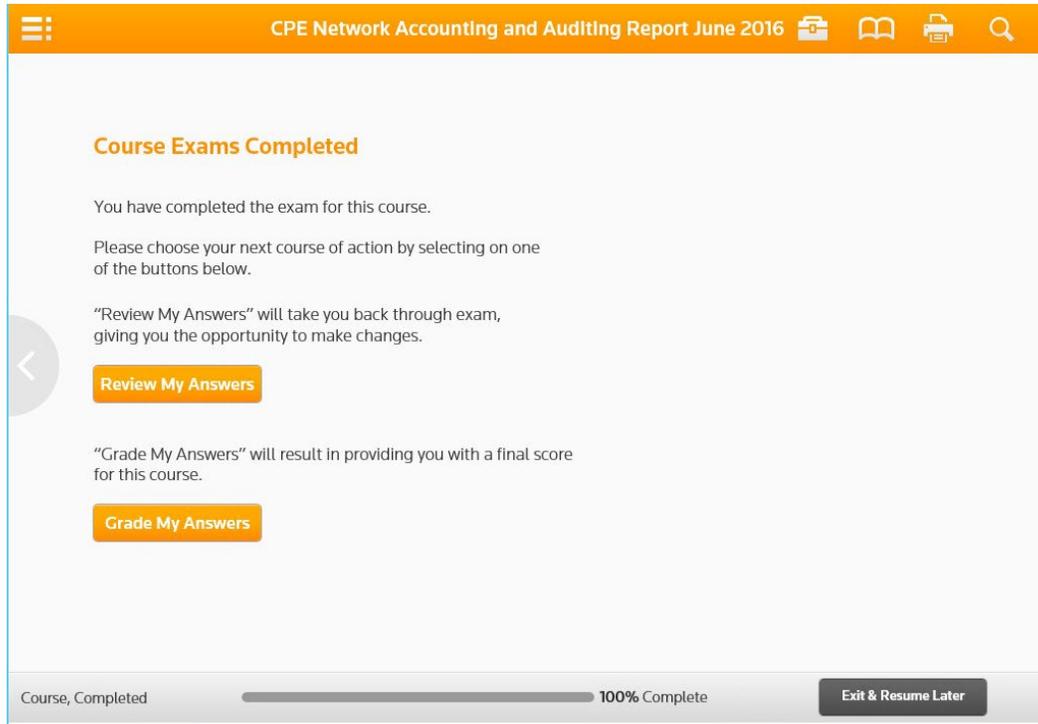
1. ASC 320 requires that, at acquisition, an enterprise classify debt and marketable equity securities into one of three categories:
  - Held-to-maturity
  - Trading
  - Available-for-sale

An entity decides how to classify securities based on its intended holding period for each individual security, using the framework in ASC 320. In establishing its intent, an entity should consider relevant trends and experience, such as previous sales and transfers of securities. Classification decisions should be made at acquisition and, preferably, formally documented. It is not appropriate to use "hindsight" to classify securities transactions, perhaps by considering changes in value after acquisition.
2. The trading securities category includes securities that are bought and held principally for the purpose of selling them in the short term. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. "Short-term," in this context, is intended to be measured in hours and days, rather than in months or years, according to ASC 320. However, an entity is not precluded from classifying as trading a security it plans to hold for a longer period, as long as that designation occurs at acquisition.
3. Impairment is recognized in earnings when a decline in value has occurred that is deemed to be other than temporary, and the current fair value becomes the new cost basis for the security. An investment is considered to be impaired if the fair value of the investment is less than its cost basis. Cost includes adjustments made for

At the bottom of the page, there is a footer bar with the text "Chapter 3.A, Page 20 of 20" on the left, a progress indicator showing "100% Complete" in the center, and a button labeled "Exit & Resume Later" on the right.

The **Exam** is accessed by clicking the last gray bar on the menu at the left of the screen or clicking through to it. Click the orange button to begin.

When you have completed the quizzer, click the button labeled **Grade or the Review button**.



- Click the button labeled **Certificate** to print your CPE certificate.
- The final quizzer grade is displayed and you may view the graded answers by clicking the button labeled **view graded answer**.

### **Additional Features Search**

Checkpoint Learning offers powerful search options. Click the **magnifying glass** at the upper right of the screen to begin your search. Enter your choice in the **Search For:** box.

**Search Results** are displayed with the number of hits.

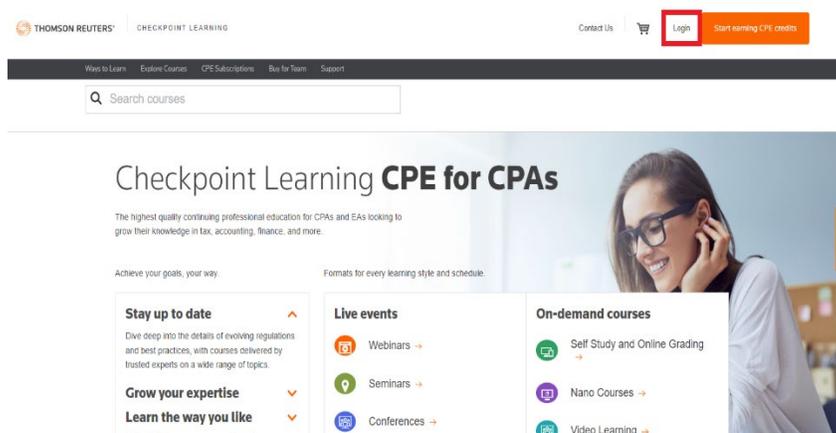
### **Print**

To display the print menu, click the printer icon in the upper bar of your screen. You can print the entire course, the transcript, the glossary, all resources, or selected portions of the course. Click your choice and click the orange **Print**.

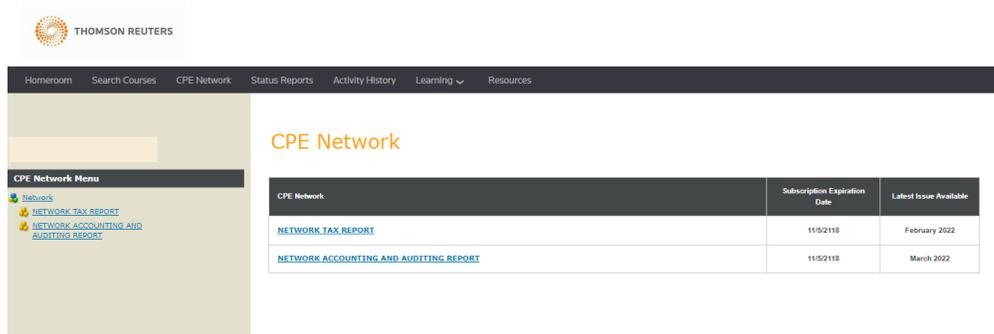
# Transitioning From DVDs

Follow these simple steps to access the video and pdf for download from the online platform:

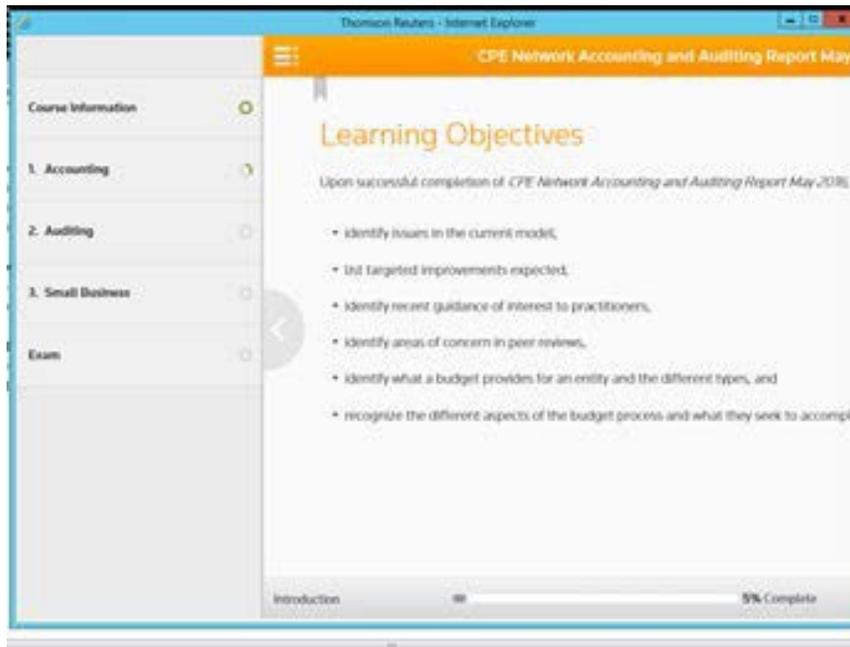
- Go to [www.checkpointlearning.thomsonreuters.com](http://www.checkpointlearning.thomsonreuters.com) .
- Log in using your username and password assigned by your firm’s administrator in the upper right-hand margin (“Login”).



- In the CPE **Network** tab, select the desired Network Report by clicking on the title, then select the appropriate edition.

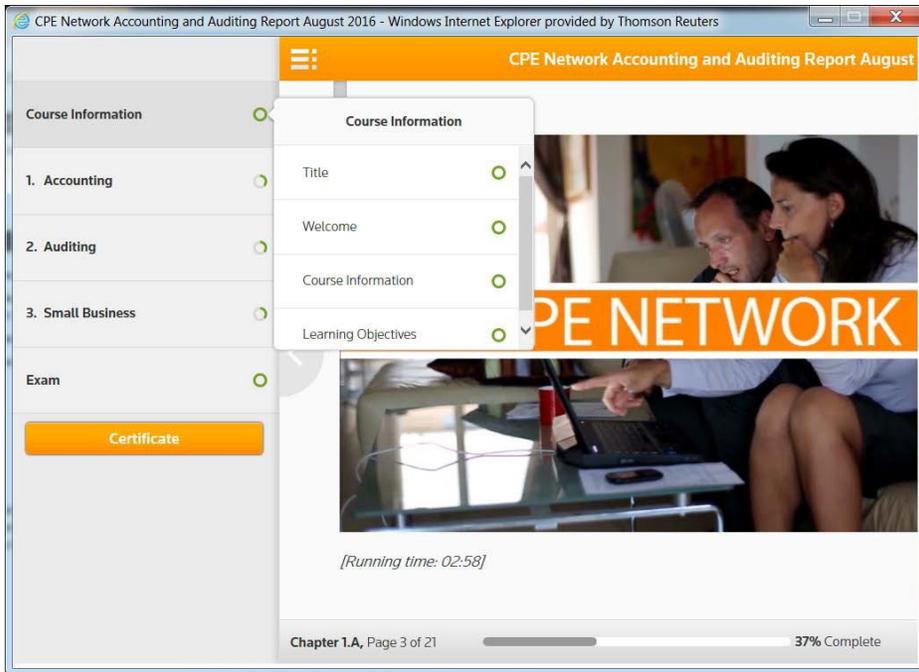


The Chapter Menu is in the gray bar at the left of your screen:



Click down to access the dropdown menu and move between the program Chapters.

- **Course Information** is the course Overview, including information about the authors and the program learning objectives



- Each Chapter is self-contained. Each chapter contains the executive summary and learning objectives for that segment, followed by the interview, the related supplemental materials, and then the discussion questions.



Video segments may be downloaded from the CPL player by clicking on the download button noted above. You may need to use the scroll bar to the right of the video to see the download button. **Tip: You may need to use the scroll bar to the right of the video to see the download button.**

PDFs may be downloaded from either the course toolbox in the upper right corner of the Checkpoint Learning screen or from the email sent to administrators with each release.

# What Does It Mean to Be a CPE Sponsor?

If your organization chooses to vary from the instructions outlined in this User Guide, your firm will become the CPE Sponsor for this monthly series. The sponsor rules and requirements noted below are only highlights and reflect those of NASBA, the national body that sets guidance for development, presentation, and documentation for CPE programs. **For any specific questions about state sponsor requirements, please contact your state board. They are the final authority regarding CPE Sponsor requirements.** Generally, the following responsibilities are required of the sponsor:

- Arrange for a location for the presentation
- Advertise the course to your anticipated participants and disclose significant features of the program in advance
- Set the start time
- Establish participant sign-in procedures
- Coordinate audio-visual requirements with the facilitator
- Arrange appropriate breaks
- Have a real-time instructor during program presentation
- Ensure that the instructor delivers and documents elements of engagement
- Monitor participant attendance (make notations of late arrivals, early departures, and “no shows”)
- Solicit course evaluations from participants
- Award CPE credit and issue certificates of completion
- Retain records for five years

The following information includes instructions and generic forms to assist you in fulfilling your responsibilities as program sponsor.

## CPE Sponsor Requirements

### Determining CPE Credit Increments

Sponsored seminars are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments (equal to 25 minutes) are permitted after the first credit has been earned. Sponsors must monitor the program length and the participants' attendance in order to award the appropriate number of CPE credits.

## **Program Presentation**

CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. CPE program sponsors must make the following information available in advance:

- Learning objectives.
- Instructional delivery methods.
- Recommended CPE credit and recommended field of study.
- Prerequisites.
- Program level.
- Advance preparation.
- Program description.
- Course registration and, where applicable, attendance requirements.
- Refund policy for courses sold for a fee/cancellation policy.
- Complaint resolution policy.
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits).

## **Disclose Significant Features of Program in Advance**

For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (e.g., through the use of brochures, website, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities, or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund/cancellation policies as well as complaint resolution policies.

## **Monitor Attendance**

While it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient. The sign-in sheet should list the names of each instructor and her/his credentials, as well as the name of each participant attending the seminar. The participant is expected to initial the sheet for their morning attendance and provide their signature for their afternoon attendance. If a participant leaves early, the hours they attended should be documented on the sign-in sheet and on the participant's CPE certificate.

## **Real Time Instructor During Program Presentation**

“Group live” programs must have a qualified, real-time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation).

## **Elements of Engagement**

A “group live” program must include at least one element of engagement related to course content during each credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

## **Awarding CPE Certificates**

The CPE certificate is the participant’s record of attendance and is awarded at the conclusion of the seminar. It should reflect the credit hours earned by the individual, with special calculation of credits for those who arrived late or left early.

CFP credit is available if the firm registers with the CFP board as a sponsor and meets the CFP board requirements. IRS credit is available only if the firm registers with the IRS as a sponsor and satisfies their requirements.

## **Seminar Quality Evaluations for Firm Sponsor**

NASBA requires the seminar to include a means for evaluating quality. At the seminar conclusion, evaluations should be solicited from participants and retained by the sponsor for five years. The following statements are required on the evaluation and are used to determine whether:

1. Stated learning objectives were met.
2. Prerequisite requirements were appropriate (if any).
3. Program materials were accurate.
4. Program materials were relevant and contributed to the achievement of the learning objectives.
5. Time allotted to the learning activity was appropriate.
6. Individual instructors were effective.
7. Facilities and/or technological equipment were appropriate.
8. Handout or advance preparation materials were satisfactory.
9. Audio and video materials were effective.

You may use the enclosed preprinted evaluation forms for your convenience.

## **Retention of Records**

The seminar sponsor is required to retain the following information for a period of five years from the date the program is completed unless state law dictates otherwise:

- Record of participation (the original sign-in sheets, now in an editable, electronic signable format)
- Copy of the program materials
- Timed agenda with topics covered and elements of engagement used
- Date and location of course presentation
- Number of CPE credits and field of study breakdown earned by participants
- Instructor name(s) and credentials
- Results of program evaluations

# Appendix: Forms

Here are the forms noted above and how to get access to them.

| <b>Delivery Method</b>                   | <b>Form Name</b>                  | <b>Location</b> | <b>Notes</b>                                                                                                                   |
|------------------------------------------|-----------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------|
| “Group Live” /<br>“Group Internet Based” | Advertising /<br>Promotional Page | Transcript      | Complete this form and circulate to your audience before the training event.                                                   |
| “Group Live”                             | Attendance Sheet                  | Transcript      | Use this form to track attendance during your training session.                                                                |
| “Group Internet Based”                   | Webinar Delivery Tracking Report  | Transcript      | Use this form to track the ‘polling questions’ which are required to monitor attendance during your webinar.                   |
| “Group Live” /<br>“Group Internet Based” | Evaluation Form                   | Transcript      | Circulate the evaluation form at the end of your training session so that participants can review and comment on the training. |
| Self Study                               | CPE Quizzer Answer Sheet          | Transcript      | Use this form to record your answers to the quiz.                                                                              |

# Getting Help

Should you need support or assistance with your account, please see below:

| <b>Support Group</b> | <b>Phone Number</b> | <b>Email Address</b>                                             | <b>Typical Issues/Questions</b>                                                                                                                                                     |
|----------------------|---------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Technical Support    | 844.245.5970        | <a href="mailto:Cplsupport@cerifi.com">Cplsupport@cerifi.com</a> | <ul style="list-style-type: none"><li>• Browser-based</li><li>• Certificate discrepancies</li><li>• Accessing courses</li><li>• Migration questions</li><li>• Feed issues</li></ul> |
| Product Support      | 844.245.5970        | <a href="mailto:Cplsupport@cerifi.com">Cplsupport@cerifi.com</a> | <ul style="list-style-type: none"><li>• Functionality (how to use, where to find)</li><li>• Content questions</li><li>• Login Assistance</li></ul>                                  |
| Customer Support     | 844.245.5970        | <a href="mailto:Cplsupport@cerifi.com">Cplsupport@cerifi.com</a> | <ul style="list-style-type: none"><li>• Billing</li><li>• Existing orders</li><li>• Cancellations</li><li>• Webinars</li><li>• Certificates</li></ul>                               |