

# Section 22,300

## *Financial Reporting and Disclosure Checklist*

### ENGAGEMENT PROFILE

Engagement Code No. \_\_\_\_\_

- An audit engagement (Reviewers should complete PRP section 20400, *General Audit Engagement Checklist*.)
- A review engagement (Reviewers should complete PRP section 20300, *General Review Engagement Checklist*.)
- A compilation engagement (Reviewers should complete PRP section 20200, *General Compilation Engagement Checklist*.)

Date Engagement Review Performed \_\_\_\_\_

Date Checklist Reviewed by Team Captain \_\_\_\_\_

Reviewer \_\_\_\_\_

Signature \_\_\_\_\_

## Financial Reporting and Disclosure Checklist

### Contents

<i>Section</i>	<i>Page</i>
I. General	
Titles and References .....	22,304
Consolidated Financial Statements .....	22,304
Variable Interest Entities .....	22,305
Fair Value Measurements .....	22,305
II. Balance Sheet	
General .....	22,307
Cash .....	22,307
Certain Investments in Debt and Equity Securities .....	22,307
Accounts and Notes Receivable .....	22,308
Inventories .....	22,309
Investments Accounted for by the Equity Method .....	22,309
Property and Equipment .....	22,309
Intangible Assets and Goodwill .....	22,310
Other Assets .....	22,310
Current Liabilities .....	22,310
Notes Payable and Other Debt .....	22,310
Shareholders' Equity .....	22,312
Comprehensive Income .....	22,312
III. Income Statement	
Revenue and Expenses .....	22,314
Income Taxes .....	22,315
Other Income Statement Items .....	22,316
IV. Statement of Cash Flows .....	22,317
V. Other Financial Statement Disclosures	
Financial Instruments and Derivatives .....	22,318
Foreign Operations .....	22,319
Pensions and Other Postemployment Benefits .....	22,319
Miscellaneous .....	22,320
VI. Explanation of "No" Answers and Other Comments .....	22,321

**Note:** Relevant reporting and disclosure guidance contained in official pronouncements effective through July 1, 2009 has been considered in development of this checklist. This includes relevant guidance issued up to and including the following: Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325); Financial Accounting Standards Board (FASB) Accounting Standards Updates issued through July 1, 2009; and Statement of Position (SOP) 09-1, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data* (AICPA, *Technical Practice Aids*, AUD sec. 14,440).

**Explanation of References:**

AIN	AICPA Accounting Interpretation
ASC	FASB <i>Accounting Standards Codification</i>
AU	Reference to section number for Statements on Auditing Standards in AICPA <i>Professional Standards</i> (vol. 1)
FASB	Financial Accounting Standards Board
ISB	Independence Standards Board Standards
SAS	AICPA Statements on Auditing Standards
SOP	AICPA Statement of Position (included in the AICPA <i>Technical Practice Aids</i> [TPA], vol. 2)

I. GENERAL

**Note:** This is a highly summarized checklist. Reviewers may wish to consult the professional standards cited for detailed information about the requirements. All “No” answers must be thoroughly explained.

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No†</u>	<u>Ref.</u>
<b>Titles and References</b>					
For a full presentation in conformity with generally accepted accounting principles (GAAP), or an other comprehensive basis of accounting (OCBOA), are the following required financial statements presented?	FD101	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Income statement</li> <li>• Retained earnings or changes in shareholders’ equity statement, if applicable</li> <li>• Cash flow statement</li> <li>• Description of accounting policies</li> <li>• Notes to financial statements</li> <li>• Comprehensive income</li> </ul>					
Are the financial statements suitably titled? [AU 623.02, .05, .07, .24]	FD102	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Does each statement include a reference to the notes?	FD103	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Is the accounting appropriate and are the disclosures adequate regarding significant accounting policies? [FASB ASC 235-10-50; for OCBOA, AU 623.09-.10 and 9623.90-.95]	FD104	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
accounting changes? [FASB ASC 250, <i>Accounting Changes and Error Corrections</i> ]	FD105	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
comparative financial statements? [FASB ASC 205-10-45; FASB ASC 205-10-50; FASB ASC 250-10-45-24]	FD106	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
business combinations? [FASB ASC 805, <i>Business Combinations</i> ]	FD107	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
If the entity is or has been a <i>development stage enterprise</i> , are adequate disclosures made regarding [FASB ASC 915, <i>Development Stage Enterprise</i> ]					
prior period adjustments? [FASB ASC 250-10-45; FASB ASC 250-10-50]	FD108	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
fair value measurements? [FASB ASC 820-10]	FD109	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>Consolidated Financial Statements</b>					
If consolidated financial statements are presented, is the consolidation policy disclosed? [FASB ASC 810-10-50-1]	FD110	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are all majority-owned subsidiaries consolidated in the financial statements unless consolidation is specifically not required by professional standards? [FASB ASC 810-10-15-10]	FD111	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
If an individual or entity controls a group of related entities, did the auditor consider whether combined financial statements might be more meaningful? [FASB ASC 810-10-55-1B; FASB ASC 810-10-45-10]	FD112	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

\* The “N/A” column should be used when the item either does not exist or is not material.

† All “No” answers should be handled in either of the following ways: (1) discussed on a Matter for Further Consideration (MFC) form with the MFC form number noted in the “Ref.” column or (2) discussed on the appropriate pages provided at the end of this checklist if no MFC form was generated.

Ques.   N/A   Yes   No   Ref.

**Variable Interest Entities**

Has the company complied with the provisions of FASB ASC 810, concerning consolidation, for variable interest entities? Consider the following:

FD113            \_\_\_\_\_

- Does the primary beneficiary of a variable interest entity (VIE) account for, report, and disclose the following aspects of the VIE in its financial statements? [FASB ASC 810-10-50-3]
  - Nature, purpose, size, and activities of the VIE
  - Carrying amount and classifications
  - Lack of recourse
- Does an entity that holds a significant variable interest in a VIE, but is not the primary beneficiary, account for, report, and disclose the following aspects of the VIE in its financial statements? [FASB ASC 810-10-50-4]
  - Nature of its involvement with the VIE and when it began
  - Nature, purpose, size, and activities of the VIE
  - Enterprise’s maximum exposure to loss
- Are disclosures required by FASB ASC 860, *Transfers and Servicing*, about VIEs included in the same note to the financial statements as the information required by FASB ASC 810, *Consolidation*? [FASB ASC 810-10-50-5]
- If an entity does not apply the provisions of FASB ASC 810 because it is unable to locate information necessary to make the proper determinations, are the following required disclosures made? [FASB ASC 810-10-50-6]
  - Entities to which interpretation is not being applied and reasons
  - Nature, purpose, size, activities, and nature of enterprise’s involvement
  - Reporting enterprise’s maximum exposure to loss
  - Income, expense, purchases, sales, or other activity between the entities

**Fair Value Measurements**

Have the following been disclosed for assets and liabilities measured at fair value on a recurring basis, separately for each major category of assets and liabilities, with quantitative disclosures presented in tabular format: [FASB ASC 820-10-50-2]

FD114            \_\_\_\_\_

- The fair value measurements?
- The level within the fair value hierarchy level in which the fair value measurements fall, segregating fair value measurements using Level 1 inputs, Level 2 inputs, and Level 3 inputs?
- For fair value measurements using Level 3 inputs, a reconciliation of the beginning and ending balances, separately presenting changes attributable to the following (disclosures for derivative assets and liabilities may be presented net):
  - Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings and a description of where such gains or losses are reported in the income statement?

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<ul style="list-style-type: none"> <li>— Purchases, sales, issuances, and settlements (net)?</li> <li>— Transfers in or out of Level 3 (for example, transfers due to changes in the observability of significant inputs)?</li> <li>— Total gains or losses for the period in (c)(1) included in earnings due to the change in unrealized gains or losses that relate to assets and liabilities held at the reporting date and a description of where such unrealized gains or losses are reported in the income statement?</li> <li>— The valuation technique(s) used in measuring fair value and a discussion of any changes in valuation techniques during the period?</li> </ul>					
<p>Have the following been disclosed for assets and liabilities measured at fair value on a nonrecurring basis, separately for each major category of assets and liabilities, with quantitative disclosures presented in tabular format: [FASB ASC 820-10-50-5]</p> <ul style="list-style-type: none"> <li>• Fair value measurements recorded during the period and the reasons for such measurements?</li> <li>• The level within the fair value hierarchy in which the fair value measurements fall, segregating fair value measurements using Level 1 inputs, Level 2 inputs, and Level 3 inputs?</li> <li>• For fair value measurements using Level 3 inputs, a description of those inputs and the information used to develop the inputs?</li> <li>• The valuation technique(s) used in measuring fair value and a discussion of any changes in the valuation technique(s) used to measure similar assets or liabilities in prior periods?</li> </ul>	FD115	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<p>If assets or liabilities have been measured at fair value under the fair value option allowed by FASB ASC 825, <i>Financial Instruments</i>, have the necessary disclosures been made? [Paragraphs 24–32 of FASB ASC 825-10-50]</p>	FD116	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

II. BALANCE SHEET

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No†</u>	<u>Ref.</u>
<b>General</b>					
Is the accounting appropriate and are the disclosures adequate regarding					
<ul style="list-style-type: none"> <li>segregation of assets and liabilities, if applicable, into current and noncurrent classifications? [FASB ASC 210-10-45]</li> </ul>	FD201	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>valuation allowances? [Paragraphs 7–11 of FASB ASC 310-10-35; FASB ASC 310-10-45-4; FASB ASC 310-10-50-14]</li> </ul>	FD202	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>transactions with related parties? [FASB ASC 850-10]</li> </ul>	FD203	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>the potential impact of the new accounting pronouncements that have been issued but are not yet effective? [AU 9410.13–18]</li> </ul>	FD204	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>the adjustment of the financial statements adjusted, where appropriate, for the effect of subsequent events and do the financial statements include disclosure of significant subsequent events, whether or not adjustments were made? [FASB ASC 855-10; AU 560.01–.09 and 561]</li> </ul>	FD205	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>required disclosures about risks and uncertainties made regarding the nature of operations, the use of estimates, certain significant estimates, and current vulnerabilities due to certain concentrations? [FASB ASC 275-10-50]</li> </ul>	FD206	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>Cash</b>					
Is separate disclosure made of restricted cash (for example, compensating balances)? [Subpoint <i>a</i> of FASB ASC 210-10-45-4]	FD207	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are bank overdrafts reclassified to and presented separately in current liabilities? [Generally Accepted]	FD208	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are held checks (that is, those written before but not released until after the balance sheet date) reclassified to accounts payable? [Generally Accepted]	FD209	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>Certain Investments in Debt and Equity Securities</b>					
Are separate disclosures of the following made for all major security types classified as available for sale as of each date for which a balance sheet is presented: [FASB ASC 320-10-50-2]	FD210	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>Aggregate fair value?</li> <li>Total gains for securities with net gains in accumulated other comprehensive income?</li> <li>Total losses for securities with net losses in accumulated other comprehensive income?</li> </ul>					
Are separate disclosures of the following made for all major security types classified as held to maturity as of each date for which a balance sheet is presented: [FASB ASC 320-10-50-5]	FD211	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>Aggregate fair value?</li> <li>Gross unrecognized holding gains?</li> <li>Gross unrecognized holding losses?</li> <li>Net carrying amount?</li> </ul>					

\* The “N/A” column should be used when the item either does not exist or is not material.

† All “No” answers should be handled in either of the following ways: (1) discussed on an MFC form with the MFC form number noted in the “Ref.” column or (2) discussed on the appropriate pages provided at the end of this checklist if no MFC form was generated.

- Gross gains and losses in accumulated other comprehensive income for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities?

Have investments in available-for-sale securities and trading securities been reported separately from similar assets that are subsequently measured using another measurement attribute on the face of the statement of financial position by either (a) presenting the aggregate of those fair value and non-fair-value amounts in the same line item and parenthetically disclosing the amount of fair value included in the aggregate amount or (b) presenting two separate line items to display the fair value and non-fair-value carrying amounts? [FASB ASC 320-10-45-1]

<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
FD212	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

Has the following been disclosed if a loss has not been recognized for impaired available for sale securities, held to maturity securities, or investments in equity securities accounted for using the cost method: [FASB ASC 320-10-50-6]

FD213	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------	--------------------------	--------------------------	--------------------------	-------

- Quantitative information aggregated by category of investment, presented tabular form and segregated by investments that have been in a loss position for less than 12 months and those that have been in a loss position for 12 months or longer, that includes:
  - Aggregate amount of unrealized losses?
  - Aggregate fair value of investments with unrealized losses?
- Narrative information that was considered in reaching the conclusion that the impairments are not other-than-temporary, including (1) the nature of the investment, (2) the cause of the impairment, (3) the number of investment positions in an unrealized loss position, (4) the severity and duration of the impairment, and (5) other evidence considered relevant?

Has the following information been disclosed for cost method investments as of each date for which a balance sheet is presented: [FASB ASC 325-20-50-1]

FD214	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------	--------------------------	--------------------------	--------------------------	-------

- The aggregate carrying amount of all cost method investments?
- The aggregate carrying amount of cost method investments that the investor did not evaluate for impairment?
- If applicable, the fact that the fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value and the investor does not estimate fair value under FASB ASC 820, *Fair Value Measurements and Disclosures* either because (1) it is not practicable to estimate fair value or (2) the investor is exempt from estimating fair value?

**Accounts and Notes Receivable**

Are accounts and notes receivable from officers, employees, and affiliated companies shown separately with appropriate disclosures? [FASB ASC 850-10-50-2]

FD215	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------	--------------------------	--------------------------	--------------------------	-------

Are allowances for uncollectible receivables shown as deductions from the related receivables? [FASB ASC 310-10-45-4]

FD216	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------	--------------------------	--------------------------	--------------------------	-------

For accounts and notes receivables, is the accounting appropriate and are disclosures adequate? Consider the following:

FD217	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
-------	--------------------------	--------------------------	--------------------------	-------

- Loans and related origination fees [FASB ASC 310-20-30-2; FASB ASC 310-20-35-2]

- |   | <u>Ques.</u> | <u>N/A</u> | <u>Yes</u> | <u>No</u> | <u>Ref.</u> |
|---|--------------|------------|------------|-----------|-------------|
| <ul style="list-style-type: none"> <li>• The effect of interest rates that do not reflect market rates [FASB ASC 835-30-45]</li> <li>• The effect of troubled debt restructurings [FASB ASC 310-40; FASB ASC 470-60]</li> <li>• Other receivables including trade receivables [FASB ASC 310-10]</li> <li>• The recorded investments in loans for which impairment has been recognized, the total allowance for credit losses related to those impaired loans, the activity in the allowance for credit losses account, and the creditor's interest income recognition policy [FASB ASC 310-10-50-15]</li> </ul> |              |            |            |           |             |

**Inventories**

Is the accounting appropriate and are disclosures adequate concerning [FASB ASC 330-10]

- |  |       |                          |                          |                          |       |
|--|-------|--------------------------|--------------------------|--------------------------|-------|
| <ul style="list-style-type: none"> <li>• the major classes of inventory (for example, raw materials, work-in-process, and finished goods)? [Generally Accepted]</li> </ul> | FD218 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <ul style="list-style-type: none"> <li>• the method of determining reported amounts? [FASB ASC 210-10-50-1]</li> </ul>   | FD219 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <ul style="list-style-type: none"> <li>• valuation allowance for inventory losses? [FASB ASC 310-10-45-4; FASB ASC 310-10-50-14]</li> </ul>                                | FD220 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |

**Investments Accounted for by the Equity Method**

Is the accounting appropriate and are disclosures adequate concerning investments in common stock accounted for under the equity method? Consider the following: [FASB ASC 323-10]

- |   |       |                          |                          |                          |       |
|---|-------|--------------------------|--------------------------|--------------------------|-------|
| <ul style="list-style-type: none"> <li>• Disclosure of the accounting policy of the investor with respect to those investments</li> <li>• The difference between the amount at which an investment is carried and the amount of the underlying equity in net assets</li> <li>• Investments in which the entity holds 20 percent or more of voting stock, but for which the entity does not apply equity method accounting</li> <li>• Investments in which the entity holds less than 20 percent of voting stock, but for which the entity applies equity method accounting</li> </ul> | FD221 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
|---|-------|--------------------------|--------------------------|--------------------------|-------|

**Property and Equipment**

For property and equipment, is the accounting appropriate and are disclosures adequate? Consider the following:

- |  |       |                          |                          |                          |       |
|--|-------|--------------------------|--------------------------|--------------------------|-------|
| <ul style="list-style-type: none"> <li>• Balances of major classes of depreciable assets, by nature or function, at the balance sheet date [FASB ASC 360-10-50-1]</li> <li>• A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets [FASB ASC 360-10-50-1]</li> <li>• Property and equipment, including accounting for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of, assets of discontinued operations, investment credit, and capitalized interest [FASB ASC 360-10-50-2; FASB ASC 205-20-50; FASB ASC 835-20]</li> <li>• Sales-type, direct financing, leveraged, and operating leases of lessors [FASB ASC 840, <i>Leases</i>]</li> </ul> | FD222 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | _____ |
|--|-------|--------------------------|--------------------------|--------------------------|-------|

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<b>Intangible Assets and Goodwill</b>					
Is the accounting appropriate and are disclosures adequate for goodwill and other intangible assets? Consider if:	FD223	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• the appropriate reviews were made for the impairment whenever events or changes in circumstances indicated that the carrying amount of the asset may not be recoverable? [FASB ASC 350-20; FASB ASC 350-30]</li> <li>• for goodwill or other intangible assets, the company's accounting and reporting comply with FASB ASC 350, <i>Intangibles—Goodwill and Other</i>: <ul style="list-style-type: none"> <li>— All intangible assets are aggregated and presented as a separate line-item in the financial statement and recognized based on fair value? [FASB ASC 350-30-30; FASB ASC 350-30-45]</li> <li>— Intangible assets with a definite life are amortized and annually reviewed for impairment? [FASB ASC 350-30-35]</li> <li>— Goodwill is aggregated and presented as a separate line-item in the financial statements and not amortized but reviewed at least annually for impairment? [FASB ASC 350-20]</li> <li>— Deferred income taxes are only recorded for book versus tax differences for intangible assets or goodwill if arising from tax-deductible amortization? [FASB ASC 350-20-35-61]</li> <li>— Are all required disclosures made? [FASB ASC 350-20-50; FASB ASC 350-30-50]</li> </ul> </li> </ul>					
<b>Other Assets</b>					
Are pledged assets properly disclosed? [FASB ASC 440-10-50-1]	FD224	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are related assets and liabilities offset in the balance sheet only when all of the following conditions are met: (1) each party owes the other determinable amounts; (2) the reporting party has the right to set off the amount owed with the amount owed by the other party; (3) the reporting party intends to set off; and (4) the right to set off is enforceable at law? [FASB ASC 210-20-45-1]	FD225	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<b>Current Liabilities</b>					
For current liabilities, is the accounting appropriate and are disclosures adequate? Consider the following:	FD226	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Current liabilities [Paragraphs 5–12 of FASB ASC 210-10-45]</li> <li>• Short-term liabilities expected to be refinanced [Paragraphs 12A–21 of FASB ASC 470-10-45]</li> <li>• Compensated Absences [FASB ASC 710-10]</li> </ul>					
<b>Notes Payable and Other Debt</b>					
For notes payable and other debts, is the accounting appropriate and are disclosures adequate? Consider the following:	FD227	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Maturities and rates [FASB ASC 470-10-50]</li> <li>• Other terms and covenants [FASB ASC 440-10-50; FASB ASC 470-30-50]</li> <li>• Effect of interest rates that do not reflect market rates [FASB ASC 835-30]</li> </ul>					

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<ul style="list-style-type: none"> <li>• Effect of troubled debt restructurings [FASB ASC 310-40-35]</li> <li>• Maturities and sinking fund requirements for the next five years [FASB ASC 470-10-50]</li> </ul>					
<p>With respect to leases and other noncurrent liabilities, is the accounting appropriate and are disclosures adequate? Consider the following:</p>	FD228	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Capital leases of lessees [FASB ASC 840-30]</li> <li>• Other liabilities and deferred credits, including environmental remediation liabilities, classification of deferred tax liabilities, employees' compensation for future absences, special termination benefits to employees, and deferred revenue [FASB ASC 710-10; Paragraphs 4–6 of FASB ASC 740-10; FASB ASC 410-30; FASB ASC 430-10]</li> <li>• Obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs [FASB ASC 410-20]</li> <li>• Recognition and measurement of costs associated with exit or disposal activities, other than those associated with an entity newly acquired in a business combination or the retirement of a long-lived asset [FASB ASC 420-10]</li> </ul>					
<p>With respect to financial instruments with characteristics of both liabilities and equity, did the company properly classify and report applicable instruments as liabilities unless the redemption is required to occur only upon the liquidation or termination of the reporting entity in accordance with FASB ASC 480, <i>Distinguishing Liabilities from Equity</i>? [FASB ASC 480-10-25-4] For example:</p>	FD229	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• All three classes of freestanding financial instruments that embody obligations for the issuer (as defined in FASB ASC 480) are considered? [FASB ASC 480-10-05-2]</li> <li>• The financial statements contain all applicable disclosures? [FASB ASC 480-10-50]</li> </ul>					
<p>Are insurance and reinsurance contracts that do not transfer insurance risk properly accounted for and disclosed? [FASB ASC 325-30; FASB ASC 340-30]</p>	FD230	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<p>For issuers of guarantees including product warranties, standby letters of credit, and loan guarantees (other than guarantees issued by insurance companies), did the entity recognize a liability for the fair value of the guarantee as required by FASB ASC 460-10? Consider the following:</p>	FD231	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• For those guarantees, the entity provided the appropriate disclosure [FASB ASC 460-10-50-4]</li> <li>• The entity provided the disclosures required for guarantees that do not require liability recognition [Paragraphs 5–8 of FASB ASC 460-10-50]</li> </ul>					
<p>Are loss contingencies accrued or disclosed, or both, as appropriate? [FASB ASC 450-20]</p>	FD232	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<p>Are other contingencies and commitments adequately disclosed, including environmental remediation-related matters? [FASB ASC 410-30-50; FASB ASC 440-10-50]</p>	FD233	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<b>Shareholders' Equity</b>					
For equity related transactions, is the accounting appropriate and are disclosures adequate? Consider the following:	FD234	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Capital stock (for example, number of shares authorized, issued, and outstanding; par or stated value per share; rights and preferences of various classes) [FASB ASC 505-10; FASB ASC 470-10-50-5]</li> <li>• Treasury stock [FASB ASC 505-30]</li> <li>• Stock option and stock purchase plans [FASB ASC 718, <i>Compensation—Stock Compensation</i>; FASB ASC 505-50]</li> <li>• Stock subscriptions receivable [FASB ASC 505-10-45]</li> <li>• Retained earnings, including appropriations thereof and restrictions on dividends [FASB ASC 440-10-50; FASB ASC 505-10-45-3; FASB ASC 505-20]</li> <li>• Changes in owners' equity [FASB ASC 220-10; FASB ASC 250-10-50-7; FASB ASC 505-10-50-2]</li> <li>• Redemption requirements on capital stock for the next five years [FASB ASC 505-10-50-11]</li> </ul>					
<b>Comprehensive Income</b>					
Are elements of comprehensive income displayed in one of the following three alternative presentation formats? [Paragraphs 7–8 of FASB ASC 220-10-45]	FD235	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• In a single statement of income and comprehensive income that extends a traditional income statement to include (following net income) the elements of other comprehensive income and the total of comprehensive income</li> <li>• In a separate statement of comprehensive income, which begins with net income and includes the elements of other comprehensive income and then a total of comprehensive income</li> <li>• In the statement of changes in stockholders' equity</li> </ul>					
Are components of other comprehensive income shown as either (a) the net of related tax effects or (b) before related tax effects with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items? [FASB ASC 220-10-45-11]	FD236	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Has the amount of income tax expense or benefit allocated to each component of other comprehensive income, including reclassification adjustments, been disclosed either (a) on the face of the financial statement in which the components are displayed or (b) in the notes to the financial statements? [FASB ASC 220-10-45-12]	FD237	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Have reclassification adjustments for each classification of other comprehensive income (other than minimum pension liability adjustments) been disclosed either (a) on the face of the financial statement in which comprehensive income is reported or (b) in the notes to the financial statements? [FASB ASC 220-10-45-17]	FD238	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Has the accumulated balance of other comprehensive income been reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet? [FASB ASC 220-10-45-14]	FD239	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Has the ending accumulated balances for each item in accumulated other comprehensive income been disclosed either (a) on the face of the balance sheet, (b) in a statement of changes in equity, or (c) in the notes to the financial statements? [FASB ASC 220-10-45-14]	FD240	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
For derivative instruments and hedging activities' disclosures:					
<ul style="list-style-type: none"> <li>• Have the net gain or loss on derivative instruments designated as cash flow hedging instruments (including qualifying foreign currency cash flow hedges) reported as a separate classification within other comprehensive income been made? [FASB ASC 815-30-45-1]</li> </ul>	FD241	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• As part of the disclosures of accumulated other comprehensive income, have the following disclosures been made? [FASB ASC 815-30-50-2]                             <ul style="list-style-type: none"> <li>— The beginning and ending accumulated derivative gain or loss</li> <li>— The related net change associated with current period hedging transactions</li> <li>— The net amount of any reclassification into earnings</li> </ul> </li> </ul>	FD242	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

III. INCOME STATEMENT

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No†</u>	<u>Ref.</u>
<b>Revenue and Expenses</b>					
Are the important components of the income statement separately disclosed? [Generally Accepted]	FD301	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
For revenue and expense items, is the accounting appropriate and are the disclosures adequate? Consider the following:	FD302	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Method of income recognition, where appropriate; for example, long-term contracts and real estate transactions [FASB ASC 360-20-40; FASB ASC 976-605-25; FASB ASC 976-310-50; FASB ASC 840-40-25; FASB ASC 605-35-50]</li> <li>• Realized gains and losses and unrealized holding gains and losses for changes in fair value and transfers between categories of investments [FASB ASC 320-10]</li> <li>• Software revenue recognition [FASB ASC 985-605-25]</li> <li>• Operating leases and rent expenses of lessees [FASB ASC 840-20]</li> <li>• Application of the equity method [FASB ASC 323-10]</li> <li>• Advertising costs [FASB ASC 720-35]</li> <li>• Research and developmental costs [FASB ASC 730-10]</li> <li>• Costs of start-up activities [FASB ASC 720-15-25]</li> <li>• Computer software costs [FASB ASC 985-20; FASB ASC 350-40]</li> <li>• Capitalization of interest costs [FASB ASC 835-20]</li> <li>• Discount or premium on notes receivable or payable [FASB ASC 835-30]</li> <li>• Recognition of impairment of long-lived assets [FASB ASC 310-10-35; FASB ASC 320-10-35; FASB ASC 360-10]</li> <li>• Depreciation [FASB ASC 360-10]</li> <li>• Interest Expense</li> </ul>					
Are compensatory stock issuance plans properly accounted for and adequately disclosed?. [FASB ASC 718, <i>Compensation—Stock Compensation</i> ]	FD303	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Consider the following:					
<ul style="list-style-type: none"> <li>• The use of fair-value measurement in accounting for share-based transactions with employees including recording compensation cost for all stock awards granted [Paragraphs 2–4 of FASB ASC 718-10-30]</li> <li>• Disclosures enabling the reader to understand the nature of the arrangement, the effects of its costs on the income statement, the methods of estimating fair value, and the cash flow effects of the arrangement [FASB ASC 718-10-50-1]</li> </ul>					
Are deferred compensation agreements properly reported and disclosed? [Paragraphs 9–11 of FASB ASC 710-10-25]	FD304	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

\* The “N/A” column should be used when the item either does not exist or is not material.  
 † All “No” answers should be handled in either of the following ways: (1) discussed on an MFC form with the MFC form number noted in the “Ref.” column or (2) discussed on the appropriate pages provided at the end of this checklist if no MFC form was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Are sales transactions in which the buyer has a right to return the product properly reported and disclosed? [FASB ASC 605-15-25]	FD305	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are product financing arrangements properly reported and disclosed? [FASB ASC 470-40-25]	FD306	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

**Income Taxes**

Is the accounting appropriate and are disclosures adequate concerning the reporting of implications of income taxes? [FASB ASC 740, <i>Income Taxes</i> ] Consider the following:	FD307	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
---	-------	--------------------------	--------------------------	--------------------------	-------

- The types of temporary differences and carryforwards that cause significant portions of a deferred tax liability or asset [FASB ASC 740-10-25-20]
- Significant components of income tax expense [FASB ASC 740-10-50-9; Paragraphs 11–12 of FASB ASC 220-10-45]
- Components and classification of deferred tax liabilities or assets, including, if present, the total of all deferred tax liabilities, the total of all deferred tax assets, the total valuation allowance, and the net change in the valuation allowance [Paragraphs 2, 3 and 8 of FASB ASC 740-10-50]
- Significant reconciling items between GAAP income tax expense or benefit attributable to continuing operations and the amount of income tax expense that would result from applying the federal statutory rates to pre-tax income or loss from continuing operations (A nonpublic company needs to disclose the nature of such items.) [Paragraphs 12–14 of FASB ASC 740-10-50]
- Amounts and expiration dates of operating loss and tax credit carry forwards for tax purposes [FASB ASC 740-10-50-3]
- Sufficient disclosure to identify the reason for the absence of other tax disclosures if the business is a pass-through entity for tax purposes

For unrecognized tax benefits, are the following disclosed? [FASB ASC 740-10-50-15]	FD308	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
---	-------	--------------------------	--------------------------	--------------------------	-------

- A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period
- The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate
- The total amounts of interest and penalties recognized in the statement of operations and the total amounts of interest and penalties recognized in the statement of financial position
- For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date:
  - The nature of the uncertainty
  - The nature of the event that could occur in the next 12 months that would cause the change
  - An estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made
- A description of tax years that remain subject to examination by major tax jurisdictions

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<b>Other Income Statement Items</b>					
Are special items of income, if applicable, properly reported and disclosed? Consider the following:	FD309	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
• Discontinued operations [FASB ASC 205-20]					
• Extraordinary items [FASB ASC 225-20]					
• Unusual or infrequent items, but not both [FASB ASC 225-20-45-2]					

IV. STATEMENT OF CASH FLOWS

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No†</u>	<u>Ref.</u>
Is a statement of cash flows presented for each period for which results of operations are provided? [FASB ASC 230-10-15-3]	FD401	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Has the entity properly classified and reported cash flow activities? Consider the following:	FD402	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• Has the entity properly classified and reported cash provided or used by investing, financing, and operating activities? [FASB ASC 230-10-45]</li> <li>• Does the report properly show the net effect of cash flows on cash and cash equivalents during the period? [FASB ASC 230-10-45-24]</li> <li>• Does the report provide reconciliation between net income and net cash flow from operating activities? [Paragraphs 28–32 of FASB ASC 230-10-45]</li> <li>• Are noncash investing and financing activities disclosed? [Paragraphs 3–6 of FASB ASC 230-10-50]</li> <li>• If the indirect method of reporting net cash flows from operating activities was used, were the amounts of interest and income taxes paid disclosed? [FASB ASC 230-10-50-2]</li> <li>• Are cash equivalents limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less? [FASB ASC glossary term <i>cash and cash equivalents</i>]</li> <li>• Is the entity’s policy for determining which items are treated as cash equivalents disclosed? [FASB ASC 230-10-50-1]</li> <li>• Are the components of the cash flow statement shown at gross and not net amounts? [Paragraphs 7–8 of FASB ASC 230-10-45]</li> <li>• Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification, and are cash flows from purchases, sales, and maturities of trading securities classified as cash flows from operating activities? [FASB ASC 320-10-45-11]</li> </ul>					

\* The “N/A” column should be used when the item either does not exist or is not material.

† All “No” answers should be handled in either of the following ways: (1) discussed on an MFC form with the MFC form number noted in the “Ref.” column or (2) discussed on the appropriate pages provided at the end of this checklist if no MFC form was generated.

V. OTHER FINANCIAL STATEMENT DISCLOSURES

	<u>Ques.</u>	<u>N/A*</u>	<u>Yes</u>	<u>No†</u>	<u>Ref.</u>
<b>Financial Instruments and Derivatives</b>					
For financial instruments, is information about concentrations of credit risk, and if required, about fair value (including the methods and significant assumptions used to estimate fair value) disclosed? [FASB ASC 825-10-50]	FD501	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Is the accounting appropriate and are the disclosures adequate regarding derivative instruments and hedging activities? [FASB ASC 815, <i>Derivatives and Hedging</i> ]	FD502	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are transfers of financial assets, the servicing of financial assets and the extinguishment of liabilities properly accounted for and disclosed? [FASB ASC 860, <i>Transfers and Servicing</i> ]	FD503	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

**Note:** The disclosure requirements below are to be followed until the adoption of the pending content of FASB ASC 815, *Derivatives and Hedging*, which is effective for fiscal years and interim periods beginning after November 15, 2008. Thereafter, the disclosure requirements in the next section below are to be followed. Early adoption is permitted.

Have the following disclosures been made for all derivative instruments (and for nonderivative instruments designated and qualifying as hedging instruments): [Paragraphs 1–4 of FASB ASC 815-10-50]	FD504	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• The entity’s objectives for holding or issuing the instruments?</li> <li>• The context needed to understand the entity’s objectives?</li> <li>• The entity’s strategies for achieving these objectives?</li> <li>• The entity’s risk management policy for each type of hedge, including a description of the items or transactions for which risks are hedged?</li> <li>• For derivative instruments not designated as hedging instruments, the purpose of the derivative activity?</li> <li>• Do the disclosures distinguish between:                             <ul style="list-style-type: none"> <li>— Derivative instruments (and nonderivative instruments) designated as fair value hedging instruments?</li> <li>— Derivative instruments designated as cash flow hedging instruments?</li> <li>— Derivative instruments (and nonderivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation?</li> <li>— All other derivatives?</li> </ul> </li> </ul>					

**Note:** The disclosure requirements below are prescribed by FASB ASC 815, *Derivatives and Hedging*, which supersedes the disclosure requirements above. The below disclosure requirements are effective for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted.

\* The “N/A” column should be used when the item either does not exist or is not material.  
 † All “No” answers should be handled in either of the following ways: (1) discussed on an MFC form with the MFC form number noted in the “Ref.” column or (2) discussed on the appropriate pages provided at the end of this checklist if no MFC form was generated.

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
Have the following disclosures been made for all derivative instruments (and for nonderivative instruments designated and qualifying as hedging instruments): [Paragraphs 1–4 of FASB ASC 815-10-50; FASB ASC 815-10-65-1]	FD505	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
<ul style="list-style-type: none"> <li>• The entity’s objectives for holding or issuing the instruments?</li> <li>• The context needed to understand the entity’s objectives?</li> <li>• The entity’s strategies for achieving these objectives?</li> <li>• For items above, information about those instruments in the context of each instrument’s primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price)?</li> <li>• A distinction between those instruments used for risk management purposes and those used for other purposes?</li> <li>• For derivative instruments designated as hedging instruments under FAS ASC 815, do disclosures distinguish between:                             <ul style="list-style-type: none"> <li>— Derivative instruments designated as fair value hedging instruments?</li> <li>— Derivative instruments designated as cash flow hedging instruments?</li> <li>— Derivative instruments designated as hedging instruments of the foreign currency exposure in a net investment in a foreign operation?</li> </ul> </li> <li>• For derivative instruments not designated as hedging instruments, the purpose of the derivative activity?</li> <li>• Information that would enable users of an entity’s financial statements to understand the volume of its derivative activity?</li> </ul>					

**Foreign Operations**

Are foreign currency transactions and translation of financial statements denominated in a foreign currency properly accounted for and disclosed? [FASB ASC 830, <i>Foreign Currency Matters</i> ]	FD506	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are foreign operations and export sales properly accounted for and disclosed? [FASB ASC 280-10-50-41]	FD507	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

**Pensions and Other Postemployment Benefits**

Have defined benefit pension plans been properly accounted for and disclosed? [FASB ASC 715-20; FASB ASC 715-30]	FD508	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Have other pension plans (including multi-employer plans) been properly accounted for and disclosed? [FASB ASC 715-20; FASB ASC 715-80]	FD509	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Have postretirement plans other than pensions been properly accounted for and disclosed? [FASB ASC 715-60]	FD510	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Have postemployment benefits (after employment, but before retirement) been properly accounted for and disclosed? [FASB ASC 712-10]	FD511	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Have defined contribution pension plans been properly accounted for and disclosed? [FASB ASC 715-70]	FD512	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Do the financial statements, where required, include appropriate presentations of employee stock ownership plans? [FASB ASC 718-40]	FD513	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

	<u>Ques.</u>	<u>N/A</u>	<u>Yes</u>	<u>No</u>	<u>Ref.</u>
<b>Miscellaneous</b>					
Are nonmonetary transactions properly accounted for and disclosed? [FASB ASC 845, <i>Nonmonetary Transactions</i> ]	FD514	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
If the industry in which the client is operating is covered by an AICPA Audit and Accounting guide, are the format, statements, and disclosures consistent with the guide?	FD515	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Are voluntary changes in accounting principles applied retrospectively to prior period financial statements rather than reflected in current period net income? [FASB 250-10-45-5]	FD516	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

