PwC Viewpoint

Table of contents
Publication date: 2019-03-01T00:00Z
US

PwC audit guide - U.S. to PwC Public audit guide cross reference tool

2300 Engagement team

2400 Agree on terms of engagement

3000 Understand the entity and its environment

3100 Understand the entity and its environment (regulatory, industry, etc.)

3200 Understand the entity's internal control over financial reporting

3300 Understand and evaluate the IT environment

3400 Determine materiality

4000 Assess risk

4100 Conduct initial risk assessment analytics

4200 Conduct additional risk assessment procedures

4300 Conduct fraud risk assessment

4500 Initial audit engagements, including reaudit engagements

4600 Identify and assess risks of material misstatement

5000 Risk and response

5100 Determine the audit strategy and develop the audit plan

5200 Plan extent of use of Service Delivery Centers, service organizations, specialists and experts

5300 Develop response to fraud risk

5400 Determine nature, timing and extent of controls testing to be performed

5500 Substantive analytical procedures

5600 Test of details

PwC audit guide - U.S. to PwC Public audit guide cross reference tool

Publication date: 2019-03-01T00:00Z

US

PwC audit guide (pre-March 2018)	PwC Public audit guide (Currently published)
How to Use PwC Audit	PwC Audit 1100 Overview of the PwC Public audit guide
1000 - Conceptual Framework	
1000 Introduction to the PwC Audit	PwC Audit 1200 Audit quality and auditor objectives
1032 Using a Top-Down Approach/1033 Integrating the Audit	PwC Audit 5101.1 Establish the overall audit strategy and develop the audit plan
1100 Principles of the PwC Audit	PwC Audit 1100 Overview of the PwC Public audit guide
1110 Audit Quality Principles	PwC Audit 1200 Audit quality and auditor objectives

1300 Materiality	PwC Audit 3400 Determine materiality
1400 Risk Assessment	PwC Audit 4600 Identify and assess risks of material misstatement
1430 Audit Risk	PwC Audit 4600.3 Components of audit risk
1440 Significant Risks	PwC Audit 4602.3 Significant risks
1500 Audit Evidence	PwC Audit 1200 Audit quality and auditor objectives
1520 Financial Statement Assertions	PwC Audit 4601.3 Identify significant accounts and disclosures and their relevant assertions
1600 Internal Control	PwC Audit 3208 COSO points of focus and PwC example programs and practices
	PwC Audit 3201.1 Internal control frameworks
2000 - Working Practices	
2000 Engagement Team Roles and Responsibilities	PwC Audit 2300 Engagement team
2011 Applying Professional Skepticism	PwC Audit 1205.1.1 Applying professional skepticism
2021 Engagement Leader	PwC Audit 2301 Engagement leader responsibilities
2030 Use of a Service Delivery Center (SDC)	PwC Audit 5201 Use of a Service Delivery Center (SDC)
2040 Quality Review Partner	PwC Audit 2302 Quality Review Partner
2050 Independent Reviewing Partner (Public Only)	PwC Audit 2308 Independent Reviewing Partner (IRP)
2080 Definition and Role of Specialists and Experts	PwC Audit 5204 Use of specialists and experts
	PwC Audit 5205 Specialists in accounting or auditing
	PwC Audit 5206 Specialists in a field other than accounting or auditing

	PwC Audit 5207 Management's Experts
	PwC Audit 5208 Experts engaged by PwC
2083 Process Assurance Specialists	PwC Audit 5205.3 Involvement of Process Assurance
2084 Tax Specialists	PwC Audit 5205.4 Involvement of tax specialists
2085 Valuation Specialists	PwC Audit 5206.10 Involvement of internal valuation specialists
2086 Actuarial & Insurance Management Solutions (AIMS) Specialists	PwC Audit 5206.11 Involvement of Actuarial Services specialists
2087 Global Human Resource Solutions (GHRS) Specialists	PwC Audit 5206.12 Involvement of Global Human Resource Solutions (GHRS) specialists
2090 Using the Work of an Expert or Specialist in a Field Other Than Accounting or Auditing	PwC Audit 5206 Specialists in a field other than accounting or auditing
	PwC Audit 5208 Experts engaged by PwC
2100 Project Management	PwC Audit 1400 Overall engagement considerations
2200 Coaching Team Members	PwC Audit 2307 Coaching
2300 Identifying and Resolving Significant Matters	PwC Audit 7400 Conclude on significant matters
2330 Resolution and Review of Significant Matters	PwC Audit 7402 Evaluating, resolving and communicating significant matters
2400 Documentation of Audit Work	PwC Audit 1300 Audit documentation
2453 Electronic Response to Confirmations or Other Documents	PwC Audit 6104.1 Assessing reliability of responses
2453.01 Use of Capital Confirmation Inc. Confirm Service	PwC Audit 1304.5.1 Understanding Capital Confirmation Inc.'s confirm service
2453.02 Use of DocuSign to Send and Receive Electronically	PwC Audit 1304.5.2 Use of DocuSign to send and receive

Signed Engagement Letters and Management's Representation Letters	electronically signed engagement letters and management representation letters
2500 Audit Execution and Review	PwC Audit 1305 Supervision and review
2530.01 Frequently Asked Questions and Answers - Audit Execution and Review	PwC Audit 1305.12 Frequently Asked Questions and Answers – Audit Execution and Review
2560.01 Required Partner Review Areas	PwC Audit 1305.9.2 Engagement leader minimum documentation requirements
2595 Engagement Process Assurance Leader Review Responsibilities	PwC Audit 1305.11 Engagement process assurance leader – minimum documentation requirements
2600 Performing Consultations	PwC Audit 1800 Consultations
2700 Resolving Differences in Professional View Among Personnel Assigned to an Audit Engagement	PwC Audit 1805 Resolving differences in professional view among personnel assigned to an audit engagement
3000 - Initiation and Planning	
3000 Acceptance & Continuance	PwC Audit 2200 Perform engagement acceptance/continuance
3011 Terms and Definitions	PwC Audit 1101.1 Types of entities
3020 Acceptance & Continuance As Part of a PwC Audit	PwC Audit 2201 Acceptance and continuance as part of a PwC audit
3023 Additional Considerations for Proposals on Public Company Targets and Initial Public Offerings (IPOs)	PwC Audit 2206 Initial public offering (IPOs)
3031 Overview of Assurance Acceptance Assessment	PwC Audit 2202.1 Acceptance assessment - Overview
	PwC Audit 1702.1 Acceptance and continuance as group engagement team
3033 Communication with Predecessor Auditors	PwC Audit 4501.1 Acceptance – communication with the predecessor auditor

3034 Notification to the SEC of a Change in Auditor (Item 4.01 Form 8-K) (Public Only)	PwC Audit 4501.3 Notification to the SEC of a Change in Auditor
3039.01 Significant Entities Not Audited by the U.S. Firm	PwC Audit 1702.1.3 Principal auditor considerations
3039.03 Audits Related to Purchase and Sale Agreements	PwC Audit 13100 Purchase/Sale agreements and due diligence meetings
3041 Overview of Continuance	PwC Audit 2203 Continuance assessment
3050 Reassessments Other than Annual	PwC Audit 2204 Assessments other than annual
3080 Sharing Acceptance and Continuance Information on Group Audits	PwC Audit 1702.1.5 Sharing A&C information on a multilocation audit
3100 Independence	PwC Audit 2100 Conduct independence review
3190 Generally Accepted Government Auditing Standards CPE Requirements	PwC Audit (NP) 11600 Generally Accepted Government Auditing Standards CPE Requirements
3200 Rotation of Personnel	PwC Audit 2110 Rotation of personnel
3300 Engagement Letters and Contracts	PwC Audit 2400 Agree on terms of engagement
3400 Purchase/Sale Agreements and Due Diligence Meetings	PwC Audit 13100 Purchase/Sale agreements and due diligence meetings
3500 Reaudit Situations	PwC Audit 4500 Initial audit engagements, including reaudit engagements
3600 Initial Engagements	PwC Audit 4500 Initial audit engagements, including reaudit engagements
3700 Audit Planning	PwC Audit 3101 Understanding the entity and its environment
	PwC Audit 4200 Conduct additional risk assessment procedures
	PwC Audit 4600 Identify and assess risks of material misstatement

	PwC Audit 5100 Determine the audit strategy and develop the audit plan
3733 Internal Control Over Financial Reporting	PwC Audit 3200.1 Introduction – Understand the entity's internal control over financial reporting
	PwC Audit 3203.3 Timing considerations
3734 Use of the Work of Others, including Direct Assistance	PwC Audit 5203 Using the work of internal audit and others
3735 Sufficient Appropriate Audit Evidence	PwC Audit 7600 Evaluate sufficiency and appropriateness of audit evidence
3737 Identifying Significant Accounts and Disclosures and their Relevant Assertions	PwC Audit 4601.3 Identify significant accounts and disclosures and their relevant assertions
3740 Developing the Audit Plan and Program	PwC Audit 5101.4 Document the overall audit strategy and audit plan
	PwC Audit 5103.1 Starting, preparing, and finalizing the audit plan
	PwC Audit 5700 Perform kick-off meeting
3742 Use of Aura Content Libraries	PwC Audit 1301.2 Use of Aura libraries
3750 Changes to the Audit Strategy and Audit Plan	PwC Audit 7500 Significant changes to planned procedures
3770 Team Planning Meeting	PwC Audit 5700 Perform kick-off meeting
3900 Analytical Procedures	PwC Audit 4100 Conduct initial risk assessment analytics
3930 Risk Assessment Analytics - Purpose	PwC Audit 4100 Conduct initial risk assessment analytics
3931 Performing Risk Assessment Analytics	PwC Audit 4103.1 Analytical procedures to identify and assess the risks of material misstatement
3940 Substantive Analytical Procedures	PwC Audit 5500 Substantive analytical procedures

3950 Overall Conclusion Analytics	PwC Audit 8400 Perform overall conclusion analytics
4000 - Understanding and Evaluating Internal Controls	
4010 Overview	PwC Audit 3200 Understand the entity's internal control over financial reporting
4140 Consideration of a Company's Use of Information Technology	PwC Audit 3300 Understand and evaluate the IT environment
4150 Use of Service Organizations	PwC Audit 5202 Service organizations
4160.01 Walkthrough considerations in recurring audits	PwC Audit 3203.1 Walkthroughs and other procedures
4165 Evaluating Design Effectiveness of Control Activities (Including "Review" Controls)	PwC Audit 5401.1 Evaluating design and testing operating effectiveness of review controls
4200 - Consideration of Fraud in Audits	
4210 Consideration of Fraud in a Financial Statement Audit - Overview	PwC Audit 4300 Conduct fraud risk assessment
4220 Description and Characteristics of Fraud	PwC Audit 4301 Description and characteristics of fraud
4225 Importance of Professional Skepticism	PwC Audit 4300.3 Auditor's responsibilities
4230 Discussion Among Engagement Personnel	PwC Audit 4303 Discussion among engagement personnel
4235 Obtaining Information Needed to Identify Risks of Material Misstatement Due to Fraud	PwC Audit 4304 Obtaining information needed to identify risks of material misstatement due to fraud
4240 Identifying Fraud Risks	PwC Audit 4306.1 Identification and assessment of the risks of material misstatement due to fraud
4245 Linking Management's Anti-Fraud Programs and Controls to Identified Fraud Risks	PwC Audit 4307 Understanding and evaluating fraud-related controls
4250 Responding to the Results of the Fraud Risk Assessment	PwC Audit 5301 Responding to the results of the fraud risk

	assessment
4255 Known or Strong Suspicion of Possible Fraud	PwC Audit 7101.2 Responding to actual, suspected or alleged fraud
4265 Evaluating Audit Evidence	PwC Audit 7101.1 Evaluating audit evidence
4275 Documenting our Consideration of Fraud	PwC Audit 7104 Communications about actual, suspected or alleged fraud
4500 Testing Internal Controls	PwC Audit 5400 Determine nature, timing and extent of controls testing to be performed
4511 Use of CAATs	PwC Audit 6900 Using digital client data
4512.01 Reliability of System-Generated Information Used by Management or the Auditor	PwC Audit 3303.5.3 Key reports
4530 Extent of Testing of Internal Control	PwC Audit 5402 Determine the nature and extent of testing controls
4537 Remediated Controls	PwC Audit 5402 Determine the nature and extent of testing controls
	PwC Audit 5402.3 Remediated deficiencies
4560 Testing Automated Controls and ITGCs	PwC Audit 3300 Understand and evaluate the IT environment
4700 Evaluating Identified Control Deficiencies	PwC Audit 8300 Summarize and evaluate deficiencies in internal control
4720 Impact of ITGC Deficiencies on the Audit	PwC Audit 3303.4 ITGC Deficiencies
	PwC Audit 8301.2 Evaluate deficiencies in internal control
5000 - Substantive Audit Evidence	
5100 Determining the Nature and Extent of Substantive Testing	PwC Audit 5100 Determine the audit strategy and develop the audit plan
5110 Determining the Nature and Extent of Substantive Testing -	PwC Audit 5102.3 Responses to assessed risks of material

Overview	misstatement at the assertion level
5135 Financial Statement Assertions and the Nature of Substantive Tests	PwC Audit 5103 Develop the audit plan
5140 Determining the Amount of Evidence Required From Substantive Testing	PwC Audit 5102.3 Responses to assessed risks of material misstatement at the assertion level
5160 Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures	PwC Audit 6700 Auditing accounting estimates, including fair value accounting estimates, and related disclosures
5170 External Confirmations	PwC Audit 6100 External confirmations
5180 Physical Inventory Observation	PwC Audit 6600 Physical inventory observations
5300 Tests of Details	PwC Audit 5600 Test of details
5311 Homogeneity of Populations	PwC Audit 5601.3 Homogeneity of populations
5322 Testing Key Reconciliations	PwC Audit 6800 Testing reconciliations
5331 Performing a Search for Unrecorded Liabilities	PwC Audit 6850 Performing a search for unrecorded liabilities
5340 Accept-Reject Testing	PwC Audit 5603 Accept-reject testing
5330 Targeted Testing	PwC Audit 5602 Targeted testing
5350 Audit Sampling	PwC Audit 5604 Audit sampling
5400 Computer Assisted Auditing Techniques	PwC Audit 6900 Using digital client data
5500 Timing of Substantive Tests	PwC Audit 5103.3.2 Considerations of whether to perform interim substantive testing
5600 - Other Auditing Procedures	
5610 Litigation, Claims and Assessments	PwC Audit 6300 Litigation, claims, and assessments

5620 Minutes of Meetings of Directors and Shareholders	PwC Audit 3105 Minutes of meetings
5630 Going Concern	PwC Audit 7200 Conclude on an entity's ability to continue as a going concern
5640 Related Parties	PwC Audit 3103 Related Parties
5660 Illegal Acts	PwC Audit 3102 Consideration of illegal acts
5680 Compliance with Loan Covenants and Other Debt Provisions	PwC Audit 6400 Compliance with loan covenants and other debt provisions
5690 Examining Journal Entries and Other Adjustments	PwC Audit 5303 Journal entries
5700 - Audit Guidance for Specific Financial Statement Areas	
5710 Tax Accruals	PwC Audit 6500 Income taxes
5720 Contracts	PwC Audit 3106 Contracts
5730 Investments in Debt and Equity Securities, Derivative Instruments and Hedging Activities	PwC Audit 6750 Investments in securities and derivative instruments
5740 Self-Insurance and Other Insurance Related Assets and Liabilities (Non-Insurance Entity Estimates)	PwC Audit 6710 Self-insurance and other insurance related assets and liabilities (non-insurance entity estimates)
5750 Revenue	PwC Audit 6200 Auditing revenue
5760 Audit Evidence for Income Statement Accounts Other than Revenue	PwC Audit 6250 Substantive evidence for income statement accounts other than revenue
6000 - Completion	
6000 Completion	PwC Audit 8500 Other completion activities
6200 Materiality and Evaluation of Uncorrected Misstatements and Internal Control Deficiencies	PwC Audit 8200 Summarize misstatements and evaluate impact on current period and prior period financial statements

6281 Documentation - Summary of Aggregated Deficiencies	PwC Audit 8301.2 Evaluate deficiencies in internal control
6300 Financial Statement Disclosure Checklist	PwC Audit 8102 Financial statement disclosure checklists
6400 Subsequent Events	PwC Audit 7300 Subsequent events and subsequently discovered facts
6500 Management Representations	PwC Audit 8501 Management representations
6600 Financial Statements and Consolidations	PwC Audit 8100 Perform procedures over financial statements
6630 Consolidations	PwC Audit 1705.1 Work to perform on the consolidation process
6635 Segments	PwC Audit 3104 Segment information
6640 Comparative Financial Information	PwC Audit 8602 Comparative financial statements, including predecessor and successor auditor considerations
6650 Transparency in Corporate Reporting	PwC Audit 1503.2 Transparency in corporate reporting
6660 PCAOB Form AP	PwC Audit 8900 PCAOB Form AP
6700 Other Information in Documents Containing Audited Financial Statements	PwC Audit 8606 Other information, supplemental information, and required supplemental information
6800 Evaluating Our Performance	PwC Audit 8800 Evaluating our performance
6900 Archiving Audit and Quarterly Review Client Files	PwC Audit 8700 File wrap-up and archiving
6931 Additional Documentation and Archiving Requirements for Assurance Engagements Subject to the New York Rules	PwC Audit 8701.5 Additional documentation and archiving requirements for assurance engagements subject to the New York rule
6965 Documentation and Retention Considerations for Inspections, Including PwC Assurance Quality Review (QR), PCAOB Inspections, Peer Review and Any Other Post-Audit Reviews	PwC Audit 10102 Documentation and retention considerations for inspections, including PwC Assurance Quality Review (QR), PCAOB Inspections, peer review and any other post-audit reviews

6971 Multiple Reports Issued From the Same Database - Examples	PwC Audit 8702 Multiple reports – Documentation considerations
6960 Documentation of Amendments Made Following Archiving	PwC Audit 8701.4 Modifications to audit documentation after the date of final assembly
6980 Overview of Internal and External Inspection Processes	PwC Audit 10101 Overview of internal and external inspections processes
6981 Assurance Quality Review (QR)	PwC Audit 10101.1 Assurance Quality Review (QR)
6982 PCAOB Inspections	PwC Audit 10101.2 PCAOB inspections
6983 Peer Review	PwC Audit 10101.3 Peer review
7000 - Audit Committee Communications	
7100 Required Communications	PwC Audit 1500.1 Introduction - communication
7200 Communications Plan	PwC Audit 1501.2.4 Written communication plan
7220 Summary Audit Strategy	PwC Audit 1501.3.2 Planned scope and timing of the audit
7230 Perspectives on Fraud Risk	PwC Audit 1501.3.2 Planned scope and timing of the audit
7240 Communications Plan - Audit Committee Communications and Audit Committee Pre-Approval	PwC Audit 2107 Audit Committee Communications related to independence
7300 Execution	PwC Audit 1501.3.3 Results of the audit – accounting policies and practices, estimates and significant unusual transactions
7400 Completion	PwC Audit 1501.3 Required communications
7415 Material Uncertainties Related to Events and Conditions (Specifically Going Concern)	PwC Audit 7204 Communication with the audit committee
	PwC Audit 1501.3.4 Results of the audit – significant findings
7420 Communication of Deficiencies Identified During the Audit	PwC Audit 1502.1 Communicating significant deficiencies and

(PCAOB Standards Engagements and Integrated Audits)	material weaknesses
7460 Completion - PCAOB Rule 3526 and Reporting of Breaches	PwC Audit 2107 Audit Committee Communications related to independence
7465 Fees	PwC Audit 2107 Audit Committee Communications related to independence
7480 Audit Committee Communications for Multilocation Audits	PwC Audit 1501.3.5 Results of the audit – other matters
7600 Governance	PwC Audit 1503.1 Corporate governance
	PwC Audit 1501.3.2 Planned scope and timing of the audit
8000 - Multilocation Audits	
8100 Planning	PwC Audit 1702 Initial planning activities
8112 Evaluating Involvement in the Work of Component Auditors	PwC Audit 1702.4.3 Evaluating involvement in the work of component auditors
8130 Understanding the Component Auditors	PwC Audit 1702.4 Understanding the component auditor
8200 Developing The Audit Strategy and Plan	PwC Audit 1703 Overall audit strategy and audit plan
8230 Multilocation Audit Scoping Decisions	PwC Audit 1703.4.2 Determining components at which to perform work and the nature of the work
8220 Determining Materiality in Group Audits	PwC Audit 1703.5.2 Determining component overall, performance and specific materiality
8224 Optional Component Materiality Framework	PwC Audit 1703.6 Optional component materiality framework
8300 Communications	PwC Audit 1704 Communication
8400 Completion	PwC Audit 1706 Completion and reporting
8510 Part of the Audit Performed by Other Independent	PwC Audit 1706 Completion and reporting

Auditors - Overview	
8520 Determining Whether the U.S. Firm Can and Should Serve as Principal Auditor	PwC Audit 1702.1.3 Principal auditor considerations
8530 Determining Whether to Use the Work of the Non-PwC Firms	PwC Audit 1702 Initial planning activities
8540 Determining Whether to Make Reference to Non-PwC Firms	PwC Audit 1706.4 Determining if we can and will make reference to a non-PwC firm in our report
8550 Procedures Regarding the Work of Non-PwC Auditors	PwC Audit 1702.4 Understanding the component auditor
	PwC Audit 1704.1 Communicating the group instructions to the component auditors
	PwC Audit 1702.4.3 Evaluating involvement in the work of component auditors
8360 Subsequent Events	PwC Audit 1706.3 Subsequent events
8570 Compliance with Requirements in Another Country	PwC Audit 1702.4.2.1 Group GAAS and GAAP considerations
8600 Reporting by the Component Auditor	PwC Audit 1704 Communication
8700 Shared Service Centers	PwC Audit 1708 Shared service centers
9000 - Practice Management Issues	
9100 Cessation of Audit Relationship	PwC Audit 10010 Cessation of audit relationships
9200 Cross-Border Security Offerings	PwC Audit 10020 Cross-border security offerings – overview
9300 Reissuance of Audit Reports	PwC Audit 10030 Reissuance of audit reports – overview
9330 "Keeping Current" or Subsequent Events Procedures	PwC Audit 10032 “Keeping current” or subsequent events procedures in connection with a reissuance of an audit report

9400 Retention of Assurance Engagement Documents	PwC Audit 10040 Retention of assurance engagement documents – Overview
9500 Lost Working Papers	PwC Audit 10050 Lost working papers
9600 Third Party Access to Audit Documentation	PwC Audit 10060 Third party access to audit documentation – Overview
9700 Third Party Acknowledgement Letters ("Privity Letters")	PwC Audit 10070 Third party acknowledgement letters ("Privity Letters")
9820 Changes in Accounting Principles	PwC Audit 8603.2 Consistency of financial statements (e.g., change in accounting principle and restatements)
9830 Potential Restatements of and Revisions to Previously Issued Financial Statements and Uncorrected Misstatements in the Current Period	PwC Audit 8200 Summarize misstatements and evaluate impact on current period and prior period financial statements
9900 Permission to Use a Client's Name or Logo	PwC Audit 10090 Permission to use a client's name or logo
10000 - Reporting	
10010 PwC Reporting guide – Required Consultations	PwC Audit 8600 Reporting
10100 Reports on Audits of Internal Control Over Financial Reporting	PwC Audit 8613 Integrated audits
10370 Condensed Financial Statements and Selected Financial Data - Overview	PwC Audit 8612 Condensed financial statements and selected financial data
11000 - Sector-Specific Matters	
11100 Insurance	PwC Audit 11100 Insurance
11200 Banking	PwC Audit 11200 Banking
11300 Asset Management	PwC Audit 11300 Asset and wealth management

11308 Consents and SEC Filings	PwC Audit 11303 Consents and SEC filings
11400 Public Utilities	PwC Audit 11400 Regulated & non-regulated utilities
11500 Employee Benefit Plans	PwC Audit 11500 Employee Benefit Plans
11600 Registered Brokers or Dealers	PwC Audit 11700 Registered Brokers or Dealers
11309 Reporting on Investment Performance, Including Under the GIPS Performance Presentation Standards	PwC Audit (NP) 12304 Reporting on Investment Performance, Including Under the GIPS Performance Presentation Standards
11320 Chief Compliance Officer Attestation Examination Engagement	PwC Audit (NP) 12305 Chief Compliance Officer Attestation Examination Engagement
11330 "Custody Rule" - Rule 206(4)-2 of the Investment Advisers Act of 1940	PwC Audit (NP) 12306 "Custody Rule" - Rule 206(4)-2 of the Investment Advisers Act of 1940
12000 - Other Assurance Matters	
12000 Reviews of Interim Financial Information	PwC Audit 9100 Interim reviews and reporting
12057.01 Material Changes in Internal Control (PCAOB Standards Engagements and Integrated Audits)	PwC Audit 9105.1.1 Certifications and changes in internal control
12100 Reporting on the Processing of Transactions by Service Organizations	PwC Audit (NP) 12204 Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1)
12200 Attestation Engagements	PwC Audit (NP) 12000 Attestation standards engagements
12275 AT 501 Integrated Audit for Non-public Companies	PwC Audit 9300 AICPA AU-C 940 Integrated audit for non-public companies
12300 Providing Technical Opinions to Others	PwC Audit 13200 Providing technical opinions to others
12370 Accounting Advisory Services to Non-Audit Clients	PwC Audit 13300 Accounting advisory services
12400 Required Transaction Services Involvement in Due	PwC Audit 13400 Required transaction services involvement in due

Diligence Engagements	diligence engagements
12700 Other Consulting Services	PwC Audit 13500 Other consulting services
12750 Protocols for Assurance Staff Augmentation (Loaned Staff) Arrangements	PwC Audit 13600 Protocols for assurance staff augmentation (loaned staff) arrangements
13700 Comfort Letters	PwC Audit 13700 Comfort letters
13800 SEC Services consultations	PwC Audit 1850 SEC Services consultations

Related Content

PwC Audit 1100
PwC Audit 1200
PwC Audit 5101.1
PwC Audit 3400
PwC Audit 4600
PwC Audit 4600.3
PwC Audit 4602.3
PwC Audit 4601.3
PwC Audit 3208
PwC Audit 3201.1
PwC Audit 2300
PwC Audit 1205.1.1
PwC Audit 2301
PwC Audit 5201
PwC Audit 2302
PwC Audit 2308
PwC Audit 5204
PwC Audit 5205
PwC Audit 5206
PwC Audit 5207
PwC Audit 5208

PwC Audit 5205.3
PwC Audit 5205.4
PwC Audit 5206.10
PwC Audit 5206.11
PwC Audit 5206.12
PwC Audit 1400
PwC Audit 2307
PwC Audit 7400
PwC Audit 7402
PwC Audit 1300
PwC Audit 6104.1
PwC Audit 1304.5.1
PwC Audit 1304.5.2
PwC Audit 1305
PwC Audit 1305.12
PwC Audit 1305.9.2
PwC Audit 1305.11
PwC Audit 1800
PwC Audit 1805
PwC Audit 2200
PwC Audit 1101.1
PwC Audit 2201
PwC Audit 2206
PwC Audit 2202.1
PwC Audit 1702.1
PwC Audit 4501.1
PwC Audit 4501.3
PwC Audit 1702.1.3
PwC Audit 13100
PwC Audit 2203
PwC Audit 2204

PwC Audit 1702.1.5
PwC Audit 2100
PwC Audit (NP) 11600
PwC Audit 2110
PwC Audit 2400
PwC Audit 4500
PwC Audit 3101
PwC Audit 4200
PwC Audit 5100
PwC Audit 3200.1
PwC Audit 3203.3
PwC Audit 5203
PwC Audit 7600
PwC Audit 5101.4
PwC Audit 5103.1
PwC Audit 5700
PwC Audit 1301.2
PwC Audit 7500
PwC Audit 4100
PwC Audit 4103.1
PwC Audit 5500
PwC Audit 8400
PwC Audit 3200
PwC Audit 3300
PwC Audit 5202
PwC Audit 3203.1
PwC Audit 5401.1
PwC Audit 4300
PwC Audit 4301
PwC Audit 4300.3
PwC Audit 4303

PwC Audit 4304
PwC Audit 4306.1
PwC Audit 4307
PwC Audit 5301
PwC Audit 7101.2
PwC Audit 7101.1
PwC Audit 7104
PwC Audit 5400
PwC Audit 6900
PwC Audit 3303.5.3
PwC Audit 5402
PwC Audit 5402.3
PwC Audit 8300
PwC Audit 3303.4
PwC Audit 8301.2
PwC Audit 5102.3
PwC Audit 5103
PwC Audit 6700
PwC Audit 6100
PwC Audit 6600
PwC Audit 5600
PwC Audit 5601.3
PwC Audit 6800
PwC Audit 6850
PwC Audit 5603
PwC Audit 5602
PwC Audit 5604
PwC Audit 5103.3.2
PwC Audit 6300
PwC Audit 3105
PwC Audit 7200

PwC Audit 10101.3
PwC Audit 1500.1
PwC Audit 1501.2.4
PwC Audit 1501.3.2
PwC Audit 2107
PwC Audit 1501.3.3
PwC Audit 1501.3
PwC Audit 7204
PwC Audit 1501.3.4
PwC Audit 1502.1
PwC Audit 1501.3.5
PwC Audit 1503.1
PwC Audit 1702
PwC Audit 1702.4.3
PwC Audit 1702.4
PwC Audit 1703
PwC Audit 1703.4.2
PwC Audit 1703.5.2
PwC Audit 1703.6
PwC Audit 1704
PwC Audit 1706
PwC Audit 1706.4
PwC Audit 1704.1
PwC Audit 1706.3
PwC Audit 1702.4.2.1
PwC Audit 1708
PwC Audit 10010
PwC Audit 10020
PwC Audit 10030
PwC Audit 10032
PwC Audit 10040

PwC Audit 10050
PwC Audit 10060
PwC Audit 10070
PwC Audit 8603.2
PwC Audit 10090
PwC Audit 8600
PwC Audit 8613
PwC Audit 8612
PwC Audit 11100
PwC Audit 11200
PwC Audit 11300
PwC Audit 11303
PwC Audit 11400
PwC Audit 11500
PwC Audit 11700
PwC Audit (NP) 12304
PwC Audit (NP) 12305
PwC Audit (NP) 12306
PwC Audit 9100
PwC Audit 9105.1.1
PwC Audit (NP) 12204
PwC Audit (NP) 12000
PwC Audit 9300
PwC Audit 13200
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12000 Attestation standards engagements

Publication date: 2018-03-01T00:00Z

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PwC Public Attest Policy

Applicability of the PwC Public Audit Guide for attestation standards engagements

Other than PCAOB AT 1 compliance and PCAOB AT 2 exemption engagements for brokers and dealers, an attestation standards engagement should not be conducted solely in accordance with PCAOB standards, even when it is conducted for a public company. It should be conducted in accordance with AICPA standards, or both AICPA and a second set of standards (e.g., PCAOB standards) with reference to both sets of standards in our report. The PwC Audit policies and guidance for attestation standards engagements are contained in PwC Audit (NP) 12000 .

PwC Public Assurance Quality Management Policy

Engagement acceptance and continuance - Attestation standards considerations

The standards to be used in the attestation standards engagement should be discussed with Quality Management as part of engagement acceptance and continuance.

PwC Public Attest Guidance

The PCAOB and AICPA attestation standards address three types of engagements: examination, review, and agreed-upon procedures. As discussed in PwC's *Reporting* guide (chapter RG 17 for attest examination and attest review engagements, and chapter RG 18 for agreed-upon procedure engagements), when the engagement is within the jurisdiction of the PCAOB, the engagement is conducted in accordance with PCAOB standards. When the engagement is not within the jurisdiction of the PCAOB, the engagement is conducted in accordance with AICPA standards, or it may be conducted in accordance with both AICPA standards and a second set of standards (e.g., PCAOB, Government Auditing Standards, or ISAE/ISRS) if required or requested by the client.

While there is a common understanding of whether an audit, integrated audit or interim review is within the jurisdiction of the PCAOB, there is a lack of clarity of whether certain attestation standards engagements, such as an attest examination under Regulation AB, are within the jurisdiction of the PCAOB. This topic is currently being discussed by the AICPA, PCAOB, and the profession. At this time, other than PCAOB AT 1 compliance and PCAOB AT 2 exemption engagements for brokers and dealers, we are not aware of situations where an attestation standards engagement is within the jurisdiction of the PCAOB. Therefore, in accordance with the PwC Public Attest Policy above, other than PCAOB AT 1 and PCAOB AT 2 engagements, an attestation standards engagement is not conducted solely in accordance with PCAOB standards, even when it is conducted for a public company. It is conducted in accordance with AICPA standards, or both AICPA standards and a second set of standards (e.g., PCAOB standards) with reference to both sets of standards in our report.

We are aware of certain subject matter-specific attestation standards engagements that are conducted in accordance with both AICPA and PCAOB standards. This results in situations where the engagement is not subject to the jurisdiction of the PCAOB (based on our current understanding), but a regulator requires the engagement to be conducted in accordance with PCAOB standards. Examples include Regulation AB attest examination engagements and SIPC Form 3 and Form 7 agreed-upon procedure engagements. In these situations, the subject matter-specific templates (as well as PwC Audit (NP) and the subject-matter specific Aura library, if applicable) are designed assuming the engagement will be conducted in accordance with both AICPA and PCAOB standards.

Although we expect the situation to be uncommon, if an attestation standards engagement is conducted in accordance with both AICPA and PCAOB standards and there are not subject matter-specific tools and templates available (e.g., Aura library, engagement letter, management representation letter, report), modifications will be necessary to our standard tools and templates. Questions regarding the differences between the AICPA and PCAOB standards and modifications necessary to our standard tools and templates may be directed to ASM&T.

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PCAOB AT 2

PwC Audit (NP) 12000

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Glossary of Terms
Publication date: 2018-11-15T00:00Z
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Term	*Definition*
AASI (Accounting, Auditing and SEC Inquiry)	The AASI (Accounting, Auditing and SEC Inquiry) database in Lotus Notes is designed to better structure and improve the effectiveness of the National consultation process. The National Consultation Form in the AASI database is used to facilitate formal, cross-border formal and informal consultations with National on technical accounting, auditing, and reporting matters. The AASI database contains views to help identify National Consultants with subject matter expertise.
Accept-reject testing	A method for selecting items where the purpose is to test attributes rather than monetary amounts. The objective of accept-reject testing is to gather sufficient evidence to either accept or reject a characteristic of interest. It does not involve the projection of a monetary misstatement in an account or population; therefore we only use accept-reject testing when we are interested in a particular attribute or characteristic and not a monetary balance.
Acceptance & continuance	The acceptance and continuance system (A&C) provides a globally consistent method for assessing risk associated with an entity and/or engagement, as well as provides a means of managing the approval process and overall portfolio risk.
Acceptance & continuance (A&C) output	The output from completing the acceptance & continuance (A&C) process. The output is an overall risk rating, risks identified, and the required approvals.
Access to programs and data	Processes and controls that protect an entity from inappropriate access and unauthorized use of the system and supports segregation of duties. Controls over access to programs and data typically include management of security activities, security administration, direct access to data, operating system security, and network security.
Accounting and Reporting Manual (ARM)	One of the Firm's sources of written guidance on financial accounting and reporting matters under U.S. Generally Accepted Accounting Principles (U.S. GAAP). The most current version of the ARM is maintained in Inform.

Accounting estimate	An approximation of a financial statement element, item or account absent a precise means of measurement and is generally pervasive in the financial statements.
Accounting records	The records of initial accounting entries and supporting records, such as check copies and records of electronic fund transfers, invoices, contracts, the general and subsidiary ledgers, journal entries and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.
Accounting system	A means by which business transactions are processed from their origination to their reporting in the financial statements. The processes can be both computerized and manual.
Analytical procedures	Evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.
Applicable financial reporting framework	Relevant financial reporting requirements for statements and schedules to be filed with regulatory agencies such as the Securities and Exchange Commission. The term also means the financial reporting framework that applies to the group financial statements (e.g., U.S. GAAP, IFRS). Also see "financial reporting framework."
Archiving	The process that changes access to the electronic file to "read only" and places a secure copy on the Engagement Management Website- Archive server. Archiving is important to enable a final record of the procedures performed, evidence obtained, and conclusions reached to be retained. Through archiving, only the final version of the electronic file is available for use in the subsequent period's engagement, and only the final version, with all coaching notes cleared and deleted, can be available for future reference.
Arm's length transaction	A transaction conducted on such terms and conditions between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.
Attest engagements	PCAOB AT 101.01 defines attest engagements as engagements, except for those services discussed in PCAOB AT 101.04, in which a certified public accountant in the practice of public accounting (hereinafter referred to as a practitioner) is engaged to issue or does issue an examination, a review, or an agreed-upon procedures

	report on subject matter, or an assertion about the subject matter (hereafter referred to as the assertion), that is the responsibility of another party.
Audit approach	The PwC Audit overall framework; provides a holistic approach to ensure the quality of the audit. Applies clear principles in performing audit work, with the appropriate amount of supporting detail This allows auditors to exercise judgment in their approach while avoiding inefficient completion of forms. Enables accountability of performance.
Audit Committee	A committee (or equivalent body) established by and among the board of directors of a company for the purpose of overseeing the accounting and financial reporting processes of the company and audits of the financial statements of the company; if no such committee exists with respect to the company, the entire board of directors of the company.
Audit documentation	The written record of the basis for the auditor's conclusions that provides the support for the auditor's representations, whether those representations are contained in the auditor's report or otherwise. Audit documentation also facilitates the planning, performance, and supervision of the engagement, and is the basis for the review of the quality of the work because it provides the reviewer with written documentation of the evidence supporting the auditor's significant conclusions. Among other things, audit documentation includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the auditor. Audit documentation also may be referred to as work papers or working papers. Note: An auditor's representations to a company's board of directors or audit committee, stockholders, investors, or other interested parties are usually included in the auditor's report accompanying the financial statements of the company. The auditor also might make oral representations to the company or others, either on a voluntary basis or if necessary to comply with professional standards, including in connection with an engagement for which an auditor's report is not issued. For example, although an auditor might not issue a report in connection with an engagement to review interim financial information, he or she ordinarily would make oral representations about the results of the review. Audit documentation in the "client file" comprises the Aura database together with the related external hard copy files, which together represent the official record of our work.
Audit evidence	All the information, whether obtained from audit procedures or other sources, that is used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information. Audit

	evidence also consists of both information that supports and corroborates management's assertions regarding the financial statements or internal control over financial reporting and information that contradicts such assertions. Sufficiency of audit evidence is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of material misstatement and also by the quality of such audit evidence. Appropriateness of audit evidence is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.
Audit opinion	Our audit opinion (also referred to as the "audit report") states our conclusion reached on whether or not the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. If applicable, our audit opinion also states our conclusions reached on whether or not the company maintained, in all material respects, effective internal control over financial reporting based on the control criteria.
Audit plan	The audit plan is more detailed than the overall audit strategy in that it includes the nature, timing and extent of audit procedures to be performed by the engagement team members. An audit plan includes a description of (a) the planned nature, timing, and extent of the risk assessment procedures; (b) the planned nature, timing, and extent of tests of controls and substantive procedures; and (c) other planned audit procedures required to be performed to comply with PCAOB standards. The financial statement line items, identified risks and planned response (in the form of controls and evidence gathering activities) as reflected in the Risk & Response module of Aura represents the detailed audit plan. The planning EGAs in Aura will also reflect certain aspects of the audit plan.
Audit report	Refer to audit opinion.
Audit risk	In an audit of financial statements, audit risk is the risk that we express an inappropriate audit opinion when the financial statements are materially misstated, i.e., the financial statements are not presented fairly in conformity with the applicable financial reporting framework. In an audit of internal control over financial reporting, audit risk relates to whether we express an inappropriate audit opinion when one or more material weaknesses exist. Audit risk is a function of risk of material misstatement (i.e., inherent risk and control risk) and detection risk.
Audit sampling	The application of an audit procedure to less 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 strategy	Sets the scope, timing and direction of the audit, and guides the development of the audit plan.
Auditor's consent	A statement signed and dated by the auditor that indicates that the auditor consents to the use of the auditor's report, and other references to the auditor, in a registration statement filed under the Securities Act of 1933 (the 1933 Act).
Auditor's point estimate or range	The amount or range of amounts, respectively, derived from audit evidence for use in evaluating the recorded or disclosed amount(s).
Aura library	A set of pre-defined risks, controls and EGAs created for use with Aura.
Authorization for services (AFS) system	A set of business processes and a web-based system implemented globally to help ensure that PwC meets various international regulatory requirements and PwC policies regarding the provision of audit and non-audit services to audit clients.
Automated application controls	Automated control procedures (e.g., calculations, posting to accounts, generation of reports, edits, control routines, etc.) or manual controls that are dependent on IT (e.g., the review by an inventory team manager of an exception report when the exception report is generated by IT). When IT is used to initiate, authorize, record, process, or report transactions or other financial data for inclusion in the financial statements, the systems and programs may include controls related to the corresponding assertions for significant accounts or disclosures or may be critical to the effective functioning of manual controls that depend on IT.
Automated calculations	Mathematical determinations of a number or amount that are performed by an IT system instead of a person. For example, the system applies the straight-line depreciation formula to calculate depreciation on an asset (cost of the asset, less the residual value of the asset at the end of its useful life, divided by the useful life of the asset) or the system calculates the value of an invoice by multiplying the invoice price times the quantity shipped.
Automated controls	Controls performed or enforced by IT systems. For example, many IT systems include format checks (e.g., date or number), existence checks (e.g., customer number exists on customer master file before processing a transaction), or reasonableness checks (e.g., maximum payment amount) when a transaction is recorded.
Basic financial statements	Financial statements presented in accordance with an applicable financial reporting framework as established by a designated accounting standards setter, excluding supplementary information and required supplementary information. Also see financial statements.
Benchmark (materiality)	An element of the financial statements to which a threshold will be applied for purposes of calculating

	materiality.
Benchmarking	Can be used as an extension of analytical procedures that compares an organization's performance (financial or nonfinancial) against a select industry or peer comparison group. Such benchmarking comparisons provide the engagement team with information to assist in obtaining or updating an understanding of the entity and its industry, forming a point of view on the risks in the business, and to substantiate the client's representations.
Business performance reviews (BPRs)	Processes performed by an entity's management directed at determining whether certain metrics, financial or non financial, are being met and may include reviews and analyses of actual performance versus budget, forecast, and prior period performance, relating different sets of data - operating or financial - to one another, comparing internal data with external sources of information; and reviewing functional or activity performance, together with analyses of the relationships, and investigative and corrective actions.
Business process	Any sequence of activities (transactions) that takes place in order to get work accomplished and achieve the business' objectives. These may range, in order of complexity, from a simple procedure, such as paying a bill, to a key element of the business operations, such as a wholesaler's stock management and distribution system, to functional, such as maintaining an organization's financial records, to cross-functional, like application of human resources.
Business risk	A risk resulting from conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives and execute its strategies, or from the setting of inappropriate objectives and strategies.
Business units	Include subsidiaries, divisions, branches, components, or investments. The terms "components", "locations" or "business units" are used interchangeably throughout PwC Audit.
Capsule financial information	Unaudited summarized interim financial information for periods subsequent to the periods covered by the audited financial statements or unaudited condensed interim financial information included in the registration statement (securities offering). Capsule financial information may be presented in narrative or tabular form and is often provided for the most recent interim period and for the corresponding period of the prior year.
Carryforward documents	Documents supporting the current period audit and expected to support a future period audit, such as related party listings, lease agreements, multi-year customer or vendor contracts, and benefit plan agreements. Documents of a carryforward nature can be maintained in the Carryforward File section of the Aura Document Library, where they will be automatically rolled forward to the subsequent year. Documents

	carried forward from the prior period and determined to not be relevant to the current period audit are to be removed from the current period file.
Carve-out method	Method of addressing the services provided by a subservice organization, whereby management's description of the service organization's system identifies the nature of the services performed by the subservice organization and excludes from the description and from the scope of the service auditor's engagement the subservice organization's relevant control objectives and related controls.
CD/W log (Aura)	A list of Control Deficiencies/Weaknesses (CD/Ws) created for the engagement. The view lists all of the CD/Ws for the audit units(s) selected in the Audit Unit Selector.
Central Entity Service (CES)	A web-based system that is the Firm's primary tool for capturing and documenting engagement, entity, and relationship information associated with audit, review or attest standard (i.e., attest examination or attest review) engagements.
Change period	The period ending on the cut-off date and ordinarily beginning, for balance sheet items, immediately after the date of the latest balance sheet in the registration statement (securities offering) and, for income statement items, immediately after the latest period for which such items are presented in the registration statement (securities offering)
Client file	Contains the records that comprise the audit documentation for a specific engagement. It refers to the electronic Aura database and any hard copy external files that contain audit documentation (including paper files for engagements where an electronic Aura database is not used).
Coaching note	A document in the Aura database that is a communication between team members. It is used to indicate outstanding matters or follow-up work arising during work performed and/or the review process and can be used as a personal reminder or to-do-list.
Comfort letter	A letter issued by an auditor in accordance with PCAOB AS 6101 to requesting parties in connection with an entity's financial statements included in a securities offering.
Communications plan	A comprehensive plan for how, what and when we will communicate throughout the year to our client, including the Audit Committee
Comparative financial statements	A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period.

Comparative information	Refers to prior period information included for comparison with the financial statements of the current period that is not in the form of a complete set of financial statements and notes in accordance with the applicable financial reporting framework. Comparative information may be prior period condensed financial statements or summarized financial information.
Compensating controls	Controls that generally operate at a higher level and work to cap the magnitude of potential misstatement from deficiencies in other controls. If compensating controls are operating effectively, they will typically prevent or detect and correct a misstatement in the financial statements, depending on the level of the precision of the compensating control. Business performance reviews, described above, are often cited as compensating controls because they operate with less precision than underlying transaction level controls, but may mitigate potential misstatements from deficiencies in the other controls. To have a mitigating effect, a compensating control needs to address the same risk of misstatement as the deficient control and operate at a level of precision that would prevent or detect and correct on a timely basis a misstatement that could be material.
Complementary controls	Controls that function together to achieve the same control objective. A failure in one of these sub-component controls can cause the control objective not to be met or cause it to be met at a different level of precision.
Complementary subservice organization controls	Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by the subservice organizations and are necessary to achieve the control objectives stated in management's description of the service organization's system.
Complementary user organization controls/Complementary user entity controls	Controls that management of the service organization assumes, in the design of its service, will be implemented by user organizations, and which, if necessary to achieve the control objectives stated in management's description of the service organization's system, are identified as such.
Complete set of financial statements	A complete set of financial statements and footnotes prepared in conformity with an applicable financial reporting framework.
Completion	Stage of the audit at which the client file is finalized/signed off. During completion the following occur: the database is signed-off; the audit report and other significant communications, such as regulatory reporting requirements, are given to the entity; the engagement team is debriefed; and feedback is requested from the entity.
Complex systems	Systems that process transactions or perform calculations that are either impossible or impracticable to

	reperform manually. Indicators of a complex system are detailed in PwC Audit 5205.3
Component	An entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements. A component could be a head office, parent, division, location, business unit, branch, subsidiary, activity, shared service center, joint venture, equity method investees, associated company, or other entity whose financial information is included in the group financial statements. Components aggregated at a certain level may constitute a component for purposes of the group audit; however, such a component may also prepare group financial statements that incorporate the financial information of the components it encompasses (i.e., a subgroup). The terms "components", "locations" or "business units" are used interchangeably throughout PwC Audit.
Component auditor	An auditor who performs work on the financial information of a component that will be used as audit evidence for the group audit. A member of the group engagement team may perform work on the financial information of a component for the group audit at the request of the group engagement team. Where this is the case, such a member of the engagement team is also a component auditor. A component auditor may be from another U.S. PwC office, a non-U.S. PwC firm, or a non-PwC Firm. Auditors who do not meet the definition of a member of the group engagement team are considered component auditors. However, an auditor who performs work on a component is not considered a component auditor when the group engagement team will not use that work to provide audit evidence for the group audit. When two or more component auditors exist, the PwC Public policies and guidance within PwC Audit 1700 are applicable to each component auditor. The terms "component auditor" and "component team" are used interchangeably throughout PwC Audit and other tools (e.g., Aura, Network Risk Management Policy, etc.).
	This refers to either a "complete set of financial statements" or "Special purpose financial information

Component financial information	prepared for the purposes of group consolidation" (commonly referred to as Standard Company Forms).
Component financial statements	See "Complete set of financial statements".
Component management	Management responsible for preparing the financial information of a component.
Component materiality	The materiality level for a component determined by the group engagement team to be acceptable for purposes of the group engagement. Generally, component materiality will be referred to more specifically as "component overall materiality" or "component performance materiality," which are the materiality levels for a component determined in the context of the multilocation audit.
Computer environment	A specific set of hardware and system software on which the client's business and accounting systems run (e.g., AS/400, UNIX).
Computer operations	Processes and controls to ensure processing of data is complete and accurate and address the risk of potential loss of data or inability to access data as required. Controls over computer operations typically includes batch scheduling and processing, real-time processing, backup and problem management, disaster recovery and physical security.
Condensed financial statements	Historical financial information that is presented in less detail than a complete set of financial statements, in accordance with an appropriate financial reporting framework. Condensed financial statements may be separately presented as unaudited financial information or may be presented as comparative information. Also see comparative information and financial statements.
Confirmation	The process of obtaining and evaluating a direct communication from a third party in response to a request for information about a particular item affecting financial statement assertions.
Connect	The global audit support tool expected to be used by audit teams to facilitate document exchange between PwC and the client. [click here].
Connect audit manager	The global audit support tool expected to be used by group and component audit teams as well as shared service and statutory/regulatory audit teams to facilitate collaboration and communications on multi-location audit engagements. This tool helps audit teams work more efficiently by simplifying and standardizing multi-location communications, digitizing audit content (e.g., acknowledgement of receipt,

	confirmations, uncorrected misstatements, management adjustments, control deficiencies) and other engagement information (e.g., fees), and providing a dashboard to monitor pending actions. Connect Audit Manager is deployed from Client Base. Refer to the Connect Audit Manager Spark site [click here] for more information.
Connect instructions tool	The global audit support tool expected to be used by group audit teams to help create (or update) interoffice instructions and appendices for PwC component audit teams. This tool helps group teams prepare instructions in accordance with PCAOB, AICPA or ISA standards and US or Global PwC policies, as applicable to the group audit engagement, and to do so more efficiently by standardizing communications and digitizing content. [click here].
Consolidation process	Includes: a. The recognition, measurement, presentation, and disclosure of the financial information of the components in the group financial statements by way of inclusion, consolidation, proportionate consolidation, or the equity or cost methods of accounting; b. The aggregation in combined financial statements of the financial information of components that have no parent but are under common control.
Control activities	The policies and procedures that help ensure that management directives are carried out. Control activities, whether within IT or manual systems, have various objectives and are applied at various organizational and functional levels. Examples of specific control activities include those relating to the following: Authorization, Performance reviews, Information processing, Physical controls, and Segregation of duties (both in assigned responsibilities and supporting IT access rights). These controls provide support that the control activities component and related principles are present and functioning, and they may also provide evidence to help support a determination that another component(s) of internal control and associated principles are present and functioning. For example, control activities that operate throughout the organization may also support a determination that the company has demonstrated a commitment to competency within the control environment. Control activities function within business processes that result in financial statement account balances and disclosures. As discussed in PCAOB AS 2110.34, we obtain knowledge of control activities from the understanding of the other components of internal control.
Control deficiency	Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis.

	● A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. ● A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.
Control environment	The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It is the foundation for all other components of internal control, providing discipline and structure.
Control objective	Provides a specific target against which to evaluate the effectiveness of controls. A control objective for internal control over financial reporting generally relates to a relevant assertion and states a criterion for evaluating whether the company's control procedures in a specific area provide reasonable assurance that a misstatement or omission in that relevant assertion is prevented or detected by controls on a timely basis.
Control risk	The risk that a misstatement, due to error or fraud, that could be material, individually or in combination with other misstatements, will not be prevented or detected on a timely basis by the entity's internal controls. Control risk is a function of the effectiveness of the design and operation of internal control. Some control risk will always exist because of the inherent limitations of internal controls.
Corroboration	Obtaining additional evidence to support audit evidence gathered by making further inquiries, examining evidence or performing other procedures.
COSO framework	The Committee of Sponsoring Organizations ("COSO") of the Treadway Commission published the Internal Control—Integrated Framework (the "COSO Framework"). This control framework is used by nearly every SEC issuer that is required to evaluate the effectiveness of internal control over financial reporting (ICFR) using a "suitable, recognized" control framework. The COSO Framework is the basis for how we understand and evaluate an entity's system of internal control in connection with performing an audit. In 1992, COSO published its original control framework. In 2013, COSO published an updated control framework that superseded the original framework effective December 15, 2014. The COSO Framework sets out five interrelated components of internal control and seventeen principles representing fundamental concepts associated with each component. Because the principles are drawn directly from the components of internal control, an organization can achieve effective internal control by

	applying all principles. Even though the components of internal control and associated principles are designed to address operations, reporting and compliance objectives, we focus our audit effort on the application of these components and principles to financial reporting objectives.
Coverage ratios	Measures the ability of a company to cover its debt service and pay principal and interest when due. The ratios most commonly used to measure coverage are: interest coverage; operating cash flow to debt service; total debt to operating cash flow; and fixed charge coverage.
Create	Create facilitates the preparation of U.S. Engagement Letters, statements of work and certain other documents, as applicable, for all Lines of Service based upon responses to questions and prompts included within the tool.
Critical accounting estimate	An accounting estimate where (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and (b) the impact of the estimate on financial condition or operating performance is material.
Cumulative uncorrected audit misstatements (CUAM)	The effect of all uncorrected misstatements, which may aggregate over multiple periods, on all financial statement line items impacted.
Cycle	A group of inter-related activities for the processing of transactions from their inception to their recording in the general ledger (e.g., revenue and receivables cycle or inventory cycle). Cycles are normally considered in relation to the client's business processes.
Desired level of evidence	The judgmental setting of High, Moderate, Low or Supplemental that indicates for each substantive audit procedure how persuasive we need the evidence to be. For a substantive test of details, the level reflects the quantity and quality (i.e., relevance and reliability) of the evidence we need to be satisfied that the account, transactions or disclosure are not misstated by an amount that could be material, either individually or when aggregated with other misstatements.
Desk files	Files (either electronic or hard copy) used by members of the engagement team to hold information and audit documents and files we collect during the audit that are not required to be kept as part of our working papers. Desk files should not be retained after the final assembly of the client file.
Detection risk	The risk that the procedures performed by the auditor will not detect a misstatement that exists and that could be material, individually or in combination with other misstatements in an assertion or a material weakness in internal control in an integrated audit. This risk is a function of the effectiveness of an auditing

	procedure and its application by the auditor. It arises partly from uncertainties that exist when we do not examine 100% of an account balance or cycle and partly because of other uncertainties that exist even if 100% of the balance or cycle were examined.
Detective control	A control that has the objective of detecting errors or fraud that has already occurred that could result in a misstatement of the financial statements.
Direct assistance	The use of internal auditors to perform audit procedures under the direction, supervision, and review of the external auditor.
Direct entity-level controls	Controls designed to operate at a sufficient level of precision to prevent, or detect and correct on a timely basis, material misstatements to financial statement line items at the assertion level. Direct entity-level controls (Direct ELCs) have the potential to provide at least some degree of controls reliance sufficient to modify the nature, timing and extent of substantive procedures. Direct ELCs are typically less precise than transaction level controls and tend to be detective rather than preventive in nature. Business performance reviews are an example a direct ELC.
Disclosure Checklist	PwC's Disclosure Checklist is our practice aid assisting us in addressing the financial statement assertion of presentation and disclosure. Instructions for accessing and use of the software are located in the U.S. Template Manager database under the category "Automated Disclosure Checklists (ADC) - General Assurance".
Disclosures	Explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.
Documentation completion date	The date when a complete and final set of audit documentation should be assembled for retention as of a date not more than 45 days after the report release date (documentation completion date). If a report is not issued in connection with an engagement, then the documentation completion date should not be more than 45 days from the date that fieldwork was substantially completed. If the auditor was unable to complete the engagement, then the documentation completion date should not be more than 45 days from the date the engagement ceased.
Documents containing audited financial statements	Refers to annual reports, registration statements, or other SEC filings (or similar documents) that are available to the public or issued to shareholders (or similar stakeholders) and annual reports of governments and organizations for charitable or philanthropic purposes that are available to the public that contain audited financial statements and the auditor's report thereon.

Dual purpose test	Performing a test of controls and a test of details on the same transaction. Also see substantive procedure and test of controls.
Elevated risk	A risk that requires additional audit consideration beyond what would be necessary for a normal risk, but it does not rise to the level of a significant risk because of the nature, the likely magnitude of the potential misstatements, or the likelihood of the risk occurring. Elevated risks frequently will be risks that we will discuss with management and the audit committee of the entity, but that do not rise to the level of a significant risk.
Engagement completion document	A document that identifies all significant matters, and that either includes, or is cross-referenced to, supporting audit documentation that is sufficient for a reviewer to gain a thorough understanding of the significant matters.
Engagement leader	The partner in the Firm who is responsible for the audit engagement and its performance, including for the quality of work done and documentation. The engagement leader determines the opinion to be issued and signs the audit report on behalf of the Firm, ensuring that, where required, he/she has the appropriate authority from a profession, legal or regulatory body to do so. Note: The term engagement leader is used in PwC Audit as a substitute for the PCAOB term of engagement partner.
Engagement letter	Legally enforceable contracts to provide professional services.
Engagement Management Website (EMW)	The component of the Aura system used to facilitate electronic client file deployment, management and quality control processes, which allows users to automatically deploy and manage electronic client files.
engagement partner	See engagement leader.
Engagement team	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes experts engaged by PwC.
Enterprise resource planning (ERP) system	A complex system with the following characteristics: integrated (fully integrated, full service suite of software covering multiple business applications); embedded information technology general controls (security, application maintenance and computer operations functions are embedded within the ERP application modules); multifunctional (tracks financial amounts, material, people, goods and resources); modular (all or some of the functionality can be used and implemented); enterprise-wide (planning, control and processing for the entire business, covers multiple business processes and locations); and real time (transactions and

	processes are executed immediately). Some of the major vendors of ERP systems are SAP, PeopleSoft, Oracle and JD Edwards.
Entity-Level Controls (ELCs)	Controls that operate throughout the entire organization and often have a pervasive impact on controls at the process, transaction, or application level. Entity-level controls (ELCs) vary in nature and precision and could have a direct or an indirect effect on the likelihood that a misstatement will be detected or prevented on a timely basis.
Error	An unintentional misstatement in the financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosures.
Estimated misstatement (as used in PwC Audit 5600)	Our estimate of the population misstatement (made before performing audit sampling procedures). We assess the estimated misstatement on the basis of professional judgment after considering such factors as the entity's environment and risks, the results of prior years' tests of the account and the results of other tests performed in the current period, such as targeted testing, substantive analytical procedures and tests of controls.
Estimated misstatements	Our estimate of the population misstatement (made before performing audit sampling procedures).We assess the estimated misstatement on the basis of professional judgment after considering such factors as the entity's business, the results of prior years' tests of the account and the results of other tests performed in the current period, such as targeted testing, substantive analytical procedures, and tests of controls. Estimated misstatement is a critical component in the evaluation of our sample results and therefore a reasonable estimate of expected misstatement is necessary.
Estimation uncertainty	The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.
Evidence gathering activity (EGA)	Tasks performed by an auditor designed either to gather audit evidence as a basis for assessing and/ or responding to a risk, or to complete other audit procedures that are necessary to comply with requirements. The performance of EGAs collectively enables the auditor to comply with standards, draw conclusions and support the audit opinion.
Exception	When test results for a particular item are outside what is considered acceptable. It is essential to have a clear definition of what constitutes an exception prior to executing accept-reject testing. The appropriate exception definition will depend on the test objective and may include an allowance for inconsequential differences.

Executive officer	For issuers, the president; any vice president of a company in charge of a principal business unit, division, or function (such as sales, administration or finance); any other officer who performs a policy-making function; or any other person who performs similar policy-making functions for a company. Executive officers of subsidiaries may be deemed executive officers of a company if they perform such policy-making functions for the company. For brokers and dealers, the term "executive officer" includes a broker's or dealer's chief executive officer, chief financial officer, chief operations officer, chief legal officer, chief compliance officer, director, and individuals with similar status or functions.
Experienced auditor	An individual (whether internal or external to the firm) who has practical audit experience and a reasonable understanding of: 1. audit activities; 2. GAAS and applicable legal and regulatory requirements; 3. the business environment in which the entity operates; and 4. auditing and financial reporting issues relevant to the entity's industry.
Expert engaged by PwC	An individual or organization external to PwC, who is engaged by PwC, with expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist in obtaining sufficient appropriate audit evidence. In the context of PCAOB standards, the term auditor's external specialist is used.
Factual misstatements	Misstatements about which there is no doubt. In the case of factual misstatements (commonly referred to as known misstatements) there is evidence that the misstatement was specifically identified and determined by precise measurement.
Fair value accounting estimates	Accounting estimates involving measurement at fair value.
Financial reporting framework	A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements (for example, accounting principles generally accepted in the United States of America (U.S. GAAP), International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework). Also see "applicable financial reporting framework" and "special purpose framework."
Financial statement assertions	Representations implicitly or explicitly made by management as to the fair presentation, in conformity with the applicable financial reporting framework, of the financial statements, and related and disclosures

Financial statement level	Applies to the financial statements of the entity or audit unit as a whole rather than at the level of a particular FSLI or process, e.g., financial statement level risk, such as the risk of management override of controls, or financial statement level procedures, such as those relating to going concern.
Financial statements	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term financial statements ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement or a complete set of special purpose financial statements, including the related notes.
Flowcharts	Method of documenting an overview of an entity's business processes or the detailed flow of a business process. Each business process flow can be broken down into several sub-processes, with information or data as input and files or documents as output.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in the financial statements that are the subject of an audit. Two types of intentional misstatements are relevant: misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.
Fraud risk	The risk of material misstatement of the financial statements due to fraud.
Fraud risk factors	Events or conditions that indicate (1) an incentive or pressure to perpetrate fraud, (2) an opportunity to carry out fraud, or (3) an attitude or rationalization that justifies the fraudulent action.
Financial Statement Line Item/FSLI	A single line item or individual element of a financial statement (balance sheet or income statement), representing a class of transactions, account balance, or other disclosure, e.g., accounts receivable, or interest expense.
Generally accepted accounting principles	Reference to generally accepted accounting principles for audits of public companies should look to the requirements of the Securities and Exchange Commission for the company under audit with respect to the accounting principles applicable to that company.
	A fundamental principle in the preparation of the financial statements. Under the going concern assumption,

Going concern assumption	an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.
Government auditing standards/Generally accepted government auditing standards	Standards and guidance issued by the Comptroller General of the United States, U.S. Government Accountability Office for financial audits, attestation engagements, and performance audits. Government Auditing Standards also is known as generally accepted government auditing standards (GAGAS) or the Yellow Book.
Group	All the components whose financial information is included in the group financial statements. A group always has more than one component.
Group audit	The audit of group financial statements. A group audit is oftentimes referred to as a multilocation audit or an audit with multiple locations or business units.
Group audit opinion	The audit opinion on the group financial statements. The terms "group audit opinion" and "group audit report" are used interchangeably throughout PwC Audit.
Group engagement leader/group engagement partner	In the U.S., the group engagement leader is the Assurance partner in the Firm who is responsible for the engagement and its performance, including for the quality of work done and documentation. As described in PwC Public Audit Policy in PwC Audit 1704.5, only Assurance partners may sign interoffice and inter-firm reports. The terms "group engagement partner" and "group engagement leader" are used interchangeably throughout PwC Audit.
Group engagement team	Partners, including the group engagement leader, and staff who establish the overall group audit strategy, communicate with component auditors, perform work on the consolidation process, and evaluate the conclusions drawn from the audit evidence as the basis for forming an opinion on the group financial statements. The term "group engagement team" is used throughout PwC Audit. Other tools (e.g., Aura, Network Risk Management Policy, etc.) may use different terms intended to have the same meaning, such as "group auditor".
Group financial statements	Financial statements that include the financial information of more than one component. The term "group financial statements" also refers to combined financial statements aggregating the financial information prepared by components that have no parent but are under common control.

	The terms "group financial statements" and "consolidated financial statements" are used interchangeably throughout PwC Audit. Also see definition for "Special purpose financial information prepared for the purposes of group consolidation ".
Group management	Management responsible for the preparation of the group financial statements.
Group wide controls	Controls designed, implemented, and maintained by group management over group financial reporting. Global PwC Audit 1700 refers to group-wide controls while PwC Audit and PwC Audit (NP) refer to entity-level controls, as defined above.
Haircut (materiality)	A percentage reduction applied to overall materiality in order to determine performance materiality.
Haphazard selection	A common method of selection in non-statistical sampling. This provides a method for selecting a judgmentally representative sample without relying on a truly random process or on a structured technique. "Haphazard" does not mean without thought or effort. Sample items are selected without any conscious bias (i.e., without any special reason for including or omitting items from the sample) or predictable pattern (e.g., avoiding difficult to locate items, or always choosing or avoiding the first or late entries on a page) because to do so would not provide an equal chance for selection of all items in the population we are testing.
Head office	The client's central or controlling office in a multilocation engagement (typically the parent company).
Higher Profile Clients (HPC)	Those entities for which we perform audit and certain non-audit engagements (i.e., including attestation examination, review and AUP engagements, SSARs reviews, and excluding engagements performed under the consulting standards) which represent a significant financial risk to the firm or a reputational risk to the firm and/or to the Global Network.
Inclusive method	A method of reporting that includes in the service auditor's report, when a service organization uses a subservice organization, the subservice organization relevant control objectives and related controls in the service organization's description of its system and in the scope of the service auditor's engagement.
Inconsequential components	Components that individually and in the aggregate do not present a reasonable possibility of material misstatement.
	Controls that contribute to the effectiveness of internal control over financial reporting but are not intended

Indirect entity-level controls	to directly impact the likelihood of a misstatement to address specific FSLIs at the assertion level and, therefore, would not by themselves prevent, or detect and correct on a timely basis, misstatements to one or more relevant assertions. They may, however, contribute to the effectiveness of controls. Indirect ELCs include company-wide programs such as codes of conduct and controls that monitor the overall effectiveness of other controls.
Information and communication	Business processes and the underlying IT environment (i.e., systems/applications and computer environments) that support the preparation of the entity's financial statements. Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.
Information processing	A variety of controls are performed to check accuracy, completeness and authorization of transactions. Data entered are subject to edit checks or matching to approved control files. A customer's order, for example, is accepted only upon reference to an approved customer file and credit limit. Numerical sequences of transactions are accounted for. File totals are compared and reconciled with prior balances and with control accounts. Exceptions in need of follow-up are acted upon by clerical personnel, and reported to supervisors as necessary. Development of new systems and changes to existing ones are controlled, as is access to data, files and programs. Controls over information processing are discussed further below.
Information processing objectives	Management's goals in relation to controls, which, if effectively met, help support management's implicit financial statement assertions: ● Completeness of records ● Accuracy of records ● Validity of records ● Restricted access to assets and records
Information technology general controls ("ITGCs")	Policies and procedures that relate to many applications and support the consistent and effective functioning of application controls and IT dependencies. ITGCs include the following domains: program development, program changes, access to programs and data, and computer operations.

Inherent risk	The susceptibility of an assertion to a misstatement, due to error or fraud, that could be material, individually or in combination with other misstatements, before consideration of any related controls.
Initial audit engagement	An engagement in which either (a) the financial statements for the prior period were not audited, or (b) the financial statements for the prior period were audited by a predecessor auditor.
Inquiry	Seeking information of knowledgeable persons, both financial and nonfinancial, within the entity or outside the entity. Inquiry is used extensively throughout the audit, in addition to other audit procedures. Inquiries may range from formal written inquiries to informal oral inquiries. Evaluating responses to inquiries is an integral part of the inquiry process.
Inspection	Involves examining records or documents, whether internal or external, in paper form, electronic form, or other media, or physically examining an asset. Inspection of records and documents provides audit evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production. An example of inspection used as a test of controls is inspection of records for evidence of authorization.
Interfaces	Programmed logic that transfer data from one IT system to another. For example, an interface may be programmed to transfer data from a payroll sub-ledger to the general ledger.
Interim financial information	Financial information or statements covering a period less than a full year or for a 12-month period ending on a date other than the entity's fiscal year end.
Internal audit function	A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management, and internal control processes.
Internal auditors	Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.
Internal control	A process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
Internal control framework	Internal control over financial reporting can be described as consisting of the following components: ● The control environment, ● The company's risk assessment process,

	● Information and communication, ● Control activities, and ● Monitoring of controls.
Internal control over financial reporting	A process designed by, or under the supervision of, the company's principal executive and principal financial officers, or person performing similar functions and effected by the company's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Note: The auditor's procedures as part of either the audit of internal control over financial reporting or the audit of the financial statements are not part of a company's internal control over financial reporting ICFR has inherent limitations. ICFR is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. ICFR also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented, or detected on a timely basis by ICFR. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.
Interoffice report	A report issued by a U.S. PwC or non-U.S. PwC component auditor to a PwC group engagement team in relation to component financial information.
Interpretive publications	Recommendations on the application of auditing standards in specific circumstances, including engagements for entities in specialized industries.
Investment ratios	Measures the amount the company is investing, the efficiency and effectiveness of a company's decisions concerning the allocation of assets, and the amount of growth the company is experiencing given those decisions. Investment ratios commonly used are: net investment, net investment as a percentage of sales, cash retention rate and average sales growth rate for the past three years.

Iron curtain method	Quantifies income statement errors based on the amount by which the income statement would be misstated if the accumulated amount of the errors that remain in the balance sheet at the end of the period were corrected through the income statement during that period.
Issuer	The term "issuer", as defined in section 3 of the Securities Exchange Act of 1934, means any person who issues or proposes to issue any security; except that with respect to certificates of deposit for securities, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors or of the fixed, restricted management, or unit type, the term "issuer" means the person or persons performing the acts and assuming the duties of depositor or team manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that with respect to equipment-trust certificates or like securities, the term "issuer" means the person by whom the equipment or property is, or is to be, used. An entity, as defined in Section 3 of the Securities Exchange Act of 1934 (15 USC 78(c)), that registers securities under section 12 of that Act (15 USC 78(l)), or that is required to file reports under section 15(d) of that Act (15 USC 78(d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 USC 77a et seq.), provided that it has not been withdrawn. Engagements that require independence performed for voluntary filers must be conducted in accordance with the SEC and PCAOB independence rules relating to issuers.
IT dependencies	A relevant control activity, support a relevant control activity or support a substantive procedures. Examples include automated controls, system generated reports or data, automated calculations, security that facilitates the segregation of duties, and automated interfaces among applications.
Judgmental misstatements	Differences arising from the judgments of management concerning accounting estimates that the auditor considers unreasonable or the selection or application of accounting policies that the auditor considers inappropriate.
Key control	A control that is selected for testing
Key reports	System-generated reports or data generated by IT systems, used in and important to the effective execution of relevant controls or used in our substantive testing procedures.
Knowledge gateway	The U.S. Firm's "one-stop tool" for accessing PwC's knowledge, key resources and expertise. Knowledge gateway provides robust search features and offers home pages for each of the firm's technical and industry

	practice areas, which are referred to as domains. U.S. National Professional Services is represented on the knowledge gateway via the accounting & auditing Home Page.
Leverage ratios	Measures a company's risk and return trade-off through its decisions on debt versus equity financing. Creditors often impose debt covenants on borrowers in order to protect their risk of default. Measurement of compliance with these debt covenants is often through the use of leverage ratios. The ratios most commonly used to measure leverage are: total debt to equity, long-term debt to equity, tangible equity, total debt to tangible equity, fixed asset to tangible equity and total debt to assets.
Limitation on the scope of an audit	Our inability to obtain sufficient appropriate audit evidence. Scope limitations may: ● Be imposed by management (e.g., not providing access to appropriate evidence, or refusal to sign a management representation letter) ● Result from circumstances beyond the control of the company (e.g., inadequate accounting records) ● Result from the nature or timing of our work
Liquidity ratios	Measures the ability of a company to meet its obligations. They can be used to measure how quickly assets can be turned into cash. Liquidity ratios give a picture of how quickly operations create or consume cash. The ratios commonly used to measure liquidity are: current ratio, working capital, working capital turnover, cost of sales to payables, days in payables, operating cash flow and cash conversion cycle.
Management	The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board.
Management bias	A lack of neutrality by management in the preparation and presentation of information.
Management Information	Any information that management uses to control the business and on which they make business decisions. This may be the formal output from a business process or any other informal source from which management obtains information.
Management representation letter	A written statement, by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.
Management unit	The sphere of responsibility of a particular team manager, whether a senior executive or lower down the organization. More specifically, management units are units of the business grouped according to the

	organization structure (delegation of authority and responsibility) and defined by products, processes, functions, profit or cost centers.
Management's assessment	The assessment of the effectiveness of internal control over financial reporting (ICFR) as of the end of the most recent fiscal year, including a statement as to whether or not ICFR is effective. This discussion must include disclosure of any material weakness in the company's ICFR that has been identified by management. Management is not permitted to conclude that the entity's ICFR is effective if there are one or more material weaknesses in ICFR.
Management's point estimate	The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.
Management's expert	An individual or organization external to PwC who is employed or engaged by management, with expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements. In the context of PCAOB standards, the term management's specialist is used.
Material weakness	A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.
Materiality	Materiality is entity specific. The omission or misstatement of an item in a financial report is material if, in light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item.
Materiality for particular accounts or disclosures	Materiality established for certain accounts or disclosures for which there is substantial likelihood that misstatements of lessor amounts than the materiality level established for the financial statements as a whole (i.e., overall materiality) would influence the judgment of a reasonable investor.
Milestones	Event decision points that mark the critical path for the audit. Milestones represent key points against which the progress of the audit is reported.
Misstatement	A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that should be reported in conformity with the applicable financial reporting framework. Misstatements can arise from error (i.e., unintentional misstatement) or fraud. In PwC Audit, misstatements in disclosures are called disclosure exceptions.

Misstatement of fact	Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.
Monitoring of controls	A process that assesses the quality of internal control performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two.
Multilocation audit	An audit of the financial statements of a company with operations in multiple locations or business units. A multilocation audit may also be called a group audit or an audit with multiple locations or business units. These terms will be used interchangeably throughout PwC Audit.
MyKcurve	PwC's intranet containing relevant information on the industries of our clients.
Negative confirmation	A request that the recipient respond only if he or she disagrees with the information stated on the request.
Network Risk Management policies	Global risk management policies and guidance applicable to all worldwide PwC professionals that provide audit, non-audit, tax, and other services. The policies and guidance contained in the Matrisk database have been developed to ensure effective and consistent management of professional risk by all partners and staff of PwC firms.
Non-PwC Firm	An unaffiliated firm responsible for performing work at a component. Other tools (e.g., Aura, Network Risk Management Policy, etc.) may use different terms intended to have the same meaning, such as "external firm", "non-PwC firm", or "unaffiliated firm."
Non-significant component	Lower-risk components, including those that present a reasonable possibility of material misstatement in the aggregate.
Non-statistical sampling	An approach to sampling which does not use a statistical technique to determine sample size and evaluate sample results.
Noncompliance	Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. We use the terms illegal acts and noncompliance with laws and regulations interchangeably throughout our guidance, tools and templates that reside outside of this PwC Public Audit Guide.

	Illegal acts at the entity level do not include: ● Personal misconduct by the entity's personnel unrelated to their business activities; however, personal misconduct may raise other considerations (e.g., if the misconduct calls into question the integrity of someone from whom we receive representations). ● Illegal acts other than by the client or those charged with governance Audit Committee, management or other individuals working for or under the direction of the client.
Nonissuer	An entity that does not meet the definition of an issuer.
Nonresponse	A failure of the confirming party to respond, or fully respond, to a positive confirmation request or a confirmation request returned undelivered.
Nonroutine transactions	Transactions that are unusual, either due to size or nature, and that, therefore, occur infrequently
Normal risk	Relates to a range of situations, and may include routine transactions subject to systematic processing, as well as more complex transactions where judgment is required. Normal risks do not rise to the level of a significant risk because of either the magnitude of potential misstatements that could result from the risk or the likelihood of the risk occurring.
Observable inputs	With respect to fair value accounting estimates, assumptions or inputs that reflect what market participants would use in pricing an asset or a liability, developed based on market data obtained from sources independent of the reporting entity.
Observation	Looking at a process or procedure being performed by others (e.g., the auditor's observation of inventory counting by the company's personnel or the performance of control activities). Observation can provide audit evidence about the performance of a process or procedure, but the evidence is limited to the point in time at which the observation takes place and also is limited by the fact that the act of being observed may affect how the process or procedure is performed.
Omitted procedure	An auditing procedure that the auditor considered necessary in the circumstances existing at the time of the audit of the financial statements but which was not performed.
Opening balances	Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

Other auditing publications	Publications other than interpretive publications; these include AICPA auditing publications not defined as interpretive publications; auditing articles in the Journal of Accountancy and other professional journals; continuing professional education programs and other instruction materials, textbooks, guide books, audit programs, and checklists; and other auditing publications from state CPA societies, other organizations, and individuals.
Other auditor	An unaffiliated firm responsible for the audit work at a business unit. The "other auditor" is also referred to as a "non-PwC firm" within PwC Audit.
Other comprehensive basis of accounting	The cash basis, tax basis, regulatory basis, and other basis of accounting. Also see special purpose framework
Other information	Includes (1) financial and nonfinancial information presented in the same document with the audited financial statements, and (2) "supplemental information" accompanying the audited financial statements that we have not been engaged to audit, but excludes (1) "supplemental information" accompanying the audited financial statements that we have been engaged to audit, (2) "required supplemental information," whether or not we have been engaged to audit it, and (3) SEC Regulation S-X Article 12 schedules
Overall materiality	Materiality determined for the financial statements as a whole.
PCAOB Release	Publication of proposed or final rule by the PCAOB.
Performance materiality	The amount used for purposes of assessing risk of material misstatement and planning and performing audit procedures at the account or disclosure level and that can be expected to reduce to an appropriately low level the probability that the total of uncorrected and undetected misstatements would result in material misstatement of the financial statements.
Performance measures	Information used by management, investors, analysts and others (financial institutions, government/regulatory authorities, key customers or suppliers, etc.) to gain an understanding of the organization's performance in any area, both financial and non-financial, including financial position and results. Designing and monitoring measures are a vital way of managing an organization and measures need to be aligned with the organization's business objectives, risks and controls.
Period of reliance	The period being covered by the company's financial statements, or the portion of that period, for which the auditor plans to rely on controls in order to modify the nature, timing, and extent of planned substantive procedures.

Permanent files	Files that contain information retained to contribute to the efficiency of future years' engagements, but do not represent documentation of the nature, timing, extent and result of auditing procedures performed, the evidence obtained or the conclusions reached. As permanent files are not kept in direct support of audit work performed, they are not required to be archived at the time the audit documentation for a specific engagement is completed.
Planning	Includes establishing the overall audit strategy for the engagement and developing an audit plan, which includes, in particular, planned risk assessment procedures and planned responses to the risks of material misstatement. Planning is not a discrete phase of an audit but, rather, a continual and iterative process that might begin shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit.
Population	The recorded amount of all items composing an account balance, class of transactions or control instances that may be tested using one sample. Determining a testing population involves defining the appropriate and complete set of data (e.g., transactions, control instances, etc.) from which we will select our sample and about which we wish to draw conclusions.
Positive confirmation request	A request that the respondent to reply to us in all cases either by indicating the respondent's agreement with the given information, or by asking the respondent to fill in information.
Potential misstatement	An estimate of the misstatement that could result from a deficiency that has a reasonable possibility of likelihood of occurrence.
Precision	A term used in connection with the assurance which our substantive procedures provide. In relation to analytical procedures the degree of precision refers to the closeness of our expectation to the "correct" amount. In relation to audit sampling, it represents the excess of tolerable misstatement over estimated misstatement, and is a measure of how precise the conclusions from our sampling application need to be.
Predecessor auditor	An auditor who (a) has reported on the most recent audited financial statements or was engaged to perform but did not complete an audit of the financial statements and (b) has resigned, declined to stand for reappointment, or been notified that his or her services have been, or may be, terminated.
Presumptively mandatory requirements	The word "should" indicates responsibilities that are presumptively mandatory. The auditor must comply with requirements of this type specified in the Board's standards unless the auditor demonstrates that alternative

	actions he or she followed in the circumstances were sufficient to achieve the objectives of the standard. Failure to discharge a presumptively mandatory responsibility is a violation of the relevant standard and Rule 3100 unless the auditor demonstrates that, in the circumstances, compliance with the specified responsibility was not necessary to achieve the objectives of the standard.
Preventive controls	A control that has the objective of preventing errors or fraud that could result in a misstatement of the financial statements from occurring.
Principal auditor	The group engagement team responsible for the performance of the group engagement resulting in an external opinion issued by the Firm.
Productivity ratios	Measures the efficiency and effectiveness of the company's employees. The productivity ratio most commonly used is sales per full time equivalent employee.
Professional judgment	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.
Professional skepticism	An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence
Profitability ratios	Provide a measure of a company's ability to generate, sustain and increase profits. The ratios commonly used to measure profitability are: net income as a percentage of sales, operating margin as a percentage of sales, gross margin percentage, return on assets, pre-tax return on assets, return on equity and return on net investments.
Program changes	Processes and controls that ensure changes to programs and related infrastructure components are requested, authorized, performed, tested, and implemented to achieve management's application control objectives.
Program development	Processes and controls that ensure systems are developed, configured, and implemented to achieve management's application control objectives. This domain is only relevant where development, implementation, or conversion projects exist or are anticipated that impact the risk of material misstatement to the current year's financial statements.
Project management	The process of planning, managing, and monitoring the work necessary, including effective communications and resolving issues. All of this has to be done at the right level of detail and at the right time, in order to:

	● Identify, schedule, and execute tasks necessary for completion ● Identify and realize engagement objectives, such as the right report, compliance with applicable standards, the PwC Client Experience, and the PwC People Experience
Project plan	A document that is set during the planning phase of the engagement and covers the budget, resource plan, when and with whom the initial client meetings will be held, timetable and key deliverables. The project plan is to be shared with the whole engagement team. In addition, the project plan is the document used to monitor the progress of the audit.
Projected misstatements	Differences that we project based on an extrapolation from audit evidence obtained. For example, the amount obtained by projecting misstatements identified in an audit sample to the entire population for which the sample was drawn (extrapolated misstatement only). It is based upon the ratio between the discovered misstatement and recorded amounts in the sample projected to the untested portion of the population sampled.
Public company	An entity that is subject to the Securities Exchange Act of 1934 or the rules of the Securities and Exchange Commission.
Public Interest Entity (PIE)	Clients who have a fiduciary or other financial trust relationship with a large number and wide range of stakeholders. The Network RM policies define the following as PIE for a PwC network firm. ● All Listed Entities - These are entities whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body. All SEC issuers are considered to be listed entities. Government entities that are direct issuers of tax-exempt municipal bonds and conduit debt obligors who have borrowed the proceeds from a similar issuance of bonds are not considered listed entities because the municipal bonds are not listed on a recognized stock exchange. ● Any entity (a) defined by regulation or legislation as a Public Interest Entity or (b) for which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator. (This would include non-SEC audit clients where a relevant regulator, such as the FDIC, requires the auditor to comply with SEC and PCAOB independence rules. It would also include non-issuer brokers or dealers that are registered with the SEC and are required to comply with certain SEC and PCAOB independence rules.) All SEC audit clients that are issuers, and audit clients for which the audit is required by regulation or legislation to be conducted in compliance with SEC and PCAOB independence rules, are PIEs.

Quality review partner (QRP)/Engagement quality reviewer (EQR)	A partner who is not part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report, if a report is to be issued, in order to determine whether to provide concurring approval of issuance. Note: The term Quality Review Partner (QRP) is used in PwC Audit as a substitute for the PCAOB term engagement quality reviewer.
Random selection	A common method of selection in non-statistical sampling. To select randomly, we can use random number tables, random number generators, or random selection offered by sampling software or Microsoft Excel. This method allows all items in the population to have an equal chance of being selected.
Reasonable assurance	In the context of an audit of financial statements or of internal control over financial reporting, reasonable assurance is a high, but not absolute, level of assurance.
Reaudit	An initial audit engagement to audit financial statements that have been previously audited by a predecessor auditor.
Recalculation	Consists of checking the mathematical accuracy of documents or records. Recalculation may be performed manually or electronically.
Redundant controls	Controls that achieve the same control objective, meaning risks of misstatements would be sufficiently addressed by either control alone.
Referred reporting engagements	Engagements where a PwC firm (the "signing firm") signs an external report based primarily on the work performed by another PwC firm (the "performing firm"). This situation occurs when local law or regulatory requirements permit only locally licensed auditors to sign the audit report submitted to a regulator, such as reports related to the Hong Kong Companies Ordinance, the Bermuda Monetary Authority, and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.
Related Parties	Related parties include: a. Affiliates of the entity b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of ASC 825-10-15, to be accounted for by the equity method by the investing entity c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management d. Principal owners of the entity and members of their immediate families

	e. Management of the entity and members of their immediate families f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests."
Related party transaction	The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.
Relevant assertions	Assertions that have a reasonable possibility of containing a misstatement or misstatements that would cause the financial statements to be materially misstated. The determination of whether an assertion is a relevant assertion is based on inherent risk, without regard to the effect of controls.
Relevant controls	The following control activities are "relevant" to the audit of the financial statements: ● controls which address significant risks of material misstatement (whether due to fraud or error) at the financial statement and relevant assertion levels ● control activities that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence ● controls over journal entries and other adjustments ● control activities relating to the reconciliation of detailed records to the general ledger for material account balances ● control activities that are likely to be appropriate to test the operating effectiveness of the control activity in determining the nature, timing and/or extent of substantive testing ● controls management has established to identify, authorize and approve, and account for and disclose significant unusual transactions in the financial statements ● Other control activities that in our professional judgment are necessary to understand in order to assess risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks
Relevant ethical requirements	Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which consist of the PCAOB Ethical and Independence Standards together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.

Remote likelihood	The chance of the future event or events occurring is slight.
Reperformance	The independent execution of procedures or controls that were originally performed by company personnel as part of the entity's internal control. Reperformance techniques may be performed manually or through the use of computer-assisted audit techniques (CAATs), for example, reperforming the reconciliation of bank accounts to obtain audit evidence about whether they were correctly performed by the entity.
Report date	The date sufficient appropriate audit evidence on which we base our opinion has been obtained, including evidence we have completed all the tests of the accounting records and controls and performed other procedures we consider necessary in the circumstances of the particular engagement."
Report issuance (or release) date	The date we grant the client permission to use our report in connection with the issuance of the company's financial statements. In AS 1215, this is called the report release date.
Report on compliance	Our report on a company's compliance with aspects of contractual agreements or regulatory requirements, insofar as they relate to "accounting matters" in connection with our audit of the financial statements as discussed in AS 3305.19-.21. Such a report is sometimes referred to as a "compliance report," "no default letter," or "no knowledge of default" communication
Required supplementary information	Information that a designated accounting standards-setter (e.g., FASB, GASB, FASAB or IASB) requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standards-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established.
Restricted access	Procedures or mechanisms in place to protect an entity from inappropriate access and unauthorized use of the system and supports segregation of duties, also known as information security.
Retention period	The period for which the final client file (i.e., electronic and hard copy workpapers) should be retained after the report release date to meet the needs of the Firm or as required by law or regulation.
Risk assessment (component of internal control)	Management's process for: a. Identifying risks relevant to financial reporting objectives, including risks of material misstatement due to fraud ("fraud risks"); b. Assessing the likelihood and significance of misstatements resulting from those risks; and c. Deciding about actions to address those risks.

Risk assessment procedures	The procedures performed by the auditor to obtain information for identifying and assessing the risks of material misstatement in the financial statements whether due to fraud or error.
Risk associated with the control	The risk the control might not be effective and, if not effective, that we have inappropriately relied upon the control in determining the nature, timing, and extent of our substantive procedures. In an audit of internal control over financial reporting, it includes the risk the control might not be effective and, if not effective, the risk that a material weakness would result.
Risk of material misstatement	The risk that the financial statements are materially misstated prior to audit due to fraud or error. This consists of inherent risk and control risk. Such risks may exist at either the financial statement level or at the assertion level.
Rollover method	Quantifies income statement errors based on the amount by which the income statement for the period is actually misstated, which includes both newly identified misstatements in the period as well as the reversing effect of any prior period errors. The rollover method recognizes that misstatements uncorrected in one period affect the financial statements of one or more subsequent periods. This is because either the client corrects the misstatement in the following period as an out of period adjustment, or it remains an uncorrected balance sheet misstatement at the end of the following period.
Rule of thumb	A threshold, also referred to as percentage threshold, applied to the generally expected benchmarks, based on the auditor's experience, to a component of the financial statement for the purpose of the overall materiality calculation.
Safeguarding of assets	Controls designed to prevent or timely detect unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements. These controls encompass the physical security of assets, including adequate safeguards, such as: secured facilities; restricted access to assets and records; authorization for access to computer programs and data files; and periodic counting and comparison with amounts shown on control records.
Sample selection method	Used to obtain a representative sample so that sample results can be projected to the population or stratum. Either random, haphazard or systematic methods may be applied, according to the circumstances.
Sampling risk	This arises from the possibility that, when a test of controls or substantive test is restricted to a sample, the auditor's conclusions may be different from the conclusions that would be reached if the test were applied in the same way to all items in the account balance or class of transactions.

Sampling unit	The individual items constituting a population (e.g., checks listed on deposit slips, credit entries on bank statements, sales invoices or accounts receivable). It represents the specific population characteristic that defines the items we will sample.
Secondment	An arrangement where one or more PwC personnel report to and are supervised by client personnel rather than PwC.
Segregation of duties	Segregation of duties: ● Reduces the risk of undetected error and limits opportunities to misappropriate assets or conceal intentional misstatements in the financial statements, and ● Serves as a deterrent to fraud or concealment of error because of the need to recruit another individual's co-operation (collusion) to conceal it Segregation of duties is accomplished by the proper assignment of roles and responsibilities for control activities related to the information system, including the related business process relevant to financial reporting, enabled by appropriate user access rights and restrictions built into the system, which are supported by information technology general controls (ITGCs) over system access rights and restrictions. The below diagram depicts the importance of these different layers, with ITGCs being the foundation.
Senior associate	The member of the engagement team who, with the appropriate oversight and coaching by the team manager and engagement leader, coordinates the day-to-day supervision and execution of the tailored audit program.
Service auditor	The auditor who reports on controls of a service organization that may be relevant to a user organization's internal control as it relates to an audit of financial statements
Service organization	The entity (or segment of an entity) that provides services to a user organization that are part of the user organization's information system
Service organization's system	The policies and procedures designed, implemented, and documented by management of the service organization to provide user organizations with the services covered by the service auditor's report. Management's description of the service organization's system identifies the services covered, the period to which the description relates (or in the case of Type 1 report, the date to which the description relates), the control objectives specified by management or an outside party, the party specifying the control objectives (if not specified by management), and the related controls.
	An account or disclosure is significant if there is a reasonable possibility that the account or disclosure could

Significant account or disclosure	contain a misstatement that, individually or when aggregated with others, has a material effect on the financial statements, considering the risks of both overstatement and understatement. The determination of whether an account or disclosure is significant is based on inherent risk, without regard to the effect of controls
Significant component	A component identified by the group engagement team (i) that is of individual financial significance to the group, (ii) that, due to its specific nature or circumstances, is likely to include significant risks of material misstatement of the group financial statements, or (iii) other components where we should typically perform procedures based upon their relative size or the existence of specific risks of material misstatement.
Significant deficiency	A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.
Significant matter	A finding or issue that in our judgment is significant to the procedures performed, evidence obtained, or conclusions reached. Significant matters either are, or could be, important to our audit opinion. They require appropriate documentation, consideration by the team manager and review and sign-off by the engagement leader and quality review partner.
Significant risk	A risk of material misstatement that requires special audit consideration.
Single financial statement	Typically a balance sheet, although it sometimes is an income statement/statement of operations (hereinafter referred to as an "income statement").
Smaller, less complex entity	An entity which typically possesses qualitative characteristics such as the following: i. Straightforward or uncomplicated transactions ii. Simple recordkeeping iii. Few lines of business and few products within business lines iv. Few internal controls v. Few levels of management with responsibility for a broad range of controls vi. Few personnel, many having a wide range of duties
SMART	Performance objectives and stands for: specific, measurable, achievable, realistic, timely.
SOC 1 Type 1 report	A service auditor's report on a service organization's description of its policies and procedures that may be relevant to a user entity's internal control, on whether such policies and procedures were suitably designed

	to achieve specified control objectives, and on whether they have been placed in operation as of a specific date.
SOC 1 Type 2 report	A service auditor's report on a service organization's description of its internal control policies and procedures that may be relevant to a user entity's internal control structure, on whether such policies and procedures were suitably designed to achieve specified control objectives, and on whether they had been placed in operation as of a specific date, and on whether the policies and procedures that were tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved during the period specified.
Softer components of internal control	The internal control components, excluding control activities, i.e., control environment, information and communication, monitoring of controls and risk assessment. Also referred to as "softer COSO components."
Special purpose financial information prepared for the purposes of group consolidation	Any form of financial information submitted from a component to the corporate head office to support the preparation of consolidated group financial statements. We generally use the term "standard company forms" to describe any reporting forms that are other than a complete set of financial statements and notes. Examples of standard company forms include: ● A reporting package, standard reporting forms, or other worksheets designed for use by the parent for consolidation; ● A trial balance ● One or more specified spreadsheets ● An individual financial statement or statements, excluding notes ● A schedule with an element(s) of the financial statements, excluding notes ● Any other financial information that may be used to prepare the consolidated group financial statements or notes thereto)
Special purpose framework	Refers to any of the following financial reporting frameworks: a. Cash basis - A basis of accounting used by a company to record cash receipts and disbursements (e.g., transactions are recognized based on the timing of cash receipts and disbursements) b. Modified cash basis - The modified cash basis of accounting should only involve logical (i.e., resulting from cash transactions or events) and consistent (e.g., not only recording a capital asset paid for with cash, but also depreciating the asset over its useful life) modifications to transactions or events derived from cash receipts or cash disbursements c. Tax basis - A basis of accounting a company uses to file its tax return for the period covered by the financial statements, which we interpret to mean the company's federal tax return

	d. Regulatory basis - A basis of accounting used by a company to comply with the requirements or financial reporting provisions of a regulatory agency under whose jurisdiction the company is subject. Two common examples are (1) the basis of accounting an insurance company uses pursuant to the accounting practices prescribed or permitted by a state insurance commission, and (2) the basis of accounting required by the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published accounting releases e. Contractual basis - A basis of accounting used by a company to comply with an agreement between the company and one or more third parties other than the auditor. A contractual basis of accounting does not comply with another financial reporting framework, such as U.S. GAAP, IFRS as issued by the IASB, cash, modified cash, tax, or regulatory f. "Other" basis - A basis of accounting with a definite set of criteria having substantial support that is applied to all material items appearing in financial statements The standards collectively refer to cash, modified cash, tax, regulatory, and an "other" basis of accounting as "other comprehensive bases of accounting" or "OCBOA".
Specialist in a field other than accounting or auditing	PwC partners or staff (including temporary staff) possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist in obtaining sufficient appropriate audit evidence.
Specialist in accounting or auditing	PwC partners or staff (including temporary staff) possessing expertise in a specialized area of accounting or auditing. Also see engagement team.
Staff Augmentation (loaned staff)	An arrangement where one or more PwC personnel report to and are supervised by client personnel or a different PwC Member Firm.
Stakeholders	Those who have an interest in the performance of an entity. Although the shareholders are generally the primary stakeholders - others may include employees, customers, suppliers, the government and the community.
Standing data	Data of a permanent or semi-permanent nature that is used repeatedly during processing (e.g., rates of pay used for calculating salaries).
Statistical sampling	An approach to sampling that uses an appropriate statistical technique to determine sample size and evaluate sample results.
Stratification	The process of dividing a population into sub-populations (or stratum), each of which is a group of sampling units which have similar characteristics (often monetary value).

Subsequent events	Events occurring between the date of the financial statements and the date the financial statements are issued
Subsequently discovered facts	Facts that become known to the auditor after the financial statements have been issued, which existed as of the date of financial statement issuance and might have affected our report had we known about them at the time.
Subservice organization	A service organization used by another service organization to perform some of the services provided to user organizations that are relevant to those user organizations' internal control over financial reporting.
Substantive procedure	Procedures that consist of: a. tests of details of accounts and disclosures, and b. substantive analytical procedures.
Successor auditor	An auditor who is considering accepting an engagement to audit financial statements but has not communicated with the predecessor auditor and to an auditor who has accepted such an engagement.
SUM de minimis posting level	The amount below which potential audit adjustments are clearly trial and need not be accumulated and posted to the summary of uncorrected misstatements (SUM). The amount is set so that any misstatements below that amount would not be material to the financial statements, individually or in combination with other misstatements, considering the possibility of undetected misstatement.
Summary of aggregated deficiencies (SAD)	A tool to assist engagement teams in: evaluating the significance of internal control deficiencies, individually and in the aggregate; determining whether they constitute significant deficiencies or material weaknesses; identifying themes and trends common to two or more deficiencies, for purpose of aggregation; communicating identified deficiencies to management and the Audit Committee; and documenting our audit response and the related rationale with respect to the deficiency.
Summary of uncorrected misstatements (SUM)	A record of the misstatements identified during the audit that have not been corrected, showing the overall impact on the financial statements. For this purpose, "misstatements" includes both accounting misstatements and disclosure exceptions (i.e., incomplete, inaccurate or omitted disclosures) as well as our qualitative findings (e.g., inadequate or improper description of an accounting policy).
Supplementary information	Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework.

System	Packaged or in-house developed or modified software that processes the client's financial and operational information and introduces risk of material misstatement.
Systematic selection	A common method of selection in non-statistical sampling. This method for of selecting a sample selects every nth item. A sampling interval is established based on the number of items, without reference to size or monetary value of the item.
Taking stock/progress meeting	A meeting of all or key members of the engagement team, including relevant specialists (such as Process Assurance and Tax), to share information about the client and the work performed to date, and to discuss and agree what needs to be done next and by whom. This includes considering whether we have enough audit evidence, and the need to drill further down the management unit/business process or obtain substantive audit evidence.
Targeted testing	Involves selecting items to be tested based on some characteristic (typically monetary value or high risk), rather than selecting them "randomly" using audit sampling.
Task plan	A plan that identifies the tasks to be performed, the individuals responsible for completing the tasks, the individuals responsible for reviewing the work, the date the tasks are to be completed and the corresponding budget.
Team Manager	The member of the engagement team who, with the appropriate oversight and coaching by the engagement leader, assists in the design of the audit strategy and plan and coordinates its implementation on a day to day basis.
team member	The people who carry out the fieldwork. This will include grades of staff up to and, for high-risk areas or objectives, including team manager.
Team planning meeting	A meeting that takes place during the planning phase involving the engagement leader and other key members of the engagement team where certain required discussions occur. The objective of the meeting is to enhance the effectiveness and efficiency of the planning process through effective gathering and sharing of information among the team.
Templafy	A Microsoft Powerpoint add-in tool that helps engagement teams create Audit Committee reports quickly and easily from a pre-populated library of content. By selecting the intended report and answering some gating questions, teams choose the content to be built into their reports and generate a draft report in Powerpoint which they can then tailor to client circumstances. The tool also provides access to emerging

	trending topics, brand photos, infographics, and engagement team member headshots, which can be incorporated into audit committee reports (Click here to read more about Templafy).
Test of control	An audit procedure designed to obtain evidence about the effectiveness of a control over time to evaluate whether it is operating as designed to be effective in preventing, or detecting and correcting on a timely basis, a material misstatement due to error or fraud at the assertion level.
Tests of details	One type of substantive test. They are used to obtain audit evidence when we need evidence for a financial statement assertion beyond that provided by tests of controls and substantive analytical procedures. Tests of details involve the examination of support for individual items that make up the financial statement accounts.
Those charged with governance	The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel; for example, executive members of a governance board or an owner-team manager. Also see management.
Tolerable misstatement	The largest amount of misstatement we can tolerate in an account or population and still conclude that we have obtained sufficient evidence that the account does not contain a material misstatement. Tolerable misstatement should be less than the materiality level for the financial statements as a whole and, if applicable, the materiality level or levels for particular accounts or disclosures. In addition, it does not exceed performance materiality, except in very limited circumstances where there is pre-approved specific industry guidance.
Transaction level controls	A type of control activity operating within business processes relevant to financial reporting and surrounding the underlying information systems by which transactions are initiated, authorized, recorded, processed, corrected as necessary, transferred to the general ledger, and reported in the financial statements. These control activities are designed to operate at a level of precision that would prevent, or detect and correct on a timely basis, misstatements to FSLIs at the assertion level.
U.S. Template Manager	The primary source of templates for all engagements. Standard forms that can be found in U.S. Template Manager include confirmations, representation letters, reports, PwC Audit practice aids, substantive testing and analytics tools, partner checklists, and SEC communications. [click here]
Uncorrected misstatements	Misstatements, other than those that are clearly trivial that management has not corrected.

Underwriter	Any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a participation in the direct or indirect participation in any such undertaking or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission. As used in this definition, the term issuer shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.
Unobservable inputs	With respect to fair value accounting estimates, assumptions or inputs that reflect the entity's own judgments about what assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.
User auditor	The auditor who reports on the financial statements of the user organization.
User entity, User organization	The entity that has engaged a service organization and whose financial statements are being audited.
Walkthrough	A walkthrough is a method whereby the auditor follows a transaction from origination through the company's processes, including information systems, until it is reflected in the company's financial records, using the same documents and information technology that company personnel use. Walkthrough procedures usually include a combination of inquiry, observation, inspection of relevant documentation, and re-performance of controls. A walkthrough will enable the auditor to identify likely sources of potential misstatement, and the points in the process where misstatements can occur as well as identify and evaluate relevant controls.
Whistleblower	Any individual who provides, or 2 or more individuals acting jointly who provide, information relating to a violation of the securities laws to the Commission (in a manner established, by rule or regulation, by the Commission) or violation of other laws, regulations or public interest to other people or authorities who have the power to take corrective action.
Working practices	Those activities or ways of working, as individuals or in teams, necessary to conduct a PwC Audit to achieve the high quality standard expected.
Yellow Book	See government auditing standards.

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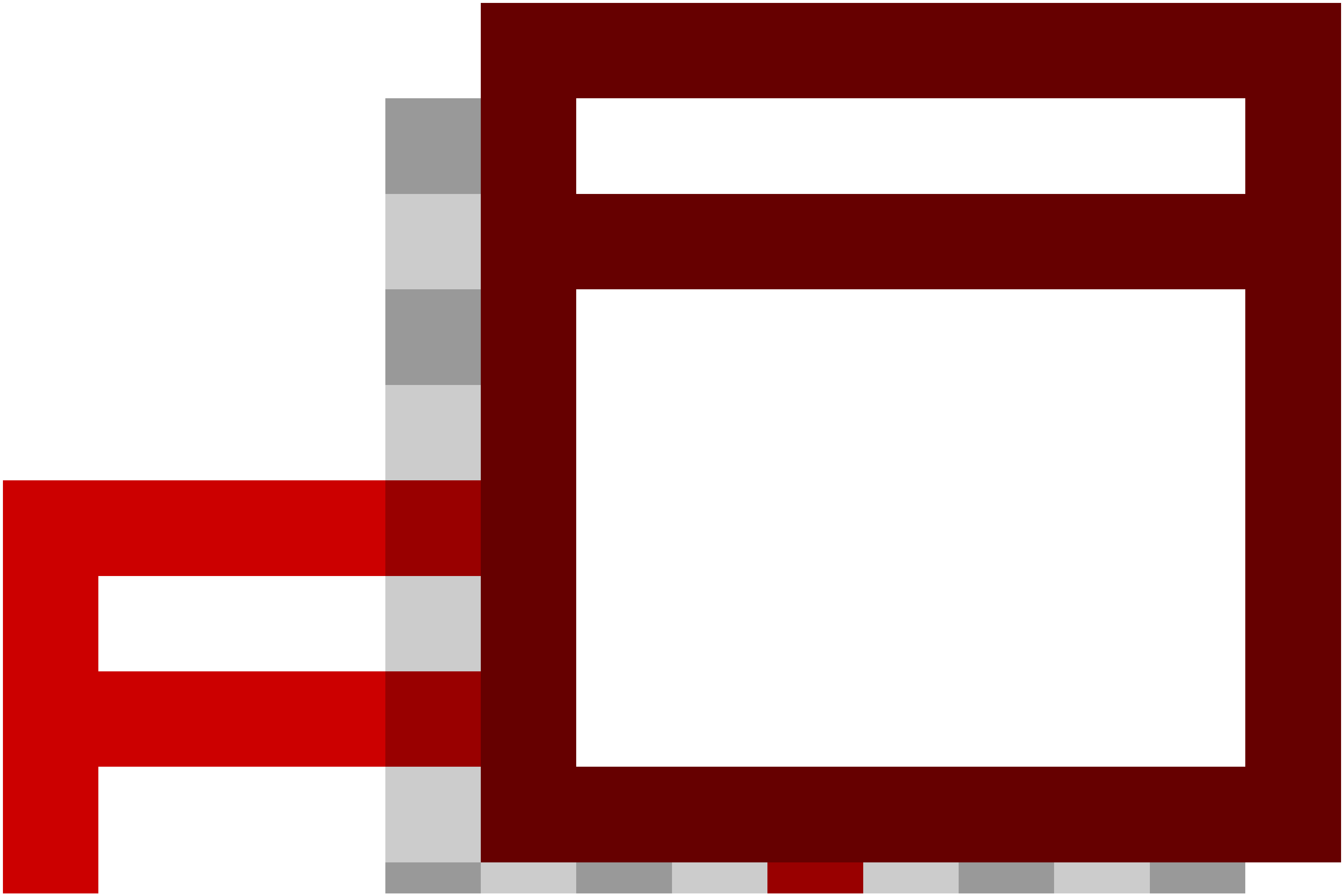

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