2010

Checklists and illustrative financial statements : Defined benefit pension plans, June 2010 edition

American Institute of Certified Public Accountants (AICPA)

CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Defined Benefit Pension Plans

June 2010

AICPA

Defined Benefit Pension Plans June 2010

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CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Defined Benefit Pension Plans

June 2010

Checklists and Illustrative Financial Statements for Defined Benefit Pension Plans has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.

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FSP Section 7000

Checklists and Illustrative Financial Statements for Defined Benefit Pension Plans

Description

.01 Employee benefit plans include defined benefit pension plans, defined contribution pension plans, and health and welfare benefit plans. Defined benefit pension plans provide a promise to pay to participants specified benefits that are determinable and are based on such factors as age, years of service, and compensation.

.02 Defined benefit pension plans may be single employer plans or multiemployer plans. In addition, these plans may be funded through accumulated contributions and investment income (self-funded plans), insurance contracts (insured plans), or a combination of both (split-funded plans). Contributions may be required from both employers and participants (contributory plans) or from employers only (noncontributory plans).

.03 Traditional defined benefit pension plans provide benefits that are defined in terms of a percentage of final average compensation or career average compensation, or as a flat dollar benefit per year of service. Different types of benefit formulas have also become popular in recent years, including the following:

a. ***Cash balance plans.*** A cash balance plan is a special form of career average compensation plan. Typically, a cash balance defined benefit pension plan maintains hypothetical "accounts" for participants. The employer credits participants' "accounts" with a certain number of dollars each plan year, and promises earnings at a specified rate. Interest on the "account" balance is credited at a stated rate, which may be and is often different from the plan's actual rate of investment return.

b. ***Pension equity plans.*** A pension equity plan is a defined benefit pension plan that has many of the advantages of the cash balance plan, but the benefit formula is similar to a final pay program rather than a career average cash balance program. Under this arrangement, a participant is credited with "points" based on age, service or both. On termination of employment, a participant's final average compensation is multiplied by his or her accumulated points to determine a hypothetical account balance. This balance normally may be distributed as a lump sum or converted to an annuity.

.04 The Pension Benefit Guaranty Corporation (PBGC) guarantees participants in most defined benefit pension plans against the loss of certain pension benefits if the plan terminates, and it administers terminated plans in certain circumstances.

AICPA Employee Benefit Plan Audit Quality Center

.05 The AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) is a firm-based, voluntary membership center with the goal of promoting quality employee benefit plan audits. The more than 1,800 firms that have joined the EBPAQC receive valuable Employee Retirement Income Security Act of 1974 (ERISA) audit and firm best practice tools and resources that are not available from any other source. Visit the EBPAQC website at www.aicpa.org/ebpaqc to see a complete list of the more than 1,800 EBPAQC members and to preview benefits. For more information, contact the EBPAQC at ebpaqc@aicpa.org.

Regulatory Requirements

.06 ERISA provides for substantial federal government oversight of the operating and reporting practices of employee benefit plans. Under ERISA, the Department of Labor (DOL) and the IRS have the authority to issue regulations covering reporting and disclosure requirements and certain administrative responsibilities. (Appendix A of the AICPA Audit and Accounting Guide *Employee Benefit Plans* [guide] describes which plans are covered by ERISA.)

.07 ERISA generally requires that the administrator of an employee benefit plan prepare and file various documents with the DOL, the IRS, and the PBGC. The annual report to be filed for employee benefit plans generally is the Form 5500. The Form 5500, a joint-agency form developed by the IRS, the DOL, and the PBGC, may be used to satisfy the annual reporting requirements of the Internal Revenue Code and Titles I and IV of ERISA. (See paragraphs .24–.27 for a discussion of Form 5500.)

Financial Accounting Standards Board *Accounting Standards Codification*™

.08 Released on July 1, 2009, Financial Accounting Standards Board (FASB) *Accounting Standards Codification*™ (ASC) is a major restructuring of accounting and reporting standards designed to simplify user access to all authoritative U.S. generally accepted accounting principles (GAAP) by topically organizing the authoritative literature. FASB ASC disassembled and reassembled thousands of nongovernmental accounting pronouncements (including those of FASB, the Emerging Issues Task Force, and the AICPA) to organize them under approximately 90 topics.

.09 FASB ASC also includes relevant portions of authoritative content issued by the Securities and Exchange Commission (SEC), as well as selected SEC staff interpretations and administrative guidance issued by the SEC; however, FASB ASC is not the official source of SEC guidance and does not contain the entire population of SEC rules, regulations, interpretive releases, and SEC staff guidance. Moreover, FASB ASC does not include governmental accounting standards.

.10 FASB ASC published a notice to constituents (NTC) that explains the scope, structure, and usage of consistent terminology of FASB ASC. Constituents are encouraged to read this NTC because it answers many common questions about FASB ASC. FASB ASC and its related NTC can be accessed at http://asc.fasb.org/home and are also offered by certain third party licensees, including the AICPA. FASB ASC is offered by FASB at no charge in a "Basic View" and for an annual fee in a "Professional View."

.11 In June 2009, FASB issued the last FASB statement referenced in that form: FASB Statement No. 168, *The FASB* Accounting Standards Codification™ *and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*. This standard establishes FASB ASC as the authoritative source of U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC, and is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This standard flattened the historic U.S. GAAP hierarchy to two levels: one that is authoritative (in FASB ASC) and one that is nonauthoritative (not in FASB ASC). Exceptions include all rules and interpretive releases of the SEC under the authority of federal securities laws, which are sources of authoritative U.S. GAAP for SEC registrants, and certain grandfathered guidance having an effective date before March 15, 1992.

.12 New standards are now issued by FASB through Accounting Standards Updates (ASUs) and will serve only to update FASB ASC. FASB does not consider the ASUs authoritative in their own right; new standards become authoritative when they are incorporated into FASB ASC. New standards will be in the form of "ASU No. 20YY-XX," in which "YY" is the last two digits of the year and "XX" is the sequential number for each update. For example, ASU No. 2010-01 is the first update in the calendar year 2010. New standards will include the standard and an appendix of FASB ASC update instructions. ASUs will also provide background information about the standards and provide the basis for conclusions on changes made to FASB ASC.

.13 Any ASUs (or other authoritative accounting guidance issued prior to the release date of FASB ASC) issued but not yet fully effective for all entities or transactions within its scope are reflected as "Pending Content" in FASB ASC. This pending content is shown in text boxes below the paragraphs being amended in FASB ASC and includes links to the transition information. The pending content boxes are meant to provide users with information about how a paragraph will change when new guidance becomes authoritative. When an amended paragraph becomes fully effective, the outdated guidance will be removed, and the amended paragraph will remain without the pending content box. FASB will keep any outdated guidance in the applicable archive section of FASB ASC for historical purposes.

.14 Because not all entities have the same fiscal year-ends, and certain guidance may be effective on different dates for public and nonpublic entities, the pending content will apply to different entities at different times. As such, pending content will remain in place within FASB ASC until the "roll off date." Generally, the roll-off date is six months following the latest fiscal year end for which the original guidance being amended or superseded by the pending content could be applied as specified by the transition guidance. For example, assume an ASU has an effective date for fiscal years beginning after November 15, 2009. The latest possible fiscal year end of an entity still eligible to apply the original guidance being amended or superseded by the pending content would begin November 15, 2009, and end November 14, 2010. Accordingly, the roll-off date would be April 14, 2011. Entities cannot disregard the pending content boxes. Instead, all entities must review the transition guidance to determine if and when the pending content is applicable to them.

.15 Employee benefit plan accounting may be found in the following sections of FASB ASC:

- FASB ASC 960—*Defined Benefit Pension Plans*
- FASB ASC 962—*Defined Contribution Pension Plans*
- FASB ASC 965—*Health and Welfare Benefit Plans*

AICPA Technical Practice Aids

.16 Technical Questions and Answers (TIS) section 6930, *Employee Benefit Plans* (AICPA, *Technical Practice Aids*), contains helpful guidance in the form of questions and answers relating to employee benefit plan accounting, auditing and regulatory matters. These nonauthoritative Technical Practice Aids (TPAs) are based on selected practice matters identified by AICPA staff and various other bodies within the AICPA, including the AICPA Employee Benefit Plans Expert Panel.

Fair Value Measurement Disclosures for Master Trusts

.17 In March 2009, the AICPA issued a TPA to provide guidance on the required fair value measurement disclosures to be made when a plan holds investments in a master trust: TIS section 6931.11, "Fair Value Measurement Disclosures for Master Trusts" (AICPA, *Technical Practice Aids*). This practice aid assists with the implementation of FASB ASC 820, *Fair Value Measurements and Disclosures*, for employee benefits plans that have investments in a master trust.

.18 The TPA is available on the AICPA's website at www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/Pages/RecentlyIssuedTechnicalQuestionsandAnswers.aspx.

Accounting and Reporting by Defined Benefit Pension Plans

.19 Per FASB ASC 960-30-25-1, the accrual basis of accounting should be used in preparing information regarding the net assets available for benefits. The information should be presented in such reasonable detail as is necessary to identify the plan's resources that are available for benefits. Per FASB ASC 960-205-45-4-1, the annual financial statements of a plan should include the following:

- A statement that includes information regarding the net assets available for benefits as of the end of the plan year

- A statement that includes information regarding the changes during the year in the net assets available for benefits
- Information regarding the actuarial present value of accumulated plan benefits as of either the beginning or end of the plan year
- Information regarding the effects, if significant, of certain factors affecting the year-to-year change in actuarial present value of accumulated plan benefits

.20 FASB ASC 960 gives guidance on the form and content of the required financial statements and specifies that they be presented in sufficient detail to assist readers of plan financial statements in assessing the plan's present and future ability to pay benefits when due. Information regarding the actuarial present value of accumulated plan benefits and changes therein may be presented in the financial statements or in the notes. Further, the accumulated benefit information may be presented as of the beginning or end of the plan year. However, according to FASB ASC 960-205-45-4, use of an end-of-year benefit information date is considered preferable. If the benefit information date is the beginning of the year, a statement that includes information regarding the net assets available for benefits as of that date and a statement that includes information regarding the changes during the preceding year in the net assets available for benefits also should be presented. Otherwise, comparative statements are not required (however, see paragraph .24 in this section). Exhibit D-7 in appendix D of the guide illustrates an appropriate financial statement presentation when beginning-of-year benefit information is selected.

.21 According to FASB ASC 960-325-35-1, plan investments should be presented at their fair value at the reporting date (see paragraph .22 in this section for special provisions concerning the valuation of investment contracts). FASB ASC 960-360-35-1 states that plan assets used in plan operations should be presented at cost less accumulated depreciation or amortization.

.22 FASB ASC 820 defines *fair value*, provides a framework for measuring fair value, and requires certain disclosures about fair value measurements. See paragraphs 2.09–.19 of the guide, which summarize FASB ASC 820 but are not intended as a substitute for reviewing FASB ASC 820 in its entirety. See also the "Fair Value Measurements" section of FSP section 7200, "Financial Statements and Notes Checklist," for required disclosures.

.23 A defined benefit plan should report investment contracts at fair value. FASB ASC 960-325-35-3 states that *insurance contracts* (as defined in the FASB ASC glossary) should be presented in the same manner as specified in the annual report filed by the plan with certain governmental agencies pursuant to ERISA; that is, either at fair value or at amounts determined by the insurance entity (contract value). A plan not subject to ERISA should present its insurance contracts as if the plan was subject to the reporting requirements of ERISA. The current Form 5500 permits unallocated insurance contracts to be reported at either current value or as determined on the Schedule A, "Insurance Information," which is contract value. This is an exception to the general requirement of FASB ASC 960 that plan investments be presented at fair value.

ERISA Reporting Requirements

.24 In addition to the reporting requirements of FASB ASC 960, defined benefit pension plans may have reporting requirements under ERISA. The annual report to be filed for employee benefit plans generally is Form 5500.

.25 The agencies have released tips to avoid common filing errors and frequently asked questions (FAQs) for small pension plans that use the audit exception to assist filers in complying with their reporting obligations. The tips and FAQs will help plans avoid basic filing errors and explain the conditions that small pension plans must meet to be eligible for a waiver of the annual audit requirement. The FAQs also include model summary annual report language for the required participant notice under the small plan audit exception. This guidance may be found on the Employee Benefits Security Administration (EBSA) website at www.dol.gov/ebsa.

.26 The DOL, IRS, and PBGC have released the 2009 Form 5500 return and reports, schedules, and instructions to be used by employee benefit plans for plan year 2009 filings. The modifications to the Form

5500 for plan year 2009 are described under "Changes to Note" in the 2009 instructions and are summarized in the Audit Risk Alert *Employee Benefit Plans Industry Developments—2010* (product no. 0224110).

.27 Form 5500 continues to require that certain supplemental schedules be attached to the annual form 5500 filing. Such schedules include the following:

- Schedule H, line 4a—Schedule of Delinquent Participant Contributions
- Schedule H, line 4i—Schedule of Assets (Held at End of Year)[1]
- Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)
- Schedule H, line 4j—Schedule of Reportable Transactions[2]

The following schedules are required to be reported on Schedule G:

- Schedule G, Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible
- Schedule G, Part II—Schedule of Leases in Default or Classified as Uncollectible
- Schedule G, Part III—Nonexempt Transactions

Practice Tip

Reporting of Delinquent Participant Contributions: Information on all delinquent participant contributions should be reported on line 4a of either Schedule H or Schedule I of Form 5500 and should not be reported on line 4d of Schedule H or I or on Schedule G. Beginning for 2009 plan years, large plans with delinquent participant contributions should attach a schedule clearly labeled, "Schedule H Line 4a— Schedule of Delinquent Participant Contributions," using the format provided in the instructions to Form 5500.

Participant loan repayments paid to or withheld by an employer for purposes of transmittal to the plan that were not transmitted to the plan in a timely fashion must be reported either on line 4a in accordance with the reporting requirements that apply to delinquent participant contributions or on line 4d. See DOL Advisory Opinion 2002-2A at www.dol.gov/ebsa. Delinquent forwarding of participant loan repayments is eligible for correction under the Voluntary Fiduciary Correction Program and Prohibited Transaction Exemption 2002-51 on terms similar to those that apply to delinquent participant contributions.

For further guidance, see the instructions to Form 5500 and the EBSA website FAQs at www.dol.gov/ebsa/faqs/faq_compliance_5500.html. Information copies of the forms, schedules, and instructions are available on EBSA's website at www.efast.dol.gov. Filers may also order forms and IRS publications 24 hours a day, 7 days a week, by calling 800-TAX-FORM (800-829-3676).

[1] **Practice Tip**—Historical cost information is not required on the Schedule H, line 4i—Schedule of Assets (Held at End of Year) for participant-directed investments.

[2] **Practice Tip**—Participant- or beneficiary-directed transactions are not required to be taken into account for purposes of preparing the schedule of reportable transactions. In a plan's initial year, the 5 percent threshold for the schedule of reportable transactions is based on the *end-of-year* balance of the plan's assets.

FSP Section 7100
Instructions

General

.01 This publication includes the following sections:

- **Financial Statements and Notes Checklist—**For use by preparers of defined benefit pension plan financial statements and by practitioners who audit them as they evaluate the adequacy of disclosures.
- **Auditor's Report Checklist—**For use by auditors in reporting on audited defined benefit pension plan financial statements.
- **Illustrative Financial Statements, Notes, and Auditor's Reports—**Illustrating defined benefit pension plan financial statements, notes, and auditor's reports.

.02 The checklists and illustrative financial statements have been developed by the AICPA Accounting and Auditing Publications staff to serve as nonauthoritative practice aids for use by preparers of financial statements of defined benefit pension plans and by practitioners who audit them. The auditor's report checklists address those requirements most likely to be encountered when reporting on financial statements of a defined benefit pension plan prepared in conformity with U.S. generally accepted accounting principles (GAAP). They do not include reporting requirements relating to other matters such as internal control or agreed-upon procedures. The financial statement and notes checklist includes disclosure considerations applicable to defined benefit pension plans in preparing financial statements in conformity with U.S. GAAP.

.03 Users of the financial statements and notes checklist should remember that it is a disclosure checklist only and not a comprehensive U.S. GAAP application or measurement checklist. Accordingly, application and measurement issues related to preparing financial statements in conformity with U.S. GAAP are not included in the checklist.

.04 The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of U.S. GAAP, generally accepted auditing standards, and other relevant technical guidance.

.05 In some cases, this checklist uses the term *Common Practice* or provides additional practice tips to describe a disclosure item. In such cases, although no authoritative guidance supports such a disclosure for defined benefit pension plans, it may have become a common practice that such disclosures are made. Entities should evaluate whether such items warrant disclosure in their financial statements.

This edition of the financial statements and notes checklists and auditor's report checklist has been updated to include certain changes necessary due to the issuance of authoritative pronouncements. Relevant accounting and auditing guidance contained in official pronouncements issued through June 30, 2010, have been considered in the development of this publication. This includes relevant guidance issued up to and including the following:

- Financial Accounting Standards Board Accounting Standards Updates issued through June 30, 2010
- Statement on Auditing Standards No. 120, *Required Supplementary Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 558)

(continued)

- Interpretation No. 19, "Financial Statements Prepared in Conformity With International Financial Reporting Standards as Issued by the International Accounting Standards Board," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .93–.97)
- Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 7, *Engagement Quality Review* (AICPA, *PCAOB Standards and Related Rules*, Standards, AU-P sec. 162)
- Audit and Accounting Guide *Employee Benefit Plans* (with conforming changes as of March 1, 2010)

Any guidance issued subsequent to June 30, 2010, has not been included in this checklist; therefore, if your entity has a fiscal year-end after June 30, 2010, you need to consider the applicability of such guidance. In determining the applicability of newly issued guidance, its effective date should also be considered.

Instructions

.06 The checklists consist of a number of questions or statements that are accompanied by references to the applicable authoritative guidance. The checklists provide spaces for checking off or initialing each question or point to show that it has been addressed. Carefully review the topics listed and consider whether they represent potential disclosure items for the defined benefit pension plan for which you are preparing or auditing. Users should check or initial "Yes" if the disclosure is required and has been appropriately made, "No" if the disclosure is required but has not been made, or "N/A" (not applicable) if the disclosure is not applicable to the plan. It is important that the effect of a "No" response be considered on the auditor's or accountant's report. For audited financial statements, a "No" response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in paragraphs .20–.64 of AU section 508. If a "No" response is indicated, the authors recommend that a notation be made to explain why the disclosure was not made. The right margin may be used for other remarks or comments as appropriate, including:

a. For each disclosure for which a "Yes" is indicated, a notation concerning where the disclosure is located in the financial statements and a cross-reference to applicable working papers where the support to a disclosure may be found;

b. For items marked as "N/A," the reasons for which they do not apply in the circumstances of the particular report; and

c. For each disclosure for which a "No" response is indicated, a notation concerning why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

.07 These checklists and illustrative materials have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

.08 The use of this or any other checklists requires the exercise of individual professional judgment. The checklist is not a substitute for the authoritative guidance. Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative guidance when appropriate. The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated nor do they represent minimum requirements. Guidance deemed remote for defined benefit plans are not included in this document. The checklists and illustrative financial statements are tools and in no way represent official positions or guidance of the AICPA. Additionally, users of the checklists and illustrative materials should tailor them as required to meet specific circumstances. As an additional resource, members may call the AICPA Technical Hotline at 1-877-242-7212.

Recognition

.09 The AICPA gratefully appreciates the invaluable assistance JulieAnn Verrekia, CPA, provided in updating and maintaining the guidance in this checklist.

.10 We hope you find this checklist helpful as you perform your audit engagements. We would greatly appreciate your feedback on this checklist. You may e-mail these comments to dkrupica@aicpa.org or write to

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Note: This publication was extracted from sections 7,000–7,400 of the AICPA *Financial Statement Preparation Manual*.

FSP Section 7200

Financial Statements and Notes Checklist

.01 This checklist contains numerous references to authoritative accounting and auditing guidance. Abbreviations and acronyms used in such references include the following:

AAG =	AICPA Audit and Accounting Guide *Employee Benefit Plans* (with conforming changes as of March 1, 2010)
AU =	Reference to section number in *AICPA Professional Standards* (vol. 1)
CFR =	U.S. *Code of Federal Regulations*
DOL =	Department of Labor
EBSA =	Employee Benefits Security Administration
ERISA =	Employee Retirement Income Security Act of 1974
FASB ASC =	Reference to a topic, subtopic, section, or paragraph in Financial Accounting Standards Board *Accounting Standards Codification™*
FIN =	FASB Interpretation
FSP =	FASB Staff Position

.02 Checklist Questionnaire:

This financial statement disclosure checklist is organized into the sections listed in the following table. Carefully review the topics listed and consider whether they represent potential disclosure items for the plan. Place a check mark by the topics or sections that are applicable and complete those sections of the checklist. Other sections may be marked "N/A" or left blank. For example, if the plan had a change in accounting principle, place a check mark by the section "Changes in Accounting" and complete that section of the checklist. On the other hand, if the plan did not have a change in accounting principle, do not place a check mark by "Changes in Accounting" and skip that section when completing the checklist.

			Place ✓ by Applicable Sections
I.	General		______
	A.	Titles and References	______
	B.	Comparative Financial Statements	______
	C.	Consolidated Financial Statements	______
II.	Statement of Net Assets Available for Benefits		
	A.	General	______
	B.	Investments	______
	C.	Assets Held in 401(h) Account	______
	D.	Property, Plant, and Equipment	______
	E.	Contributions Receivable and Uncollectible Amounts	______
	F.	Cash	______
	G.	Liabilities	______
III.	Statement of Changes in Net Assets Available for Benefits		
	A.	General	______
	B.	Contributions	______
	C.	Investment Earnings	______

	Place ✓ by Applicable Sections
D. 401(h) Account Assets	______
IV. Statement of Accumulated Plan Benefits	
A. Actuarial Present Value of Accumulated Plan Benefits	______
B. Accumulated Contributions of Present Employees	______
V. Statement of Changes in Accumulated Plan Benefits	
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B. Certain Significant Estimates	______
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B. Commitments and Contingencies	______
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E. Description of Pension Plan Amendments	______
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G. Guarantees	
H. Income Tax Status	______
I. Uncertainty in Income Tax	
J. Plan Terminations	______
K. Related-Party Transactions	______
L. Subsequent Events	______
M. Transfers and Servicing of Financial Assets and Securitizations	______
N. Fair Value Measurements	
O. Other Matters	______
VIII. ERISA Reporting Requirements	
A. Form 5500 Report	______
B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Pension Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA	______
C. Required Financial Statements and Supporting Schedules	______
IX. Auditor's Report Checklist	______
X. Illustrative Financial Statements and Auditor's Reports	______

	Yes	No	N/A

I. General

A. Titles and References

1. To be prepared in accordance with U.S. generally accepted accounting principles (GAAP), are the financial statements prepared on the accrual basis of accounting and include the following:

	Yes	No	N/A
a. A "Statement of Net Assets Available for Benefits" as of the end of the plan year? [ERISA requires that this statement be presented in comparative form]	_____	_____	_____
b. A "Statement of Changes in Net Assets Available for Benefits" for the year then ended?	_____	_____	_____
c. A "Statement of Accumulated Plan Benefits" as of either the beginning (amounts as of the end of the preceding year) or end of the plan year? [Use of an end-of-year information date is considered preferable.]	_____	_____	_____
d. A "Statement of Changes in Accumulated Plan Benefits?" [FASB ASC 960-205-45-1]	_____	_____	_____

Practice Tip

The information in items *c–d* can be alternatively disclosed in the notes to the financial statements.

	Yes	No	N/A
2. Is the information regarding both the net assets available for benefits and the actuarial present value of accumulated plan benefits presented as of the same date? [FASB ASC 960-205-45-3]	_____	_____	_____
3. Is the information regarding both the changes in net assets available for benefits and the changes in the actuarial present value of accumulated plan benefits presented for the same period? [FASB ASC 960-205-45-3]	_____	_____	_____
4. If accumulated plan benefit information is presented as of the beginning of the year, have the prior year statements of net assets and changes therein also been included? [FASB ASC 960-205-45-4]	_____	_____	_____
5. Do the plan financial statements include information about the plan resources and how the stewardship responsibility for those resources has been discharged, and other factors necessary for users and participants to understand the information provided? [FASB ASC 960-205-10-3]	_____	_____	_____
6. Is each financial statement suitably titled? [Common Practice]	_____	_____	_____
7. Does each statement include a reference to the notes, which are an integral part of the financial statements? [Common Practice]	_____	_____	_____
B. Comparative Financial Statements			
1. Are comparative statements presented if appropriate? [Paragraphs 1–2 of FASB ASC 205-10-45]	_____	_____	_____

	Yes	No	N/A

Practice Tip

ERISA requires that the "Statement of Net Assets Available for Benefits" be presented in comparative form. In addition, if the accumulated benefit information is presented as of the beginning of the plan year, prior year statements of net assets and changes therein are required. (Exhibit D-7 in appendix D of the guide illustrates the appropriate financial statement presentation when beginning-of-year benefit information is selected.)

2. If comparative financial statements are presented, are the notes and other disclosures included in the financial statements of the preceding year(s) repeated, or at least referred to, to the extent that they continue to be of significance? [FASB ASC 205-10-45-4] _____ _____ _____

3. If changes occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [FASB ASC 205-10-45-3] _____ _____ _____

C. **Consolidated Financial Statements**

Notes: In March 2008, FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, to establish accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary, areas for which limited guidance previously existed. FASB Statement No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement amended authoritative accounting literature to change the term *minority interest* to *noncontrolling interest*. FASB Statement No. 160 does not change the requirements in FASB Interpretation (FIN) 46 (revised December 2003), *Consolidation of Variable Interest Entities*.

FASB Statement No. 160 changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling (minority) interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest.

FASB Statement No. 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and clarifies that all of those transactions are equity transactions if the parent retains its controlling financial interest in the subsidiary.

FASB Statement No. 160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. Those expanded disclosures include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership inter-

(continued)

	Yes	No	N/A

est in a subsidiary on the equity attributable to the parent. These provisions are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). FASB Statement No. 160 should be applied prospectively as of the beginning of the fiscal year in which the statement is initially adopted. Presentation and disclosure requirements should be applied retrospectively for all periods presented.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 160.

FASB Statement No. 160 was codified in FASB ASC 810. This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 810-10-65-1.

Practice Tip

The purpose of consolidated statements is to present, primarily for the benefit of the owners and creditors of the parent, the results of operations and the financial position of a parent and all its subsidiaries as if the consolidated group were a single economic entity. There is a presumption that consolidated financial statements are more meaningful than separate financial statements and that they are usually necessary for a fair presentation when one of the entities in the consolidated group directly or indirectly has a controlling financial interest in the other entities.

In some cases, parent-entity financial statements may be needed, in addition to consolidated financial statements, to indicate adequately the position of bondholders and other creditors or preferred shareholders of the parent. Consolidating financial statements, in which one column is used for the parent and other columns for particular subsidiaries or groups of subsidiaries, often are an effective means of presenting the pertinent information. However, consolidated financial statements are the general purpose financial statements of a parent having one or more subsidiaries; thus, parent-entity financial statements are not a valid substitute for consolidated financial statements.
[FASB ASC 810-10-10-1; "Pending Content" in FASB ASC 810-10-45-11]

1. If consolidated statements are presented, is the consolidation policy disclosed? ____ ____ ____
[FASB ASC 810-10-50 par. 1 and 4]

Practice Tip

With regard to question 2, if a parent deconsolidates a subsidiary or derecognizes a group of assets through a nonreciprocal transfer to owners, such as a spinoff, the accounting guidance in FASB ASC 845-10 applies.
["Pending Content" in FASB ASC 810-10-40-5]

2. Has the entity disclosed all of the following as a parent if, in the period, either a subsidiary has been deconsolidated or a group of assets has been derecognized in accordance with FASB ASC 810-10-40-3A:

   a. The amount of any gain or loss recognized in accordance with FASB ASC 810-10-40-5? ____ ____ ____

   b. The portion of any gain or loss related to the remeasurement of any retained investment in the former subsidiary or group of assets to its fair value? ____ ____ ____

		Yes	No	N/A
	c. The caption in the income statement in which the gain or loss is recognized unless separately presented on the face of the income statement?	____	____	____
	d. A description of the valuation technique(s) used to measure the fair value of any direct or indirect retained investment in the former subsidiary or group of assets?	____	____	____
	e. Information that enables users of the parent's financial statements to assess the inputs used to develop the fair value in item (*d*)?	____	____	____
	f. The nature of continuing involvement with the subsidiary or entity acquiring the group of assets after it has been deconsolidated or derecognized?	____	____	____
	g. Whether the transaction that resulted in the deconsolidation or derecognition was with a related party?	____	____	____
	h. Whether the former subsidiary or entity acquiring a group of assets will be a related party after deconsolidation? ["Pending Content" in FASB ASC 810-10-50-1B]	____	____	____
3.	Has the entity disclosed the following, if the entity is a parent with one or more less-than-wholly owned subsidiaries:			
	a. Separately, on the face of the consolidated financial statements, both of the following:			
	i. The amounts of consolidated net income and consolidated comprehensive income?	____	____	____
	ii. The related amounts on each attributable to the parent and the noncontrolling interest?	____	____	____
	b. Either in the notes or on the face of the consolidated income statement, amounts attributable to the parent for any of the following, if reported in the consolidated financial statements:			
	i. Income from continuing operations?	____	____	____
	ii. Discontinued operations?	____	____	____
	iii. Extraordinary items?	____	____	____
	c. Either in the consolidated statement of changes in equity, if presented, or in the notes to consolidated financial statements, a reconciliation at the beginning and the end of the period of the carrying amount of total equity (net assets), equity (net assets) attributable to the parent, and equity (net assets) attributable to the noncontrolling interest? (See FASB ASC 810-10-50-1A and FASB ASC 810-10-55-4(G) for example disclosures.)	____	____	____
	d. In notes to the consolidated financial statements, a separate schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent? ["Pending Content" in FASB ASC 810-10-50-1A]	____	____	____

	Yes	No	N/A
4. Has the entity eliminated for presentation material intra-entity transactions and accounts, including any intra-entity profit or loss on assets that remain within the consolidated group? [FASB ASC 810-10-45-1]	____	____	____
5. If the financial reporting periods of any subsidiaries are different from that of the parent, are intervening events that materially affect financial position or results of operations disclosed? [FASB ASC 810-10-45-12]	____	____	____
6. If a parent company reports a change to (or the elimination of) a previously existing difference between the parent's reporting period and the reporting period of a consolidated entity in the parent's consolidated financial statements as described in FASB ASC 810-10-45-13, has the change been reported as a change in accounting principle in accordance with the provisions of FASB ASC 250, *Accounting Changes and Error Corrections*, excluding retrospective application if it is impracticable to do so? [FASB ASC 810-10-45-13]	____	____	____

Consolidation of Variable Interest Entities

Notes: In June 2009, FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. Among other things, FASB Statement No. 167 amends FASB Interpretation No. 46(R) to require an entity to perform an analysis to determine whether the entity's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE) and to provide enhanced disclosures that will provide more transparent information about an entity's involvement in a VIE.

FASB Statement No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

In December 2009, FASB issued Accounting Standards Update (ASU) No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which formally incorporated the provisions of FASB Statement No. 167 into FASB ASC 810, *Consolidation*.

In January 2010, FASB issued ASU No. 2010-02, *Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*, which clarifies the application of the scope of the decrease in ownership provisions of FASB ASC 810. ASU No. 2010-02 also contains amendments that expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets. The amendments are effective beginning in the period that an entity adopts FASB Statement No. 160. If an entity has previously adopted FASB Statement No. 160, the amendments are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in ASU No. 2010-02 should be applied

(continued)

	Yes	*No*	*N/A*

retrospectively to the first period that an entity adopts FASB Statement No. 160.

This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2010-02.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 167 or ASU No. 2009-17. This guidance has been codified in FASB ASC 810.

Practice Tip

A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, the disclosures in question 7 are not required.
["Pending Content" in FASB ASC 810-10-50-3]

The primary beneficiary of a VIE that is a business should disclose items required by FASB ASC 805, *Business Combinations*. The primary beneficiary of a VIE that is not a business should disclose the amount of gain or loss recognized on the initial consolidation of the VIE.
["Pending Content" in FASB ASC 810-10-50-3]

7. Does the primary beneficiary of a VIE disclose the following (unless the primary beneficiary also holds a majority voting interest):
   - *a.* The nature, purpose, size, and activities of the VIE? ____ ____ ____
   - *b.* The carrying amount and classification of consolidated assets that are collateral for the VIE's obligations? ____ ____ ____
   - *c.* Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary? ____ ____ ____
     ["Pending Content" in FASB ASC 810-10-50-3]
8. Does an enterprise that holds a significant variable interest in a VIE but is not the primary beneficiary disclose the following:
   - *a.* The nature of its involvement with the VIE and when that involvement began? ____ ____ ____
   - *b.* The nature, purpose, size, and activities of the VIE? ____ ____ ____
   - *c.* The enterprise's maximum exposure to loss as a result of its involvement with the VIE? ____ ____ ____
     [FASB ASC 810-10-50-4]
9. Are disclosures required by FASB ASC 860, *Transfers and Servicing*, about a VIE included in the same note to the financial statements as the information required by the "Variable Interest Entities" subsections of FASB ASC 810? (Further, information about VIEs may be reported in the aggregate for similar entities if separate reporting would not add material information.) ____ ____ ____
   [FASB ASC 810-10-50-5]

	Yes	No	N/A

10. If an entity does not apply the guidance in the "Variable Interest Entities" subsections of FASB ASC 810 to one or more VIEs or potential VIEs because of the condition described in paragraph FASB ASC 810-10-15-17(c), is the following information disclosed:

    a. The number of entities to which this guidance is not being applied and the reason why the information required to apply this guidance is not available? _____ _____ _____

    b. The nature, purpose, size (if available), and activities of the entity(ies) and the nature of the enterprise's involvement with the entity(ies)? _____ _____ _____

    c. The reporting enterprise's maximum exposure to loss because of its involvement with the entity(ies)? _____ _____ _____

    d. The amount of income, expense, purchases, sales, or other measure of activity between the reporting enterprise and the entity(ies) for all periods presented? (However, if it is not practicable to present that information for prior periods that are presented in the first set of financial statements for which this requirement applies, the information for those prior periods is not required.) _____ _____ _____
    [FASB ASC 810-10-50-6]

II. Statement of Net Assets Available for Benefits

A. General

1. Is the information in the "Statement of Net Assets Available for Benefits" presented in such reasonable detail as is necessary to identify the plan's resources that are available for benefits? _____ _____ _____
   [FASB ASC 960-30-25-1]

B. Investments

1. Are the plan's investments presented in enough detail to identify the types of investments and whether reported fair values have been measured by quoted prices in an active market or otherwise determined? _____ _____ _____
   [FASB ASC 960-325-45-1]

2. Are the following investments reported as separate line items in the "Statement of Net Assets Available for Benefits:"

    a. Government securities? _____ _____ _____

    b. Short-term securities? _____ _____ _____

    c. Corporate bonds? _____ _____ _____

    d. Common stocks? _____ _____ _____

    e. Mortgages? _____ _____ _____

    f. Real estate? _____ _____ _____

    g. Investments in bank common or collective trust funds? _____ _____ _____

	Yes	No	N/A
h. Registered investment companies (for example, mutual funds)?	_____	_____	_____
i. Master trusts?	_____	_____	_____
j. Investments in contracts with insurance companies, including separate accounts, deposit administration, and immediate participation guarantee contracts? [AAG 2.24; Common Practice]	_____	_____	_____

Practice Tips

FASB ASC 960, *Plan Accounting—Defined Benefit Plans*, requires defined benefit pension plans to report investment contracts at fair value. Per FASB ASC 960-325-35-3, insurance contracts should be presented at either fair value or at amounts determined by the insurance enterprise (contract value).

Technical Questions and Answers (TIS) section 6930.02, "Defined Benefit Plan Measurement of a Life Insurance Policy" (AICPA, *Technical Practice Aids*), provides nonauthoritative guidance on the accounting and fair value measurement of cash value life insurance contracts.

	Yes	No	N/A
3. For contracts with insurance companies that are included in plan assets, are restrictions on the use of the assets disclosed? [AAG 7.50*c*; Common Practice]	_____	_____	_____
4. Are investments that represent 5 percent or more of total net assets available for benefits separately identified in the financial statements or notes thereto? [FASB ASC 960-325-50-2]	_____	_____	_____

Practice Tip

Listing all investments in Schedule H, line 4i—Schedule of Assets (Held at End of Year) required by ERISA does not eliminate the requirement to include this disclosure in the financial statements.
[AAG 2.44*g*]

	Yes	No	N/A
5. Are investments in master trusts presented as a single line item in the statement of net assets available for benefits? [FASB ASC 960-30-45-11]	_____	_____	_____
6. Do disclosures include investments of a master trust detailed by general type, such as government securities, short-term securities, corporate bonds, common stocks, mortgages, and real estate, as of the date of each "Statement of Net Assets Available for Benefits" presented? [FASB ASC 960-30-50-1]	_____	_____	_____
7. Do disclosures include a description of the basis used to allocate net assets, net investment income, gains and losses to participating plans, and the plan's percentage interest in a master trust as of the date of each "Statement of Net Assets Available for Benefits?" [FASB ASC 960-30-50-3]	_____	_____	_____

	Yes	No	N/A
C. Assets Held in 401(h) Account			
1. Are the 401(h) net assets shown as a single line item on the face of the statement of net assets available for benefits? [FASB ASC 960-30-45-5]	_____	_____	_____
2. Do the notes to the financial statements disclose the nature of the assets related to the 401(h) account, and the fact that the assets are available only to pay retiree health benefits? [FASB ASC 960-205-50-4]	_____	_____	_____
3. Because ERISA requires 401(h) accounts to be reported as assets of the pension plan, do the notes to the financial statements include a reconciliation of the net assets reported in the financial statements to those reported in Form 5500 and is accompanied by a discussion of the 401(h) account that clearly explains that the assets in the 401(h) account are not available to pay pension benefits? [FASB ASC 960-205-50-5]	_____	_____	_____
D. Property, Plant, and Equipment			
1. For depreciable assets, do the financial statements include disclosure of			
a. depreciation expense for each period?	_____	_____	_____
b. balances of major classes of depreciable assets by nature or function?	_____	_____	_____
c. accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
d. a general description of the method or methods used in computing depreciation for each major class of depreciable assets? [FASB ASC 360-10-50-1]	_____	_____	_____
2. If an impairment loss is recognized for assets to be held and used, or for assets to be disposed of, are disclosures made in accordance with the guidance for the presentation and disclosure of the "Impairment or Disposal of Long-Lived Assets" section in FASB ASC 360, *Property, Plant and Equipment*?[1] [FASB ASC 360-10-45; FASB ASC 360-10-50]	_____	_____	_____
E. Contributions Receivable and Uncollectible Amounts			
1. Are the following contributions receivable separately identified:			
a. Receivables from employer(s)?	_____	_____	_____
b. Receivables from participants?	_____	_____	_____

[1] FASB ASC 360-10-45 and FASB ASC 360-10-50 provide guidance for the presentation and disclosure of the impairment or disposal of long-lived assets to be held and used and assets to be disposed of. The specific detailed requirements of FASB ASC 360-10-45 and FASB ASC 360-10-50 have not been included in the checklist due to the determination that many of the presentation and disclosure requirements would not be applicable to defined benefit pension plans. However, if the plan recognizes an impairment of long-lived assets, please refer to the aforementioned sections of FASB ASC for the presentation and disclosure requirements.

	Yes	No	N/A
c. Other sources of funding pursuant to formal commitments as well as legal or contractual requirements? [FASB ASC 960-310-25-1]	_____	_____	_____
2. Do contributions receivable include an allowance for uncollectible amounts? [FASB ASC 960-310-25-3]	_____	_____	_____
F. Cash			
1. Is separate disclosure made of restricted cash? [FASB ASC 210-10-45-4]	_____	_____	_____
2. Are restrictions on cash properly disclosed? [Common Practice]	_____	_____	_____
3. Are bank overdrafts reclassified to and presented separately in liabilities? [Common Practice]	_____	_____	_____

Practice Tip

The AICPA issued TIS section 1100.15, "Liquidity Restrictions" (AICPA, *Technical Practice Aids*), to discuss auditing and accounting issues related to withdrawal restrictions placed on short term investments by a money market fund or its trustee.

	Yes	No	N/A
G. Liabilities			
1. Are liabilities other than for benefits (such as securities purchased, income taxes payable by the plan, and other expenses, for example, third-party administrator fees) deducted in arriving at net assets available for plan benefits? [Common Practice; AAG 2.35]	_____	_____	_____

Practice Tip

Benefit amounts should not be accrued as liabilities.
[Common Practice; AAG 2.35]

	Yes	No	N/A
2. Consider stating separately:			
a. Due to broker for securities purchased?	_____	_____	_____
b. Accounts payable?	_____	_____	_____
c. Accrued expenses? [Common Practice; AAG exhibits D-1, D-5, and D-9]	_____	_____	_____
3. Net assets related to the 401(h) account must be deducted before arriving at the total of net assets available for pension benefits:			
a. In deducting those net assets, are the amounts relating to 401(h) features presented as a separate line item in the liabilities section of the statement of net assets available for pension benefits?	_____	_____	_____

	Yes	No	N/A
b. Does the financial statement caption clearly denote that the net assets held in the 401(h) account relate to obligations of the health and welfare plan or arrangement? [FASB ASC 960-30-45 par. 7 and 8]	____	____	____

III. Statement of Changes in Net Assets Available for Benefits

A. General

	Yes	No	N/A
1. Does the "Statement of Changes in Net Assets Available for Benefits" present changes in net assets available for benefits in enough detail to identify the significant changes during the year? [FASB ASC 960-30-45-1]	____	____	____
2. Does the "Statement of Changes in Net Assets Available for Benefits" (or the notes to the financial statements) present the net appreciation (depreciation) in the fair value of each significant type of investment, segregated between investments whose fair values have been measured by quoted market prices in an active market and those whose fair values have been otherwise determined? [FASB ASC 960-30-45-2]	____	____	____
3. At a minimum, does the "Statement of Changes in Net Assets Available for Benefits" disclose the following:			
a. Investment income (exclusive of changes in fair value)?	____	____	____
b. Contributions from employer(s), segregated between cash and noncash contributions with the nature of the noncash contributions described either parenthetically or in a note?	____	____	____
c. Contributions from participants, including those transmitted by the sponsor?	____	____	____
d. Contributions from other identified sources (for example, state subsidies or federal grants)?	____	____	____
e. Benefits paid to participants or beneficiaries?	____	____	____
f. Payments to insurance entities to purchase contracts that are excluded from plan assets?	____	____	____
g. Administrative expenses?			
h. Other changes (for example, transfers of assets to or from other plans, if significant)? [FASB ASC 960-30-45-2]	____	____	____

Practice Tip

Dividend income related to contracts with insurance companies that are excluded from plan assets may be netted against question 3*f*.
[FASB ASC 960-30-45-2*g*]

	Yes	No	N/A
B. Contributions			
1. Is the nature of noncash contributions described, either parenthetically or in a footnote? [FASB ASC 960-30-45-2*c*]	_____	_____	_____
C. Investment Earnings			
1. Does the net appreciation (depreciation) in the fair value of investments (see question 1 in section A, *Statement of Changes in Net Assets Available for Benefits*) include realized gains and losses on investments that were both bought and sold during the year?[2] [FASB ASC 960-30-45-2*a*]	_____	_____	_____
2. Is the net change in the fair value of each significant type of investment of a master trust and total investment income of the master trust by type (for example, interest and dividends) disclosed for each period for which a "Statement of Changes in Net Assets Available for Benefits" is presented? [FASB ASC 960-30-50-2]	_____	_____	_____
D. 401(h) Account Assets			
1. Does the statement of changes in net assets available for plan benefits:			
a. Show only the changes in net assets of the pension plan and not any of the components of the changes in the net assets in the 401(h) account?	_____	_____	_____
b. Reflect only qualified transfers to the 401(h) account or any unused or unspent amounts (including allocated income), or both, in the 401(h) account at the end of the year that were qualified transfers of excess pension plan assets that should have been but were not transferred back to the defined benefit pension plan? [FASB ASC 960-30-45 par. 9 and 10]	_____	_____	_____

IV. Statement of Accumulated Plan Benefits

Practice Tip

The benefit information may be presented in a separate statement, combined with other information in the financial statements, or presented in a note to the financial statements. Regardless of the presentation, the benefit information should all be located in one place. If the minimum required disclosure is presented in other than a statement format, the actuarial present value of accumulated plan benefits as of the preceding benefit information date should also be presented.
[FASB ASC 960-20-45-2; FASB ASC 960-20-50-7]

A. Actuarial Present Value of Accumulated Plan Benefits

1. Is the total actuarial present value of accumulated plan benefits as of the benefit information date segmented into at least the following categories:

[2] Gains and losses from investments sold need not be segregated from unrealized gains and losses relating to investments held at year-end. [AAG 2.36*a*]

	Yes	No	N/A
a. Vested benefits of participants currently receiving payments?	_____	_____	_____
b. Other vested benefits?	_____	_____	_____
c. Nonvested benefits? [FASB ASC 960-20-45-3]	_____	_____	_____
2. Does the amount disclosed as vested benefits of participants currently receiving payments include those benefits due and payable as of the benefit information date? [FASB ASC 960-20-45-3]	_____	_____	_____
3. Does information regarding accumulated plan benefits relate only to pension obligations and not to retiree health benefits, even in situations where separate financial statements are not prepared for the health and welfare benefit plan? [FASB ASC 960-20-45-5]	_____	_____	_____
B. Accumulated Contributions of Present Employees			
1. If the plan is contributory, is the amount of active employees' accumulated contributions as of the benefit information date (including interest, if any) disclosed? [FASB ASC 960-20-50-2]	_____	_____	_____
2. If interest has been credited on employees' contributions, is the rate(s) disclosed? [FASB ASC 960-20-50-2]	_____	_____	_____

V. Statement of Changes in Accumulated Plan Benefits

Practice Tip

The changes in accumulated plan benefits may be presented in a separate statement or presented in the notes to the financial statements in either reconciliation or narrative format.
[FASB ASC 960-20-45-8; Common Practice]

	Yes	No	N/A
A. Presentation of Changes in the Actuarial Present Value of Accumulated Plan Benefits			
1. If significant, is information disclosed regarding the effects of certain factors affecting the change in the actuarial present value of accumulated plan benefits from the preceding to the current benefit information date? [FASB ASC 960-20-45-6]	_____	_____	_____
2. At a minimum, do disclosures include the significant effects of such factors as the following:			
a. Plan amendments?	_____	_____	_____
b. Changes in the nature of the plan (for example, as a result of a spin-off or merger)?	_____	_____	_____
c. Changes in actuarial assumptions?[3]	_____	_____	_____
3. Are the significant effects of other factors identified, such as:			

[3] Changes in actuarial assumptions are to be viewed as changes in accounting estimates, and therefore previously reported amounts should not be restated. [FASB ASC 960-20-35-4]

	Yes	No	N/A
a. Benefits accumulated?	_____	_____	_____
b. The increase (for interest) as a result of the decrease in the discount period?	_____	_____	_____
c. Benefits paid? [FASB ASC 960-20-50 par. 3 and 4]	_____	_____	_____
4. If any one factor is individually significant, is that factor separately disclosed? [FASB ASC 960-20-50-5; Common Practice]	_____	_____	_____

Practice Tip

Actuarial experience gains or losses may be included with the effects of additional benefits accumulated rather than being separately disclosed.
[FASB ASC 960-20-50-4]

B. Changes in Actuarial Assumptions

	Yes	No	N/A
1. For plans that measure the actuarial present value of accumulated plan benefits by insurance entity rates pursuant to the approach described in FASB ASC 960-20-35-1A, are the effects of the changes in actuarial assumptions reflected in changes in those insurance rates disclosed, if practicable? [FASB ASC 960-20-50-3]	_____	_____	_____
2. If the effects of changes in actuarial assumptions discussed in question 1 cannot be separately disclosed, are those effects included in benefits accumulated? [FASB ASC 960-20-50-4]	_____	_____	_____

C. Benefits Paid and Other

	Yes	No	N/A
1. Are amounts paid by the plan to an insurance company pursuant to a contract that is excluded from plan assets (including the purchase of annuities with amounts allocated from existing investments with the insurance company) included in benefits paid? [FASB ASC 960-20-50-6]	_____	_____	_____
2. In presenting the changes in the actuarial present value of accumulated plan benefits, if only the minimum required disclosure is presented and a *statement format* is used, is an additional *other* category used to reconcile the beginning and ending amounts?[4] [FASB ASC 960-20-45-9]	_____	_____	_____

VI. Summary of Significant Accounting Policies

A. Accounting Policies

	Yes	No	N/A
1. Is a description of all significant accounting policies presented as either a separate *summary of significant accounting policies* preceding the notes to the financial statements or as the initial note?	_____	_____	_____

[4] If the minimum required disclosure is presented in other than a statement format, the actuarial present value of accumulated plan benefits as of the preceding benefit information date should be presented. [FASB ASC 960-20-50-7]

	Yes	No	N/A
[FASB ASC 235-10-50-6; Common Practice]			
2. Does the disclosure of significant accounting policies identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position and results of operations, including instances in which there			
a. is a selection from existing acceptable alternatives?	____	____	____
b. are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry?	____	____	____
c. are unusual or innovative applications of U.S. GAAP? [FASB ASC 235-10-50-3]	____	____	____
3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [FASB ASC 235-10-50-5]	____	____	____
4. Is an explanation that the preparation of financial statements in conformity with U.S. GAAP requires the use of management's estimates included? [FASB ASC 275-10-50-4]	____	____	____
5. Does the disclosure of significant accounting policies include a description of the method(s) and significant assumptions used to determine the fair value of investments and the reported value of insurance contracts? [FASB ASC 960-325-50-1]	____	____	____
6. Does the disclosure of significant accounting policies include a description of the method and significant assumptions (for example, assumed rates of return, inflation rates, and retirement ages) used to determine the actuarial present value of accumulated plan benefits, including any significant changes in the method or assumptions during the year? [FASB ASC 960-20-50 par. 8 and 9]	____	____	____
7. If administrative expenses expected to be paid by the plan (not those paid by the sponsor) that are associated with providing accumulated plan benefits are reflected by appropriately adjusting the assumed rates of return, is the adjustment of the assumed rates of return disclosed separately? [FASB ASC 960-20-35-1]	____	____	____

	Yes	No	N/A

B. Certain Significant Estimates

1. If known information available before the financial statements are issued or available to be issued indicates that *(a)* it is at least reasonably possible that the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events, and *(b)* the effect of the change would be material to the financial statements,

   a. is disclosure made of the nature of the uncertainty, including an indication that it is at least reasonably possible that a change in the estimate will occur in the near term? ____ ____ ____

   b. if the estimate involves a loss contingency covered by FASB ASC 450, *Contingencies*, does the disclosure include an estimate of the possible range of loss, or state that such an estimate cannot be made? ____ ____ ____

   c. does the disclosure describe the factors that cause the estimate to be sensitive to change? ____ ____ ____
   [FASB ASC 275-10-50 par. 8 and 9]

VII. Other Financial Statement Disclosures

A. Accounting Changes and Error Corrections

Change in Accounting Principle

1. Is the following disclosed in the fiscal period in which a change in accounting principle is made (not required for subsequent periods):

   a. The nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable? ____ ____ ____

   b. The method of applying the change, including the following:

      i. A description of the prior-period information that has been retrospectively adjusted, if any? ____ ____ ____

      ii. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted? Presentation of the effect on financial statement subtotals and totals other than income from continuing operations and net income (or other appropriate captions of changes in the applicable net assets or performance indicator) is not required. ____ ____ ____

Yes No N/A

iii. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented? ____ ____ ____

iv. If retrospective application to all prior periods is impracticable, disclosure of the reasons therefore, and a description of the alternative method used to report the change? ____ ____ ____
[FASB ASC 250-10-45 par. 5–7]

c. If indirect effects of a change in accounting principle are recognized:

i. A description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period, and the related per-share amounts, if applicable? ____ ____ ____

ii. Unless impracticable, the amount of the total recognized indirect effects of the accounting change and the related per-share amounts, if applicable, that are attributable to each prior period presented? ____ ____ ____
[FASB ASC 250-10-50-1]

Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph.
[FASB ASC 250-10-50-1]

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2. If a change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, are the disclosures required by question 1*a* provided whenever the financial statements of the period of change are presented? ____ ____ ____
[FASB ASC 250-10-50-1]

3. In the fiscal year in which a new accounting principle is adopted, does financial information reported for interim periods after the date of adoption include disclosure of the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and related per-share amounts, if applicable, for those postchange interim periods? ____ ____ ____
[FASB ASC 250-10-50-3]

	Yes	No	N/A

Change in Accounting Estimate

4. Is the effect on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and any related per-share amounts of the current period disclosed for a change in estimate that affects several future periods, such as a change in service lives of depreciable assets? Disclosure of those effects is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts or inventory obsolescence; however, if the effect of a change in the estimate is material, is it disclosed? ____ ____ ____

5. When an entity effects a change in estimate by changing an accounting principle, are the disclosures required by questions 1–3 made? ____ ____ ____

6. If a change in estimate does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of that change in estimate disclosed whenever the financial statements of the period of change are presented? ____ ____ ____
   [FASB ASC 250-10-50-4]

Change in the Reporting Entity

7. When there has been a change in the reporting entity, do the financial statements of the period of the change describe the nature of the change and the reason for it? ____ ____ ____
   a. Is the effect of the change on income before extraordinary items, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts disclosed for all periods presented? ____ ____ ____
   [FASB ASC 250-10-50-6]

Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph.
[FASB ASC 250-10-50-6]

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8. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of and reason for the change disclosed whenever the financial statements of the period of change are presented? ____ ____ ____
   [FASB ASC 250-10-50-6]

Note: Regarding business combinations, FASB ASC 805-10-50; FASB ASC 805-20-50; FASB ASC 805-30-50; and FASB ASC 805-740-50 describe the manner of reporting and the disclosures required for a business combination.

	Yes	No	N/A

Correction of an Error in Previously Issued Financial Statements

9. When financial statements are restated to correct an error, does the plan disclose that its previously issued financial statements have been restated, along with a description of the nature of the error? Does the plan also disclose the following: ____ ____ ____

   a. The effect of the correction on each financial statement line item and any per-share amounts affected for each prior period presented? ____ ____ ____

   b. The cumulative effect of the change on retained earnings or other appropriate components of equity or net assets in the statement of financial position, as of the beginning of the earliest period presented? ____ ____ ____
   [FASB ASC 250-10-50-7]

10. In addition to question 9, does the plan make the following disclosures of prior-period adjustments and restatements (see also FASB ASC 205-10-45 and FASB ASC 205-10-50-1)? ____ ____ ____

   a. When financial statements for a single period only are presented, the effects (including applicable income taxes) of such restatement on the balance of retained earnings, or other appropriate component of equity or net assets, at the beginning of the period and on the change in net assets of the immediately preceding period? ____ ____ ____

   b. When financial statements for more than one period are presented, the effects (including applicable income taxes) for each of the periods included in the financial statements? ____ ____ ____
   [FASB ASC 250-10-50-9]

Note: Financial statements of subsequent periods need not repeat the disclosures required by this paragraph.
[FASB ASC 250-10-50-10]

An entity that issues interim financial statements should provide the required disclosures in the financial statements of both the interim period of the change and the annual period of the change.
[FASB ASC 250-10-50-2]

B. Commitments and Contingencies (See also section G, "Guarantees")

1. Is disclosure made of the nature of estimated loss contingencies accrued when *(a)* information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and *(b)* the amount of loss can be reasonably estimated? ____ ____ ____
   [FASB ASC 450-20-25-2]

	Yes	No	N/A
2. If necessary to keep the financial statements from being misleading, are the amounts of contingencies accrued as described in question 1 disclosed? [FASB ASC 450-20-50-1]	_____	_____	_____
3. For loss contingencies not accrued because one or both of the conditions in question 1 are not met or if an exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures indicate the following:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [FASB ASC 450-20-50 par. 3–4]	_____	_____	_____

Practice Tips

Disclosure is preferable to accrual when a reasonable estimate of loss cannot be made. For example, disclosure should be made of any loss contingency that meets the condition in FASB ASC 450-20-25-2(a), question 1, but that is not accrued because the amount of loss cannot be reasonably estimated. Disclosure also should be made of some loss contingencies that do not meet the condition in FASB ASC 450-20-25-2(a), question 1, namely, those contingencies for which there is a reasonable possibility that a loss may have been incurred even though information may not indicate that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements.
[FASB ASC 450-20-50-5]

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Disclosure is not required of a loss contingency involving an unasserted claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless both of the following conditions are met:

- It is considered probable that a claim will be asserted.
- There is a reasonable possibility that the outcome will be unfavorable

Further, disclosure of noninsured or underinsured risks is not required; however, disclosure in appropriate circumstances is not discouraged.
[FASB ASC 450-20-50 par. 6–7]

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Disclosure of a loss or a loss contingency arising after the date of an entity's financial statements but before those financial statements are issued, as described in paragraphs 6–7 of FASB ASC 450-20-25, may be necessary to keep the financial statements from being misleading if an accrual is not required. If disclosure is deemed necessary, the financial statements should include both of the following:

- The nature of the loss or loss contingency
- An estimate of the amount or range of loss or possible loss or a statement that such an estimate cannot be made

Occasionally, in the case of a loss arising after the date of the financial statements if the amount of asset impairment or liability incurrence can be reasonably estimated, disclosure may best be made by supplementing the historical financial statements with pro forma financial data giving effect to the loss as if it had occurred at the date of the financial statements. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical financial statements.
[FASB ASC 450-20-50 par. 9–10]

	Yes	No	N/A
4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [FASB ASC 450-30-50-1]	_____	_____	_____
5. Are the nature and amount of any guarantees (for example, guarantees of indebtedness of others) disclosed even though the possibility of loss may be remote? [FASB ASC 460-10-50 par. 2–3]	_____	_____	_____
6. Has the entity disclosed the following items: unused letters of credit, long term leases, assets pledged as securities for loans, pension plans, the existence of cumulative preferred stock dividends in arrears, commitments for plant acquisitions to reduce debts, maintain working capital, or restrict dividends? [FASB ASC 440-10-50-1]	_____	_____	_____

C. Current Vulnerability Due to Certain Concentrations

	Yes	No	N/A
1. Is disclosure including information that is adequate to inform users of the general nature of the risk associated with concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor; in revenue from particular products, services, or fund-raising events; in the available sources of supply of materials, labor, or services, or licenses or other rights used in the reporting entity's operations; or in the market or geographic area in which the reporting entity conducts its operations made if, based on information known to management before the financial statements are issued, *(a)* the concentration existed at the date of the financial statements, *(b)* made the plan vulnerable to the risk of a near-term severe impact, and *(c)* it is at least reasonably possible that the events that could cause the severe impact will occur in the near term? [FASB ASC 275-10-50 par. 16, 18, and 20]	_____	_____	_____
2. For those concentrations of labor subject to collective bargaining agreements and concentrations of operations located outside the reporting entity's home country that (*a*) exist at the date of the financial statements and (*b*) make the reporting entity vulnerable to the risk of a near-term severe impact, where it is at least reasonably possible that the events that could cause the severe impact will occur in the near term, are the following disclosed:			
a. The percentage of labor force covered by a collective agreement and the percentage of the labor force covered by a collective bargaining agreement that will expire in one year?	_____	_____	_____
b. For operations located outside the reporting entity's home country, the carrying amounts of net assets and the geographic areas in which they are located? [FASB ASC 275-10-50-20]	_____	_____	_____

	Yes	No	N/A
3. Certain loan products have contractual terms that expose entities to risks and uncertainties that fall into one or more categories, as discussed in FASB ASC 275-10-50-1. If they meet the requirements of FASB ASC 275-10-50-16, are other concentrations disclosed? [FASB ASC 310-10-50-25]	_____	_____	_____

D. Description of Pension Plan

1. Do disclosures include a brief, general description of the plan agreement, including its vesting and benefit provisions? [FASB ASC 960-205-50-1(a)]	_____	_____	_____

Practice Tip

If material providing this information is otherwise published and made available to participants (for example, employee handbook), the disclosures required by FASB ASC 960-205-50-1(a) can be omitted provided that a reference to the other source is made.
[FASB ASC 960-205-50-1(a)]

2. For ERISA plans, does the plan description include the priority order of participants' claims to the assets of the plan upon plan termination and the benefits guaranteed by the PBGC? [FASB ASC 960-205-50-1(c)]	_____	_____	_____

E. Description of Plan Amendments

1. Do disclosures include a description of significant plan amendments adopted during the year? [FASB ASC 960-205-50-1(b)]	_____	_____	_____
2. If significant plan amendments were adopted after the date of the accumulated benefit information, and accordingly their effect was not included in the calculation, is this fact stated? [FASB ASC 960-205-50-1(b)]	_____	_____	_____

F. Financial Instruments

Notes: In March 2008, FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*, amended FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, by requiring enhanced disclosures about a plan's derivative and hedging activities in order to improve the transparency of financial reporting. FASB Statement No. 161 was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. FASB Statement No. 161 also encourages comparative disclosures at initial adoption.

In September 2008, FASB issued FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. This FSP amended FASB Statement No. 133 to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amended FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpre-*
(continued)

	Yes	No	N/A

tation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34, to require an additional disclosure about the current status of the payment or performance risk of a guarantee. This FSP clarified the board's intent that the disclosures required by FASB Statement No. 161 should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008. This clarification was effective upon issuance of the FSP. The provisions of this FSP that amended FASB Statement No. 133 and FASB Interpretation No. 45 were effective for reporting periods (annual or interim) ending after November 15, 2008. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending subsequent to initial adoption.

In March 2010, FASB issued ASU No. 2010-11, *Derivative and Hedging (Topic 815)—Scope Exception Related to Embedded Credit Derivatives*, to provide amendments to FASB ASC 815, *Derivatives and Hedging*, to clarify the guidance regarding the embedded credit derivative scope exception. ASU No. 2010-11 is effective for reporting periods beginning after June 15, 2010, and early adoption is permitted.

This checklist has been updated to include the disclosure and presentation requirements of ASU No. 2010-11.

This guidance is located in FASB ASC 815-10-50.

1. Have the following disclosures been made by the entity with derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66), which enable the users of the financial statements to understand the following:
   a. How and why an entity uses derivative instruments (or such nonderivative instruments)? _____ _____ _____
   b. How derivative instruments (or such nonderivative instruments) and related hedged items are accounted for under FASB ASC 815? _____ _____ _____
   c. How derivative instruments (or such nonderivative instruments) and related hedged items affect the entity's financial position, performance, and cash flows? [FASB ASC 815-10-50-1] _____ _____ _____
2. Does the plan disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66):
   a. Its objectives for holding or issuing those instruments? _____ _____ _____
   b. The context needed to understand those objectives? _____ _____ _____
   c. Its strategies for achieving those objectives? _____ _____ _____

	Yes	No	N/A
d. Information that would enable users of its financial statements to understand the volume of its activity in those instruments? (An entity should select the format and the specifics of disclosures relating to its volume of such activity that are most relevant and practicable for its individual facts and circumstances.) [FASB ASC 815-10-50 par. 1A and 1B]	_____	_____	_____
3. Is the information described in question 2 about the instruments disclosed in the context of each instrument's primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price)? [FASB ASC 815-10-50-1B]	_____	_____	_____
4. Does the description of those instruments in question 2 also distinguish between those used for risk management purposes and those used for other purposes? Derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) used for risk management purposes include those designated as hedging instruments under FASB ASC 815-20 as well as those used as economic hedges and for other purposes related to the entity's risk exposures. [FASB ASC 815-10-50-1B]	_____	_____	_____
5. For derivative instruments designated as hedging instruments, does the description distinguish between each of the following:			
a. Instruments used for risk management purposes, distinguished between each of the following:			
i. Derivatives designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, and derivative instruments designated as hedging instruments of the foreign currency exposure in a net investment in a foreign operation?	_____	_____	_____
ii. Instruments used as economic hedges and for other purposes related to the entity's risk exposure?	_____	_____	_____
b. Instruments used for other purposes? [FASB ASC 815-10-50-2]	_____	_____	_____
6. For derivative instruments not designated as hedging instruments, under FASB ASC 815-20, does the description indicate the purpose of the derivative activity? [FASB ASC 815-10-50-4]	_____	_____	_____

Yes No N/A

Practice Tip

The qualitative disclosures required by FASB ASC 815-10-50-4A(a)–(b), question 9, should be presented in tabular format except for the information required for hedged items by FASB ASC 815-10-50-4C(a). Information about hedged items can be presented in a tabular or nontabular format.
[FASB ASC 815-10-50-4E]

7. For every annual and interim reporting period for which a statement of net assets available for benefits and a statement of changes in net assets available for benefits is presented, does the plan disclose the location and fair value amounts or the location and amount of gains and losses, as applicable, of derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) reported in the financial statements? ____ ____ ____
[FASB ASC 815-10-50-4A]

8. Do the disclosures required by FASB ASC 815-10-50-4A(a), as discussed in question 7, provide the following:

   a. The fair value of derivative instruments on a gross basis, even when the derivative instruments are subject to master netting arrangements and qualify for net presentation in the statement of net assets available for benefits in accordance with FASB ASC 210-20 (cash collateral payables and receivables associated with the derivative instruments are not added to or netted against the fair value amounts)? ____ ____ ____

   b. Fair value amounts presented as separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments in accordance with FASB ASC 815-20 and those that are not? ____ ____ ____

   c. Within each of the aforementioned categories, are fair value amounts presented separately by type of derivative contract (such as interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, or other contracts)? ____ ____ ____

   d. Does the disclosure identify the line item(s) in the statement of net assets available for benefits in which the fair value amounts for these categories of derivative instruments are included? ____ ____ ____
   [FASB ASC 815-10-50-4B]

9. Are the gains and losses disclosed pursuant to FASB ASC 815-10-50-4A(b) presented separately for all of the following types of contracts:

	Yes	*No*	*N/A*
a. Derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges? (***Note***: The information about hedged items in this step can be presented in tabular or nontabular format.)	____	____	____
b. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges that was recognized in investment income during the current period?	____	____	____
c. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges recorded in investment income during the term of the hedging relationship?	____	____	____
d. The portion of gain and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing any of the following: (1) the amount of the hedges' ineffectiveness and (2) the amount, if any, excluded from the assessment of hedge effectiveness?	____	____	____
e. Derivative instruments not designated or qualifying as hedging instruments under FASB ASC 815-20? [FASB ASC 815-10-50-4C]	____	____	____
10. Do the disclosures in the preceding question 9 present information separately by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, and credit contracts)? [FASB ASC 815-10-50-4D]	____	____	____
11. Do the disclosures in the preceding question 9 identify the line item(s) in the statement of changes in net assets available for benefits in which the gains and losses for the categories of derivative instruments are included? [FASB ASC 815-10-50-4D]	____	____	____

Practice Tip

If the disclosure option in question 12 is elected, a footnote in the required tables referencing the use of alternative disclosures for trading activities should be included.
[FASB ASC 815-10-50-4F]

12. If the plan's policy is to include derivative instruments that are not designated or qualifying as hedging instruments under FASB ASC 815-20 in its trading activities, and the plan elects to exclude those derivative instruments from the disclosures pursuant to question 9, has it disclosed the following:

	Yes	No	N/A
a. The gains and losses on its trading activities (including both derivative and nonderivative instruments) recognized in the statement of changes in net assets available for benefits, separately by major types of items (for example, fixed income or interest rates, foreign exchange, equity, commodity, and credit)?	_____	_____	_____
b. The line items in the statement of changes in net assets available for benefits in which trading activities gains and losses are included?	_____	_____	_____
c. A description of the nature of its trading activities and related risks and how the plan manages those risks? [FASB ASC 815-10-50-4F]	_____	_____	_____
13. Does the plan disclose the following information about derivative instruments it holds and issues (or nonderivative instruments it holds and issues that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 of FASB ASC 815-20-25) for every annual and interim reporting period for which a statement of net assets available for benefits and a statement of changes in net assets available for benefits is presented?			
a. The existence and nature of credit-risk-related contingent features and the circumstances in which the features could be triggered in derivative instruments (or such nonderivative instruments) that are in a net liability position at the end of the reporting period?	_____	_____	_____
b. The aggregate fair value amounts of derivative instruments (or such nonderivative instruments) that contain credit-risk related contingent features that are in a net liability position at the end of the reporting period?	_____	_____	_____
c. The aggregate fair value of assets that are already posted as collateral at the end of the reporting period and (1) the aggregate fair value of additional assets that would be required to be posted as collateral or (2) the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period? [FASB ASC 815-10-50-4H]	_____	_____	_____
14. If the disclosures related to derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 58 and 66 in FASB ASC 815-20-25) are presented in more than a single footnote, does each derivative note cross-reference the other notes in which derivative-related information is disclosed? [FASB ASC 815-10-50-4I]	_____	_____	_____

	Yes	No	N/A

Credit Derivatives

15. If the plan is a seller of credit derivatives (as defined in FASB ASC 815-10-50-4J), does it disclose the following information even if the likelihood of the seller's having to make any payments under the credit derivative is remote:

    (***Note***: The term *seller* refers to the party that assumes credit risk, which could be a guarantor in a guarantee type contract, and any party that provides the credit protection in an option type contract, a credit default swap, or any other credit derivative contract. A seller is also sometimes referred to as a writer of the contract.)

    a. The nature of the credit derivative, including all of the following:

    i. The approximate term of the credit derivative? ____ ____ ____

    ii. The reason(s) for entering into the credit derivative? ____ ____ ____

    iii. The events or circumstances that would require the seller to perform under the credit derivative? ____ ____ ____

    iv. The current status (that is, as of the date of the statement of net assets available for benefits) of the payment or performance risk of the credit derivative? ____ ____ ____

    v. If the entity uses internal groupings for the purposes of item (iv), how those groupings are determined and used for managing risk? ____ ____ ____

    b. The maximum potential amount of future payments (undiscounted) the seller could be required to make under the credit derivative, which should not be reduced by the effect of any amounts that may possibly be recovered under recourse or collateralization provisions in the credit derivative? ____ ____ ____

    c. The fact that the terms of the credit derivative provide for no limitation to the maximum potential future payments under the contract, if applicable, is disclosed? ____ ____ ____

    d. If the seller is unable to develop an estimate of the maximum potential amount of future payments under the credit derivative, are the reasons why it cannot estimate the maximum potential amount disclosed? ____ ____ ____

    e. Is the fair value of the credit derivative as of the date of the statement of financial position disclosed? ____ ____ ____

    f. The nature of

    i. any recourse provisions that would enable the seller to recover from third parties any of the amounts paid under the credit derivative, and ____ ____ ____

Yes No N/A

ii. any assets held either as collateral or by third parties that, upon the occurrence of any specified triggering event or condition under the credit derivative, the seller can obtain and liquidate to recover all or a portion of the amounts paid under the credit derivative? ____ ____ ____

g. Does the plan, as the seller of the credit derivative, indicate, if estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the credit derivative? ____ ____ ____

h. In its estimate of potential recoveries, does the seller of credit protection consider the effect of any purchased credit protection with identical underlying(s)? ____ ____ ____
[FASB ASC 815-10-50-4J; "Pending Content" in FASB ASC 815-10-50-4K]

(***Note***: The disclosures required by question 15*a–g* do not apply to an embedded derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another, as described in FASB ASC 815-15-15-9.
["Pending Content" in FASB ASC 815-10-50-4K]

16. With respect to hybrid instruments that have embedded credit derivatives, does the seller of the embedded credit derivative disclose the information required by FASB ASC 815-10-50-4K, question 15, for the entire hybrid instrument, not just the embedded credit derivatives? ____ ____ ____
[FASB ASC 815-10-50-4L]

17. Does the seller of a credit derivative disclose the information required by FASB ASC 815-10-50-4K, question 15, for groups of similar credit derivatives by ____ ____ ____

a. major types of contracts (for example, single-name credit default swaps, traded indexes, other portfolio products, and swaptions), and, then, ____ ____ ____

b. for each major type, by additional subgroups for major types of referenced or underlying asset classes (for example, corporate debt, sovereign debt, and structured finance)? ____ ____ ____
[Common Practice; FASB ASC 815-10-50-4L]

Fair Value Hedges

18. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20 that have been designated and have qualified as fair value hedging instruments and for the related hedged items, has the following been disclosed:

	Yes	No	N/A

a. The net gain or loss recognized in the investment income during the reporting period representing (i) the amount of the hedges' ineffectiveness, and (ii) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness? _____ _____ _____

b. The amount of net gain or loss recognized in investment income when a hedged firm commitment no longer qualifies as a fair value hedge? _____ _____ _____
[FASB ASC 815-25-50-1]

Cash Flow Hedges

19. Have the disclosure requirements of FASB ASC 815-30-45-1 and paragraphs 1–2 of FASB ASC 815-30-50 been followed for derivative instruments that have been designated as cash flow hedging instruments that are reported in comprehensive income pursuant to FASB ASC 815-20-25-65 and FASB ASC 815-30-35-3? _____ _____ _____
[FASB ASC 815-30-45-1; FASB ASC 815-30-50 par. 1–2]

Certain Contracts on Debt and Equity Securities

20. Has the plan disclosed its accounting policy for the premium paid (time value) to acquire an option that is classified as held to maturity or available for sale? _____ _____ _____
[FASB ASC 815-10-50-9]

21. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, an entity is encouraged, but not required, to present a more complete picture of its activities by disclosing that information. Have such disclosures been made (for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented)? _____ _____ _____
[FASB ASC 815-35-50-2; FASB ASC 815-10-50-4A]

22. The qualitative disclosures about the plan's objective and strategies for using derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) may be more meaningful if they are described in the context of the plan's overall risk exposures relating to interest rate risk, foreign exchange risk, commodity price risk, credit risk, and equity price risk, even if the plan does not manage some of those exposures by using derivative instruments. Accordingly, in such situations, has the plan presented a more complete picture of its activities by disclosing that information? _____ _____ _____
[Common Practice; FASB ASC 815-10-50-5]

	Yes	No	N/A

Disclosures About Fair Value of Financial Instruments

23. Have the disclosure requirements of FASB ASC 825, *Financial Instruments*, been followed for financial instruments of the plan? ____ ____ ____
[FASB ASC 825-10-50]

Practice Tip

The disclosure requirements of FASB ASC 825-10-50-21 do not apply to the following financial instruments, whether written or held: the financial instruments described in FASB ASC 825-10-50-8(a), (c), (e), and (f), except for reinsurance receivables and prepaid reinsurance premiums.

Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of FASB ASC 715, *Compensation—Retirement Benefits* (financial instruments of a pension plan, other than the obligations for pension benefits, if subject to the accounting and reporting requirements of FASB ASC 960 are subject to the requirements of paragraphs 20–21 of FASB ASC 825-10-50).
[FASB ASC 825-10-50-22]

Disclosure About Concentrations of Credit Risk of All Financial Instruments

24. Except as indicated in FASB ASC 825-10-50-22, has the plan disclosed all significant concentrations of credit risk arising from *all* financial instruments, whether from an individual counterparty or groups of counterparties (*group concentrations* of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions)? ____ ____ ____
[FASB ASC 825-10-50-20]

25. Has the plan made the following disclosures about each significant concentration:

    a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration? ____ ____ ____

    b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the plan would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the plan? ____ ____ ____

    c. The plan's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the plan's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? ____ ____ ____

	Yes	No	N/A
d. The plan's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements to which the plan is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the plan's maximum amount of loss due to credit risk? [FASB ASC 825-10-50-21]	_____	_____	_____
26. Has the plan disclosed quantitative information[5] about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks? [Common Practice; FASB ASC 825-10-50-23]	_____	_____	_____
Unconditional Purchase Obligations			
27. If the entity has unconditional purchase obligations that are subject to the requirements of FASB ASC 440, *Commitments*, and FASB ASC 815, are the disclosures required by both topics complied with, including FASB ASC 440-10-50-4? [FASB ASC 8125-10-50-6]	_____	_____	_____
Offsetting			
28. Is the plan's policy for offsetting or not offsetting in accordance with FASB ASC 815-10-45-6 disclosed? [FASB ASC 815-10-50-7]	_____	_____	_____

Practice Tip

A reporting entity should make an accounting policy decision to offset fair value amounts pursuant to FASB ASC 815-10-45-5. The reporting entity's choice to offset or not must be applied consistently. A reporting entity should not offset fair value amounts recognized for derivative instruments without offsetting fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. A reporting entity that makes an accounting policy decision to offset fair value amounts recognized for derivative instruments pursuant to FASB ASC 815-10-45-5 but determines that the amount recognized for the right to reclaim cash collateral or the obligation to return cash collateral is not a fair value amount should continue to offset the derivative instruments.
[FASB ASC 815-10-45-6]

29. Has the plan disclosed the amounts recognized at the end of each reporting period for the right to reclaim cash collateral or the obligation to return cash collateral as follows:

[5] Appropriate ways of reporting the quantitative information encouraged will differ for different plans and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (*a*) more details about current positions and perhaps activity during the period, (*b*) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (*c*) a gap analysis of interest rate repricing or maturity dates, (*d*) the duration of the financial instruments, or (*e*) the plan's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and a plan is encouraged to develop other ways of reporting quantitative information. [FASB ASC 825-10-50]

	Yes	No	N/A
a. If the plan has made an accounting policy decision to offset fair value amounts, has it separately disclosed amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral that have been offset against net derivative positions in accordance with FASB ASC 815-10-45-5?	_____	_____	_____

Practice Tip

A reporting entity may offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement. Solely as it relates to the right to reclaim cash collateral or the obligation to return cash collateral, fair value amounts include amounts that approximate fair value. [FASB ASC 815-10-45-5]

	Yes	No	N/A
b. Has the entity separately disclosed amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements that have not been offset against net derivative instrument positions?	_____	_____	_____
c. If the entity has made an accounting policy decision to not offset fair value amounts, have they separately disclosed the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements? [FASB ASC 815-10-50-8]	_____	_____	_____

Certain Hybrid Financial Instruments

	Yes	No	N/A
30. If the plan measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), is the aggregate fair value of those instruments reported separately on the face of the statement of net assets available for benefits from the aggregate carrying amounts of assets and liabilities subsequently measured using another measurement attribute? [FASB ASC 815-15-45-1]	_____	_____	_____
31. For those hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), has the plan disclosed the information in paragraphs 28–32 of FASB ASC 825-10-50? [FASB ASC 815-15-50-1]	_____	_____	_____

	Yes	*No*	*N/A*
32. Has the plan provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings)? [FASB ASC 815-15-50-2]	____	____	____
33. For those embedded conversion options previously accounted for as a derivative instrument under FASB ASC 815-15 (embedded derivatives) that no longer meet the separation criteria has a description of the principal changes causing the embedded conversion option to no longer require bifurcation and the amount of the liability for the conversion option that has been reclassified to stockholders' equity been disclosed? [FASB ASC 815-15-50-3]	____	____	____

G. Guarantees

Notes: In September 2008, FASB issued FSP FAS 133-1 and FIN 45-4. This FSP amends disclosures related to the credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance and cash flows of the sellers of credit derivatives. It amends FASB Statement No. 133 to require disclosures by sellers of credit derivatives, including credit derivatives embedded in hybrid instruments. The FSP also amends FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to require additional disclosure about the current status of the payment or performance risk of the guarantee.

The FSP is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This FSP encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 133-1 and FIN 45-4.

FSP FAS 133-1 and FIN 45-4 has been codified in FASB ASC 815 and FASB ASC 460, *Guarantees*.

1. Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote:

	Yes	No	N/A
a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee and the current status (that is, as of the date of the statement of financial position) of the payment or performance risk of the guarantee?	_____	_____	_____
b. The maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee?	_____	_____	_____
c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed?	_____	_____	_____
d. If the guarantor is unable to develop an estimate of the maximum potential amount of future payments under its guarantee, is the reasons why the maximum potential amount cannot be estimated disclosed?	_____	_____	_____
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under FASB ASC 450-20-30, regardless of whether the guarantee is freestanding or embedded in another contract?	_____	_____	_____
f. The nature of			
i. any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee? and	_____	_____	_____
ii. any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	_____	_____	_____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASB ASC 460-10-50-4]	_____	_____	_____
2. For product warranties and other guarantee contracts required to be disclosed by FASB ASC 460-10-15-9, is the following information disclosed:			
a. The information required to be disclosed by question 1, except that a guarantor is not required to disclose the maximum potential amount of future payments in question 1?	_____	_____	_____
b. The guarantor's accounting policy and methodology used in determining its liability for product warranties (including any liability associated with extended warranties)?	_____	_____	_____

	Yes	*No*	*N/A*
c. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period?	_____	_____	_____
d. Does the tabular reconciliation present the following:			
i. The beginning balance of the aggregate product warranty liability?	_____	_____	_____
ii. The aggregate reductions in that liability for payments made (in cash or in kind) under the warranty?	_____	_____	_____
iii. The aggregate changes in the liability for accruals related to product warranties issued during the reporting period, and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates?	_____	_____	_____
iv. The ending balance of the aggregate product warranty liability? [FASB ASC 460-10-50-8]	_____	_____	_____
3. Are the disclosure requirements in paragraphs 30–34 of FASB ASC 460-10-55 complied with for intellectual property infringement indemnifications, as described in FASB ASC 460? [FASB ASC 460-10-55 par. 30–34]	_____	_____	_____
4. Are the disclosure requirements in paragraphs 4–6 of FASB ASC 460-10-50 applied to all minimum revenue guarantees in financial statements of interim or annual periods? [FASB ASC 460-10-50 par. 4–6]	_____	_____	_____
H. Income Tax Status			
1. If a favorable letter of determination has not been obtained or maintained, is the federal income tax status of the plan disclosed? [FASB ASC 960-205-50-1(f)]	_____	_____	_____

Practice Tip

Note that reports filed in accordance with the requirements of ERISA must include disclosure of "information concerning whether or not a tax ruling or determination letter has been obtained," which is more than is required by FASB ASC 960.
[AAG 2.44*f*]

Yes No N/A

I. Uncertainty in Income Tax

Notes: In June 2006, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, was issued and was effective for public entities for fiscal years beginning after December 15, 2006. In December 2008, FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which was also codified in FASB ASC 740-10. FSP FIN 48-3 delayed the effective date of FASB ASC 740-10 for certain nonpublic entities, including employee benefit plans, to fiscal years beginning after December 15, 2008. FIN 48 and FSP FIN 48-3 were codified in FASB ASC 740-10, *Income Taxes*.

In September 2009, FASB issued ASU No. 2009-06, *Income Taxes (Topic 740)—Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. The amendments apply only to nonpublic entities, including employee benefit plans, as defined in FASB ASC 740-10-20.

The amendments to FASB ASC in ASU No. 2009-06 provide implementation guidance through examples on how to apply the standards for uncertainty in income taxes. In addition, ASU No. 2009-06 eliminates, for nonpublic entities, the disclosures required by both FASB ASC 740-10-50-15(a) (which requires a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of the periods presented) and FASB ASC 740-10-50-15(b) (which requires the disclosure of the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate).

For plans that are currently applying the guidance for accounting for uncertainty in income taxes, this guidance and the disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009 (that is, December 31, 2009, for plans with calendar year-ends). For those plans that have deferred the application of accounting for uncertainty in income taxes in accordance with FASB ASC 740-10-65-1(e), the guidance and disclosure amendments are effective upon adoption of those standards.

This checklist has been updated to include the presentation and disclosure requirements for accounting for uncertainty in income taxes and ASU No. 2009-06.

For additional guidance, readers may refer to a practice guide developed by the staff of the AICPA Accounting Standards, Audit and Attest Standards, and Tax Teams titled "Accounting for Uncertain Tax Positions Under FIN 48" to help practitioners implement FIN 48, which interprets FASB Statement No. 109, *Accounting for Income Taxes*. Also see the sections "Unrelated Business Income Tax " and "Accounting for Uncertainty in Income Taxes" of the AICPA Audit Risk Alert *Employee Benefit Plans Industry Developments—2010* (product no. 0224110) for further discussion.

	Yes	No	N/A

1. Does a plan disclose its policy on classification of interest and penalties in accordance with the alternatives permitted in FASB ASC 740-10-45-25 in the footnotes to the financial statements? ____ ____ ____
   [FASB ASC 740-10-50-19]

2. Does a plan disclose the following at the end of each annual reporting period presented:

   a. The total amounts of interest and penalties recognized in the statement of changes in net assets available for benefits operations and the total amounts of interest and penalties recognized in the statement of net assets available for benefits? ____ ____ ____

   b. For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date,

      i. the nature of the uncertainty? ____ ____ ____

      ii. the nature of the event that could occur in the next 12 months that would cause the change? ____ ____ ____

      iii. statement that an estimate of the range cannot be made? ____ ____ ____

   c. A description of tax years that remain subject to examination by major tax jurisdictions? ____ ____ ____
   [FASB ASC 740-10-45-11; "Pending Content" in FASB ASC 740-10-50-15]

3. Has a liability (or a reduction in the amount refundable) been created for an unrecognized tax benefit because it represents a future obligation to the taxing authority for a tax position that was not recognized under the requirements of FASB ASC 740-10? ____ ____ ____
   ["Pending Content" in FASB ASC 740-10-25-16]

4. Is a liability that has been recognized for an unrecognized tax benefit not classified as a deferred tax liability unless it arises from a taxable temporary difference? ____ ____ ____
   [FASB ASC 740-10-45-12; FASB ASC 740-10-25-17]

J. Plan Terminations

1. If a decision is made to terminate the plan or a wasting trust or frozen plan exists, are all relevant circumstances disclosed? ____ ____ ____
   [FASB ASC 960-40-50-1]

2. If a decision is made to terminate the plan before the end of the plan year, have the plan's financial statements been prepared on the liquidation basis of accounting and have all benefits been reported as vested? ____ ____ ____
   [FASB ASC 960-40-25-1; FASB ASC 960-40-35-2]

	Yes	No	N/A
3. Have the plan's financial statements for periods ending after the termination been prepared on the liquidation basis of accounting? [FASB ASC 960-40-25-2]	_____	_____	_____
K. Related-Party Transactions			
1. For related-party transactions, do disclosures include			
a. the nature of the relationships involved?	_____	_____	_____
b. for each period for which a statement of changes in net assets is presented			
i. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed?	_____	_____	_____
ii. other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements?	_____	_____	_____
iii. the dollar amount of transactions?	_____	_____	_____
iv. the effects of any changes in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
c. amounts due from or to related parties as of the date of each "Statement of Net Assets Available for Benefits" presented and, if not otherwise apparent, the terms and manner of settlement? [FASB ASC 850-10-50-1]	_____	_____	_____
2. Have notes or accounts receivable from officers, employees, or affiliated entities been shown separately and have not been included under a general heading (such as notes receivable or accounts receivable)? [FASB ASC 850-10-50-2]	_____	_____	_____
3. Is the nature of a controlled relationship disclosed (even if there are no transactions between the entities) if the plan and one or more other entities are under common ownership or management control, and the existence of the control could result in operating results or financial position of the plan being significantly different from those that would have been obtained if the plan were autonomous? [FASB ASC 850-10-50-6]	_____	_____	_____
4. If representations about transactions with related parties are made, do they avoid the implication that the related party transactions were consummated at arm's length, or if such implications are made, can they be substantiated? [FASB ASC 850-10-50-5]	_____	_____	_____
5. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [FASB ASC 840-10-50-1]	_____	_____	_____

	Yes	No	N/A

Practice Tip

In some cases, aggregation of similar transactions by type of related party may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed.
[FASB ASC 850-10-50-3]

6. Do the financial statements include a description of any agreements and transactions with persons known to be parties-in-interest? _____ _____ _____
[AAG 2.50*h* and A.51*c* in appendix A]

Practice Tip

ERISA defines a *party-in-interest* to include fiduciaries or employee of the plan, any person who provides services to the plan, an employer whose employees are covered by the plan, an employee organization whose members are covered by the plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of a person previously described.
[AAG 11.01 and A.93 fn 25; ERISA Section 3(14)]

L. Subsequent Events

Notes: In May 2009, FASB issued Statement No. 165, *Subsequent Events*, to establish principles and requirements for subsequent events. In particular, this statement sets forth

a. the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.

b. the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.

c. the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

This statement should be applied to the accounting for and disclosure of subsequent events not addressed in other applicable U.S. GAAP.

This statement moved the type I and type II subsequent event guidance from GAAS into U.S. GAAP and added disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

This statement is effective for interim or annual financial periods ending after June 15, 2009 (that is, December 31, 2009, for plans with calendar year-ends), and should be applied prospectively.

FASB Statement No. 165 was codified in FASB ASC 855, *Subsequent Events*.

FASB ASC 855 was amended in February 2010 by ASU No. 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements*. The guidance in ASU No. 2010-09 is effective immediately

(continued)

	Yes	No	N/A

for all financial statements that have not yet been issued or have not yet become available to be issued.

As a result of ASU No. 2010-09, SEC registrants will not disclose the date through which management evaluated subsequent events in the financial statements. SEC registrants continue to have responsibilities for evaluating subsequent events as previously required. Plans that file their financial statements with the SEC using Form 11-K should evaluate subsequent events through the date the financial statements are issued. These plans will not be required to disclose the date through which management has evaluated subsequent events in the financial statements.

ASU No. 2010-09 also changes the criteria for determining whether an entity would evaluate subsequent events through the date that financial statements are issued or when they are available to be issued. SEC registrants will evaluate subsequent events through the date that the financial statements are issued, and all other entities will evaluate subsequent events through the date that financial statements are available to be issued. All plans that do not file with the SEC should evaluate subsequent events through the date that the financial statements are available to be issued.

This checklist has been updated to include the presentation and disclosure requirements of FASB ASC 855.

1. If the plan does not file a Form 11-K with the SEC, has the plan disclosed (in both originally issued financial statements and any reissued financial statements) the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued? ____ ____ ____
   [FASB ASC 855-10-50 par. 1 and 4]

2. For nonrecognized subsequent events that are of such a nature that they must be disclosed to keep the financial statements from being misleading, has the entity disclosed
   a. the nature of the event? ____ ____ ____
   b. an estimate of its financial effect, or a statement that such an estimate cannot be made? ____ ____ ____
   [FASB ASC 855-10-50-2]

3. Do disclosures include unusual or infrequent events or transactions occurring after the latest benefit information date, but before the financial statements are issued or available to be issued (as discussed in FASB ASC 855-10-25), which might significantly affect the usefulness of the financial statements in assessing the plan's present and future ability to pay benefits? ____ ____ ____
   [FASB ASC 960-205-50-1(h)]

	Yes	No	N/A
4. For those unusual or infrequent events or transactions identified in question 3, do disclosures include the effects of such events or transactions, if reasonably determinable, or the reasons why such effects are not reasonably determinable? [FASB ASC 960-205-50-1(h)]	____	____	____

M. Transfers and Servicing of Financial Assets and Securitizations

Note: In June 2009, FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140.* FASB Statement No. 166 is effective as of the beginning of reporting periods that begin after November 15, 2009 (that is, January 1, 2010, for plans with calendar year-ends). Earlier application is prohibited.

Among other guidance relating to transfer of financial assets, FASB Statement No. 166 (*a*) clarifies that the objective of paragraph 9 of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125*, is to determine whether a transferor has surrendered control over transferred financial assets; (*b*) defines the term *participating interest* to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale; and (*c*) requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale. In addition, FASB Statement No. 166 requires enhanced disclosures to provide financial statements to users with greater transparency about the transfers of financial assets and the transferor's continuing involvement with transferred financial assets.

In December 2009, FASB issued ASU No. 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets*, which formally incorporated the provisions of FASB Statement No. 166 into FASB ASC 860. ASU No. 2009-16 represents a revision to the provisions of former FASB Statement No. 140 and will require more information about transfers of financial assets, including securitization transactions and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity (SPE), changes the requirements for derecognizing financial assets, and requires additional disclosures.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 166 and ASU No. 2009-16.

Readers can refer to the full texts of these statements on the FASB website at www.fasb.org.

	Yes	No	N/A
1. Is the policy for requiring collateral or other security disclosed if the reporting entity has entered into repurchase agreements or securities lending transactions? [FASB ASC 860-30-50-1A]	____	____	____

		Yes	No	N/A
2.	If the plan has pledged any of its assets as collateral that are not reclassified and separately reported in the statement of net assets available for benefits pursuant to FASB ASC 860-30-25-5(a), is the carrying amount and classification of those assets as of the date of the latest statement of net assets available for benefits presented? [FASB ASC 860-30-50-1A]	____	____	____
3.	If the plan has accepted collateral that it is permitted by contract or custom to sell or repledge, is the fair value (as of the date of each statement of net assets available for benefits) of that collateral and of the portion of that collateral that it has sold or repledged disclosed? [FASB ASC 860-30-50-1A]	____	____	____
4.	If the plan sets aside assets solely for the purpose of satisfying scheduled payments of a specific obligation, is disclosure made of the nature of restrictions placed on those assets? [FASB ASC 860-30-50-2]	____	____	____
5.	If it is not practicable to estimate the fair value of certain assets obtained or liabilities incurred in transfers of financial assets during the period, are those items and the reasons why it is not practicable to estimate fair value described in the notes to the financial statements? [FASB ASC 860-10-50-1]	____	____	____
6.	For all servicing assets and servicing liabilities, are the following disclosures made:			
	a. Management's basis for determining its classes of servicing assets and servicing liabilities?	____	____	____
	b. A description of the risks inherent in servicing assets and servicing liabilities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities? (Disclosure of quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and end of the period, is encouraged but not required.)	____	____	____
	c. The amount of contractually specified servicing fees (as defined in the glossary), late fees, and ancillary fees earned for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income? [FASB ASC 860-50-50-2]	____	____	____
7.	For servicing assets and servicing liabilities subsequently measured at fair value:			

	Yes	No	N/A
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
i. The beginning and ending balances?	____	____	____
ii. Additions (through purchases of servicing assets, assumptions of servicing obligations, and servicing obligations that result from transfers of financial assets)?	____	____	____
iii. Disposals?	____	____	____
iv. Changes in fair value during the period resulting from			
(1) changes in valuation inputs or assumptions used in the valuation model?	____	____	____
(2) other changes in fair value and a description of those changes?	____	____	____
v. Other changes that affect the balance and a description of those changes?	____	____	____
b. A description of the valuation techniques or other methods used to estimate the fair value of servicing assets and servicing liabilities? If a valuation model is used, the description should include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds). (An entity that provides quantitative information about the instruments used to manage risks inherent in the servicing assets and servicing liabilities, as encouraged by FASB ASC 860-50-50-2(b), is also encouraged, but not required, to disclose a description of the valuation techniques, as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.)	____	____	____
[FASB ASC 860-50-50-3]			
8. For servicing assets and servicing liabilities subsequently amortized in proportion to and over the period of estimated net servicing income or loss and assessed for impairment or increased obligation:			

	Yes	No	N/A
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in the carrying amount are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
i. The beginning and ending balances?	_____	_____	_____
ii. Additions (through purchases or servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)?	_____	_____	_____
iii. Disposals?	_____	_____	_____
iv. Amortization?	_____	_____	_____
v. Application of valuation allowance to adjust carrying value of servicing assets?	_____	_____	_____
vi. Other-than-temporary impairments?	_____	_____	_____
vii. Other changes that affect the balance and a description of those changes?	_____	_____	_____
b. For each class of servicing assets and servicing liabilities, the fair value of recognized servicing assets and servicing liabilities at the beginning and end of the period if it is practicable to estimate the value?	_____	_____	_____
c. A description of the valuation techniques or other methods used to estimate fair value of the servicing assets and servicing liabilities? If a valuation model is used, the description should include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds). (An entity that provides quantitative information about the instruments used to manage risks inherent in the servicing assets and servicing liabilities is also encouraged, but not required, to disclose a description of the valuation techniques as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.)	_____	_____	_____
d. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with FASB ASC 860-50-35-9?	_____	_____	_____

	Yes	No	N/A
e. The activity by class in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and recoveries credited to operations, and aggregate write-downs charged against the allowance—for each period for which results of operations are presented? [FASB ASC 860-50-50-4]	_____	_____	_____
9. If the entity has securitized financial assets during any period presented and accounts for that transfer as a sale, are the following items disclosed for each major asset type:			
a. Its accounting policies for initially measuring the interests that continue to be held by the transferor, if any, and servicing assets and servicing liabilities, if any, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?	_____	_____	_____
b. The characteristics of securitizations (a description of the transferor's continuing involvement with the transferred assets, including, but not limited to, servicing, recourse, and restrictions on interests that continue to be held by the transferor) and the gain or loss from sale of financial assets in securitizations?	_____	_____	_____
c. The key assumptions* used in measuring the fair value of interests that continue to be held by the transferor and servicing assets or servicing liabilities, if any, at the time of securitization (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, if applicable)?	_____	_____	_____
d. Cash flows between the securitization SPE and the transferor, unless reported separately elsewhere in the financial statements or notes (including proceeds from new securitizations, proceeds from collections reinvested in revolving-period securitizations, purchases of delinquent or foreclosed loans, servicing fees, and cash flows received on interests that continue to be held by the transferor)? [FASB ASC 860-20-50-3]	_____	_____	_____
10. If the entity has interests that continue to be held by the transferor in financial assets that it has securitized or servicing assets or servicing liabilities relating to assets that it has securitized, at the date of the latest statement of financial position presented, are the following items disclosed for each major asset type:			

* If a subsequent event is disclosed, the appropriateness of dual dating the report should be considered. [AU 530.05]

	Yes	No	N/A
a. Its accounting policies for subsequently measuring those interests, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?	____	____	____
b. The key assumptions used in subsequently measuring the fair value of those interests (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, including expected static pool losses, if applicable)?	____	____	____
c. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests (including any servicing assets or servicing liabilities) of two or more unfavorable variations from the expected levels for each key assumption that is reported under (*b*) independently from any change in another key assumption, and a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test?	____	____	____
d. For the securitized assets and any other financial assets that it manages together with them:			
i. The total principal amount outstanding, the portion that has been derecognized, and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period?	____	____	____
ii. Delinquencies at the end of the period?	____	____	____
iii. Credit losses, net of recoveries, during the period? [FASB ASC 860-20-50-4]	____	____	____

Note: Disclosure of average balances during the period is encouraged, but not required.

N. Fair Value Measurements

Notes: In September 2006, FASB issued FASB Statement No. 157, which was codified in FASB ASC 820, *Fair Value Measurements and Disclosures*, that was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In February 2008, FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of FASB Statement No. 157 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized and disclosed at fair value in the financial statements on a recurring basis. FSP FAS 157-2 defers the effective date of FASB Statement No. 157 for nonfinancial assets and nonfinancial li-

(continued)

	Yes	No	N/A

abilities to fiscal years beginning after November 15, 2008 (that is, January 1, 2009, for plans with calendar year-ends).

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In April 2009, FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, which has been codified in FASB ASC 820 and provides additional guidance for estimating fair value when there has been a significant decrease in the volume and level of activity for the asset or liability and also provides guidance on identifying the circumstances that indicate a transaction is not orderly.

FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 (that is, December 31, 2009, for plans with calendar year-ends), and should be applied prospectively. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. FSP FAS 157-4 supersedes FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active*.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 157-4.

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In September 2009, FASB issued ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU No. 2009-12 provides guidance on using the net asset value (NAV) per share provided by investees to estimate the fair value of an alternative investment. ASU No. 2009-12 provides amendments to FASB ASC 820 for the fair value measurement of investments in certain entities that calculate NAV per share and requires disclosures by major category of investments about the attributes of those investments.

The amendments in this ASU are effective for interim and annual periods ending after December 15, 2009 (that is, December 31, 2009, for plans with calendar year-ends). Early application is permitted in financial statements for earlier interim and annual periods that have not been issued. (If an entity elects to early adopt ASU No. 2009-12, the entity is permitted to defer the adoption of the disclosure provisions of FASB ASC 820-10-50-6A until periods ending after December 15, 2009.)

This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2009-12.

This guidance is labeled as "Pending Content" due to the transition and open effective date information is discussed in FASB ASC 820-10-65-6.

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In January 2010, FASB issued ASU No. 2010-06. ASU No. 2010-06 amends the disclosure requirements of FASB ASC 820 to require new disclosures regarding (*a*) transfers in and out of levels 1 and 2 and (*b*) activity in level 3 fair value measurements. ASU No. 2010-06 also provides amendments to FASB ASC 820 that clarify existing disclosures

(continued)

	Yes	No	N/A

regarding (*a*) level of disaggregation for each class of assets and liabilities and (*b*) disclosures about inputs and valuation techniques for fair value measurements that fall in either levels 2 or 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009 (that is January 1, 2010, for plans with calendar year-ends), except for the disclosures regarding the rollforward of activity in level 3 fair value measurements that are effective for fiscal years beginning after December 15, 2010 (that is, January 1, 2011, for plans with calendar year-ends), and for interim periods within those fiscal years.

This checklist has not been updated to include the presentation and disclosure requirements of ASU No. 2010-06.

This guidance is located in FASB ASC 820-10-50 and FASB ASC 820-10-55 and is labeled as "Pending Content" due to the transition and open effective date information contained in FASB ASC 820-10-65-7.

Practice Tip

With regard to question 1, for equity and debt securities, *major category* is defined as major security type as described in FASB ASC 320-10-50-1B, even if the equity securities or debt securities are not within the scope of FASB ASC 320, *Investments—Debt and Equity Securities*.
["Pending Content" in FASB ASC 820-10-50-2]

1. For assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, trading securities), has the reporting entity disclosed information that enables users of its financial statements to assess the inputs used to develop those measurements and for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on earnings (or changes in net assets) for the period? To meet that objective, has the reporting entity disclosed the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:

   a. The fair value measurements at the reporting date? ____ ____ ____

   b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)? ____ ____ ____

	Yes	No	N/A
c. For fair value measurements using significant unobservable inputs (level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:[6]	____	____	____
i. Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities)?	____	____	____
ii. Purchases, sales, issuances, and settlements (net)?	____	____	____
iii. Transfers in or out, or both, of level 3 (for example, transfers due to changes in the observability of significant inputs)?	____	____	____
d. The amount of the total gains or losses for the period in question 1(c)(i) included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities)?	____	____	____
e. The inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period?	____	____	____
[FASB ASC 820-10-50 par. 1 and 3; "Pending Content" in FASB ASC 820-10-50-2]			
2. For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), has the reporting entity disclosed information that enables users of its financial statements to assess the inputs used to develop those measurements? To meet that objective, has the reporting entity disclosed all of the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:			
a. The fair value measurements recorded during the period and the reasons for the measurements?	____	____	____

[6] For derivative assets and liabilities, the reconciliation disclosure required by "Pending Content" in FASB ASC 820-10-50-2(c) may be presented net.

	Yes	*No*	*N/A*
b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)?	____	____	____
c. For fair value measurements using significant unobservable inputs (level 3), a description of the inputs and the information used to develop the inputs?	____	____	____
d. The inputs and valuation technique(s) used to measure fair value and a discussion of changes, if any, in valuation techniques and related inputs used to measure similar assets or liabilities in prior periods? ["Pending Content" in FASB ASC 820-10-50-5]	____	____	____
3. For investments that are within the scope of paragraphs 4–5 of FASB ASC 820-10-15 and that are measured at fair value (on a recurring or nonrecurring basis), has the plan disclosed information that enables the users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from net asset value (or its equivalent)?	____	____	____
4. To meet the disclosure requirements in question 3, to the extent applicable, has the plan disclosed all of the following information for each major category of investment:			
a. The fair value (as determined by applying paragraphs 59–62 of FASB ASC 820-10-35) of the investments in the major category, and a description of the significant investment strategies of the investee(s) in the major category?	____	____	____
b. For each major category of investment that includes investments that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees?	____	____	____
c. The amount of the reporting entity's unfunded commitments related to investments in the major category?	____	____	____
d. A general description of the terms and conditions upon which the investor may redeem investments in the major category (for example, quarterly redemption with 60 days' notice)?	____	____	____

	Yes	No	N/A

e. The circumstances in which an otherwise redeemable investment in the major category (or a portion thereof) might not be redeemable (for example, investment subject to a lockup or gate)? Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, has the reporting entity disclosed its estimate of when the restriction from redemption might lapse? If an estimate cannot be made, has the reporting entity disclosed that fact and how long the restriction has been in effect? _____ _____ _____

f. Any other significant restriction on the ability to sell investments in the major category at the measurement date? _____ _____ _____

g. If a reporting entity has determined that it is probably that it will sell an investment(s) for an amount different from net asset value per share (or its equivalent) as described in FASB ASC 820-10-35-62, has the reporting entity disclosed the total fair value of all investments that meet the criteria in FASB ASC 820-10-35-62 and any remaining actions required to complete the sale? _____ _____ _____

h. If a group of investments would otherwise meet the criteria in FASB ASC 820-10-35-62 but the individual investments to be sold have not been identified, so the investments continue to qualify for the practical expedient in FASB ASC 820-10-35-59, has the reporting entity disclosed its plans to sell any remaining actions required to complete the sale(s)? _____ _____ _____
["Pending Content" in FASB ASC 820-10-50-6A]

5. For a liability having the characteristics set forth in FASB ASC 820-10-25-1, has the entity disclosed the existence of the third-party credit enhancement on its issued liability? (***Note:*** "Pending Content" in FASB ASC 820-10-35-18A states that, for the issuer, the unit of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement.) _____ _____ _____
["Pending Content" in FASB ASC 820-10-50-4A]

6. Are the quantitative disclosures required by FASB ASC 820-10-50 presented using a tabular format? _____ _____ _____
[FASB ASC 820-10-50-8]

7. Is the fair value information disclosed under FASB ASC 820-10-50 and the fair value information disclosed as required by other FASB ASC topics (for example, FASB ASC 825-10-50) combined in the periods in which those disclosures are required, if practicable? (***Common Practice***) _____ _____ _____
[FASB ASC 820-10-50-9]

	Yes	No	N/A
8. Is information about other similar measurements (for example, inventories measured at market value under FASB ASC 330, *Inventory*) disclosed, if practicable? (***Common Practice***) [FASB ASC 820-10-50-9]	_____	_____	_____
9. As of each date for which a statement of financial position is presented, do the entities disclose the following about items measured at fair value under the option in FASB ASC 825:			
a. Management's reasons for electing a fair value option for each eligible item or group of similar eligible items?	_____	_____	_____
b. If the fair value option is elected for some but not all eligible items within a group of similar eligible items			
i. a description of those similar items and the reasons for partial election?	_____	_____	_____
ii. information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position?	_____	_____	_____
c. For each line item in the statement of financial position that includes an item or items for which the fair value option has been elected			
i. information to enable users to understand how each line item in the statement of financial position relates to major categories of assets and liabilities presented in accordance with FASB ASC 820's fair value disclosure requirements?	_____	_____	_____
ii. the aggregate carrying amount of items included in each line item in the statement of financial position that are not eligible for the fair value option, if any?	_____	_____	_____
d. The difference between the aggregate fair value and the aggregate unpaid principal balance of			
i. loans and long-term receivables (other than securities subject to FASB ASC 320) that have contractual principal amounts and for which the fair value option has been elected?	_____	_____	_____
ii. long-term debt instruments that have contractual principal amounts and for which the fair value option has been elected?	_____	_____	_____
e. For loans held as assets for which the fair value option has been elected			
i. the aggregate fair value of loans that are 90 days or more past due?	_____	_____	_____
ii. if the entity's policy is to recognize interest income separately from other changes in fair value, the aggregate fair value of loans in nonaccrual status?	_____	_____	_____

	Yes	No	N/A
iii. the difference between the aggregate fair value and the aggregate unpaid principal balance for loans that are 90 days or more past due, in nonaccrual status, or both?	____	____	____
f. For information required by FASB ASC 323-10-50-3 (equity method and joint venture investments) for investments that would have been accounted for under the equity method if the entity had not chosen to apply the fair value option? [FASB ASC 825-10-50-28]	____	____	____
10. For each period for which an income statement is presented, do entities disclose the following about items for which the fair value option has been elected:			
a. For each line item in the statement of financial position, the amounts of gains and losses from fair value changes included in earnings during the period and in which line in the income statement those gains and losses are reported? (The statement does not preclude an entity from meeting this requirement by disclosing amounts of gains and losses that include amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.)	____	____	____
b. A description of how interest and dividends are measured and where they are reported in the income statement? (The statement does not address the methods used for recognizing and measuring the amount of dividend income, interest income, and interest expense for items for which the fair value option has been elected.)	____	____	____
c. For loans and other receivables held as assets,			
i. the estimated amount of gains or losses included in earnings during the period attributable to changes in instrument-specific credit risk?	____	____	____
ii. how the gains or losses attributable to changes in instrument-specific credit risk were determined?	____	____	____
d. For liabilities with fair values that have been significantly affected during the reporting period by changes in the instrument-specific credit risk,			
i. the estimated amount of gains and losses from fair value changes included in earnings that are attributable to changes in the instrument specific credit risk?	____	____	____
ii. qualitative information about the reasons for those changes?	____	____	____

	Yes	No	N/A
iii. how the gains and losses attributable to changes in instrument-specific credit risk were determined? [FASB ASC 825-10-50-30]	_____	_____	_____

Note: The disclosure requirements in paragraphs 28–30 of FASB ASC 825-10-50 do not eliminate disclosure requirements included in other FASB ASC topics, including other disclosure requirements relating to fair value measurement. Entities are encouraged but are not required to present the required disclosures in combination with related fair value information required to be disclosed.
[FASB ASC 825-10-50-27]

Other Required Disclosures

	Yes	No	N/A
11. In annual periods only, does an entity disclose the methods and significant assumptions used to estimate the fair value of items for which the fair value option has been elected? [FASB ASC 825-10-50-31]	_____	_____	_____
12. If an entity elects the fair value option at a remeasurement event, has it disclosed the following in financial statements for the period of the election:			
a. Qualitative information about the nature of the event?	_____	_____	_____
b. Quantitative information by line item in the statement of financial position indicating which line items in the income statement include the effect on earnings of initially electing the fair value option for an item? [FASB ASC 825-10-50-32]	_____	_____	_____

O. Other Matters

	Yes	No	N/A
1. Do disclosures include the funding policy of the pension plan and any changes in such policy during the plan year?	_____	_____	_____
a. If significant costs of plan administration are being absorbed by the employer, is this fact disclosed?	_____	_____	_____
b. For a contributory plan, does the disclosure on funding policy state the method of determining the participants' contributions?	_____	_____	_____
c. For plans subject to ERISA, do disclosures include whether the minimum funding requirements of ERISA have been met?	_____	_____	_____
d. If a minimum funding waiver has been granted by the IRS or if a request for a waiver is pending before the IRS, is this fact disclosed? [FASB ASC 960-205-50-1(d)]	_____	_____	_____
e. Does the plan include a brief description, in general terms and in layman's language, of how contributions are determined pursuant to the actuarial cost method (***Common Practice***)? [FASB ASC 960-205-50-2]	_____	_____	_____

	Yes	No	N/A
f. Did the plan disclose information regarding the estimated future impact of the funding policy on an existing difference between the net asset and benefit information (***Common Practice***)? [FASB ASC 960-205-50-3]	_____	_____	_____
2. Do disclosures include the policy regarding the purchase of insurance contracts that are excluded from plan assets and the dividend income from those contracts? (***Note***: For purposes of FASB ASC 960-30-45-2, the dividend income from excluded contracts may be netted against payments to insurance entities related to such contracts.) [FASB ASC 960-205-50-1(e)]	_____	_____	_____
3. Do disclosures include significant real estate or other transactions in which the plan and any of the following parties are jointly involved: (*a*) the sponsor, (*b*) the employer(s), or (*c*) the employee organization(s)? (See also section K, "Related-Party Transactions," regarding parties-in-interest) [FASB ASC 960-205-50-1(g)]	_____	_____	_____

VIII. ERISA Reporting Requirements

A. Form 5500 Report

	Yes	No	N/A
1. Did plans with 100 or more participants at the beginning of the plan year file an annual report (Form 5500) containing financial statements prepared in accordance with either U.S. GAAP or an other comprehensive basis of accounting (OCBOA), such as the cash basis or modified cash basis of accounting, separate schedules, notes (required for a full and fair presentation), and an independent public accountant's report prepared under generally accepted auditing standards? [AAG 13.20–.21 and A.23]	_____	_____	_____

Practice Tip

DOL regulations permit plans that have between 80 and 120 participants (inclusive) at the beginning of the plan year to complete the Form 5500 in the same category (*large plan* or *small plan*) as was filed for the previous year. The Form 5500 is filed with EBSA in accordance with the instructions to the form. (See paragraphs .24–.27 of FSP section 7000 for a discussion about the Form 5500.)

B. Financial Statement Disclosures Required Under the Alternative Method of Compliance for Pension Plans Pursuant to DOL Regulations Section CFR 2520.103 and Section 103 of ERISA

	Yes	No	N/A
1. If the financial statements of the pension plan are filed under the *alternative method* pursuant to DOL Regulations Sec. 2520.103-1(a)(2), do the disclosures in the financial statements include			
a. a description of accounting principles and variances from U.S. GAAP?	_____	_____	_____
b. a description of the plan, including significant changes in the plan, and the effect of the changes on benefits?	_____	_____	_____

Yes No N/A

c. the funding policy and changes in the funding policy from the prior year (including policy with respect to prior service cost) and any changes in such policies during the year? _____ _____ _____

d. a description of material lease commitments, and other commitments and contingent liabilities? _____ _____ _____

e. a description of any agreements and transactions with persons known to be parties-in-interest? _____ _____ _____

f. a general description of priorities in the event of plan termination? _____ _____ _____

g. whether a tax ruling or determination letter has been obtained? _____ _____ _____

h. any other information required for a fair presentation? _____ _____ _____

i. an explanation of any differences between the information contained in the separate financial statements and the net assets, liabilities, income, expense, and changes in net assets as required to be reported on Form 5500? _____ _____ _____
[AAG A.50a and A.51c]

Practice Tip

Because ERISA requires 401(h) accounts to be reported as assets of the defined benefit pension plan, and U.S. GAAP requires them to be deducted before arriving at the total of net assets available for pension benefits, a reconciliation of the net assets reported in the financial statements to those reported in Form 5500 is required. The reconciliation should be accompanied by a discussion of the 401(h) account, explaining clearly that the assets in the 401(h) account are not available to pay pension benefits.
[FASB ASC 960-205-50-5]

Additionally, any assets held for investment purposes in the 401(h) account should be shown on the Schedule H, line 4i—Schedule of Assets (Held at End of Year) and Schedule H, line 4j—Schedule of Reportable Transactions for the pension plan.
[AAG exhibit A-1]

C. Required Financial Statements and Supporting Schedules

1. For plans filing under either method (statutory or alternative), are the following financial statements included and covered by the auditor's report:

   a. Statement of plan assets and liabilities by category at current value and in comparative form for the beginning and end of the plan year? _____ _____ _____

   b. Separate or combined statements of plan income and expenses and of changes in net assets? _____ _____ _____
   [AAG A.51a]

2. The Form 5500 requires that certain supplemental schedules be attached to the annual Form 5500 filing. Pursuant to DOL regulations, are the following *separate schedules* included with the financial statements of the plan and covered by the auditor's report:

Yes *No* *N/A*

Practice Tip

The instructions to the Form 5500 provide specific information about the form and content of the various schedule requirements.

Nonstandardized schedules

a. The Schedule H, line 4i—Schedule of Assets (Held at End of Year). Does the schedule use the format shown here and is it clearly labeled "Schedule H, line 4i—Schedule of Assets (Held at End of Year)?" (If filing under the alternative method, a separate schedule of assets held at plan year-end and a schedule of certain assets acquired and disposed of within the plan year.) _____ _____ _____

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value

Practice Tip

Participant loans may be aggregated and presented with a general description of terms and interest rates. In column (d), cost information may be omitted with respect to participant or beneficiary directed transactions under an individual account plan. Any assets held for investment purposes in the 401(h) account should be shown on Schedule H, line 4i—Schedule of Assets (Held at End of Year), and Schedule H, line 4j—Schedule of Reportable Transactions, for the pension plan.

b. The Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year) (see 2520.103-11). Is the schedule clearly labeled "Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)" and does it use the following format? _____ _____ _____

(a) Identity of issue, borrower, lessor, or similar party	(b) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(c) Cost of acquisitions	(d) Proceeds of dispositions

Practice Tip

In column (c), cost information may be omitted with respect to participant or beneficiary directed transactions under an individual account plan.

c. The Schedule H, line 4j—Schedule of Reportable Transactions. Is this schedule clearly labeled "Schedule H, line 4j—Schedule of Reportable Transactions" and does it use the following format? _____ _____ _____

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)

Yes No N/A

Practice Tip

Participant or beneficiary directed transactions under an individual account plan should not be taken into account for purposes of preparing this schedule. The current value of all assets of the plan, including those resulting from participant direction, should be included in determining the 5 percent figure for all other transactions. Any assets held for investment purposes in the 401(h) account should be shown on Schedule H, line 4i—Schedule of Assets (Held at End of Year), and Schedule H, line 4j—Schedule of Reportable Transactions, for the pension plan.

Note: Beginning for 2009 plan years, large plans with delinquent participant contributions should attach a schedule clearly labeled "Schedule H Line 4a—Schedule of Delinquent Participant Contributions" using the following format. Information on all delinquent participant contributions should be reported on line 4a of either Schedule H or Schedule I of Form 5500 and should not be reported on line 4d of Schedule H or I or on Schedule G.

d. The Schedule H, Line 4a—Schedule of Delinquent Participant Contributions?

Participant Contributions Transferred Late to Plan	Total That Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiduciary Correction Program (VFCP) and Prohibited Transaction Exemption 2002-51
Check Here	Contributions	Contributions Corrected	Contributions Pending	
If Late Particpant Loan Repayments Are Included	Not Corrected	Outside VFCP	Correction in VFCP	

Practice Tip

Participant loan repayments paid to or withheld by an employer for purposes of transmittal to the plan that were not transmitted to the plan in a timely fashion must be reported either on line 4a of either Schedule H or I of the Form 5500 in accordance with the reporting requirements that apply to delinquent participant contributions or on line 4d of Schedule H or I of Form 5500. For further guidance regarding the reporting of delinquent participant contributions see the instructions to the Form 5500 and the EBSA website FAQs at www.dol.gov/ebsa/faqs/faq_compliance_5500.html.

e. Are the following schedules reported on Schedule G, *Financial Transactions Schedules,* of Form 5500:

i. Schedule G, Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible?

ii. Schedule G, Part II—Schedule of Leases in Default or Classified as Uncollectible?

iii. Schedule G, Part III—Nonexempt Transactions? [AAG A.51*b* and AAG exhibit A-1]

Yes *No* *N/A*

Practice Tip

Plans filing their annual reports under the statutory method are required to report transactions that exceed 3 percent of the fair value of plan assets at the beginning of the year, whereas plans that file pursuant to the alternative method of compliance prescribed in DOL regulations are required to report transactions that exceed 5 percent of the fair value of plan assets at the beginning of the year. For a new plan, the percentage amount applies to the fair value of plan assets at the end of the year.
[AAG A.51 fn 18]

FSP Section 7300
Auditor's Report Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 This checklist contains numerous references to authoritative accounting and auditing pronouncements. Abbreviations and acronyms used in such references include the following:

AAG =	AICPA Audit and Accounting Guide *Employee Benefit Plans* (with conforming changes as of March 1, 2010)
AR =	Reference to section number in AICPA *Professional Standards* (vol. 2)
AU =	Reference to section number in AICPA *Professional Standards* (vol. 1)
AU-P =	Reference to section number in AICPA *PCAOB Standards and Related Rules*
CFR =	U.S. *Code of Federal Regulations*
DOL =	Department of Labor
PCAOB =	Public Company Accounting Oversight Board
SAS =	AICPA Statement on Auditing Standards

.03 The PCAOB establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 or whose audit is prescribed by the rules of the Securities and Exchange Commission (SEC). Other entities are referred to as *nonissuers*.

Practice Tip

Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .85–.88), provides language that may be added to the auditor's standard report on the financial statements of a nonissuer to clarify differences between an audit conducted in accordance with generally accepted auditing standards (GAAS) and an audit conducted in accordance with the standards of the PCAOB. Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508 (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .89–.92), explains how the auditor may report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

.04 Checklist Questionnaire:

	Yes	*No*	*N/A*
IX. Auditor's Report Checklist			
1. Is each financial statement audited, specifically identified in the introductory paragraph of the auditor's report? [AU 508.06]	_____	_____	_____
2. Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Common Practice]	_____	_____	_____

	Yes	No	N/A

3. Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? ____ ____ ____
[Common Practice]

4. Is the report appropriately addressed? ____ ____ ____
[AU 508.09]

5. Does the independent auditor's report include the following elements:

   a. A title that includes the word "independent?" ____ ____ ____
   [AU 508.08*a*]

   b. A statement that the financial statements identified in the report were audited? ____ ____ ____
   [AU 508.08*b*]

   c. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? ____ ____ ____
   [AU 508.08*c*]

   d. **(Audits of nonissuers and for filings with the DOL only)** A statement that the audit was conducted in accordance with GAAS and an identification of the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. GAAS)? ____ ____ ____
   [AU 508.08*d*]

   e. **(Audits of issuers [11-K filings with the SEC only])** A statement that the audit was conducted in accordance with the standards of the PCAOB (United States)? ____ ____ ____
   [PCAOB Auditing Standard No. 1 par. 3 (AU-P app. A par. 3)]

   f. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? ____ ____ ____
   [AU 508.08*e*]

   g. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? ____ ____ ____
   [AU 508.08*f*]

   h. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion? ____ ____ ____
   [AU 508.08*g*]

	Yes	No	N/A
i. When the auditor reports on financial statements presented in conformity with accounting principles generally accepted in the United States of America, an opinion as to whether the financial statements present fairly, in all material respects, the net assets of the plan as of the balance sheet date and the changes in net assets for the period then ended in conformity with generally accepted accounting principles (GAAP)? The opinion should include an identification of the United States of America as the country of origin of those accounting principles. [AU 508.08*h*]	____	____	____

Note: In May 2008, the Auditing Standards Board (ASB) issued Interpretation No. 19, "Financial Statements Prepared in Conformity With International Financial Reporting Standards as Issued by the International Accounting Standards Board," of AU section 508 (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .93–.97) which provides that, when the auditor of a nonissuer reports on financial statements prepared in conformity with International Financial Reporting Standards (IFRSs), the auditor would refer, in the auditor's report, to the IFRSs rather than U.S. GAAP.

When an auditor of a nonissuer reports on financial statements presented in conformity with both the IFRSs as issued by the International Accounting Standards Board (IASB) and a jurisdictional variation of the IFRSs, the auditor would refer, in the auditor's report, to both the IFRSs and IFRSs as endorsed by [*insert name of endorsing country or economic union*].

When an auditor of a nonissuer reports on financial statements presented in conformity with a jurisdictional variation of the IFRSs such that the entity's financial statements do not contain an explicit and unreserved statement of compliance with the IFRSs as issued by the IASB, paragraphs .14–.15 of AU section 534, *Reporting on Financial Statements Prepared for Use in Other Countries* (AICPA, *Professional Standards*, vol. 1), and paragraphs .35–.60 of AU section 508 apply to financial statements prepared for more than limited distribution in the United States.

	Yes	No	N/A
j. When the auditor reports on financial statements presented in conformity with the IFRSs, an opinion about whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with the IFRSs as issued by the IASB? [AU 9508.93–.97]	____	____	____

		Yes	No	N/A
k.	When the auditor reports on financial statements presented both in conformity with the IFRSs and a jurisdictional variant of the IFRSs, an opinion about whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with the IFRSs as issued by the IASB and with the IFRSs as endorsed by [*insert name of endorsing country or economic union*]? [AU 9508.93–.97]	_____	_____	_____
l.	When the auditor reports on financial statements presented in conformity with a jurisdictional variation of the IFRSs such that the entity's financial statements do not contain an explicit and unreserved statement of compliance with the IFRSs as issued by the IASB, a variation of the standard report that reflects the guidance in paragraphs .14–.15 of AU section 534 and paragraphs .35–.60 of AU section 508 for financial statements prepared for more than limited distribution in the United States? [AU 9508.93–.97]	_____	_____	_____
m.	The manual or printed signature of the auditor's firm? [AU 508.08*i*]	_____	_____	_____
n.	The date (or dual dates)* of the audit report? [AU 508.08*j*; AU 530.05]	_____	_____	_____

Practice Tip

DOL regulations require the auditor's report to be dated and manually signed and to identify the city and state where issued.

AU section 530, *Dating of the Independent Auditor's Report* (AICPA, *Professional Standards*, vol. 1), says the auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Such sufficient appropriate audit evidence includes management having asserted responsibility for the final financial statements. In May 2007, the AICPA issued a Technical Practice Aid (TPA) providing nonauthoritative guidance regarding the effect of obtaining the management representation letter on dating the auditor's report. See TPA Technical Questions and Answers (TIS) section 9100.06, "The Effect of Obtaining the Management Representation Letter on Dating the Auditor's Report" (AICPA, *Technical Practice Aids*), for this and other helpful guidance regarding the auditor's report.

Notes: In May 2008, the ASB issued Interpretation No. 14, "Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and in Accordance With International Standards on Auditing," of AU section 508 (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .56–.59), which provides that, when the audit of a nonissuer is conducted in accordance with both the auditing standards generally accepted in the United States of

(continued)

* If a subsequent event is disclosed, the appropriateness of dual dating the report should be considered. [AU 530.05]

Yes No N/A

America (U.S. GAAS) and the International Standards on Auditing (ISAs), the auditor may so indicate in the auditor's report.

To determine whether an audit was conducted in accordance with ISAs, it is necessary to consider the text of ISAs in their entirety, including the basic principles and essential procedures together with the related guidance included in ISAs.

6. If the audit of financial statements to be used in the United States was conducted in accordance with auditing standards generally accepted in the United States of America and the ISA as issued by the International Auditing and Assurance Standards Board, in their entirety, has the auditor considered indicating in the auditor's report that the audit was also conducted in accordance with ISA as allowed? (***Note***: Not required—Interpretation No. 14 of AU section 508 provides an example report.) ____ ____ ____
   [AU 9508.57–.59]

7. If a subsequent event disclosed in the financial statements occurs after the date of the independent auditor's report but before the issuance of the related financial statement, has the need for dual-dating of the report been considered? ____ ____ ____
   [AU 530.03–.05]

8. If the accountant is not independent, has he or she followed one of the two reporting alternatives available:
   a. Disclaiming the opinion with respect to the financial statements and specifically stating that he or she is not independent, or ____ ____ ____
   b. Issuing a compilation report in accordance with Statements on Standards for Accounting and Review Services indicating the lack of independence (nonpublic companies only)? ____ ____ ____
   [AU 504.05 and .09–.10; AR 100.23 and .48]

9. Does the report include appropriate language for the following situations:
   a. Only one basic financial statement is presented and there are no scope limitations? ____ ____ ____
   [AU 508.33–.34]
   b. Audited and unaudited financial statements are presented in comparative form? ____ ____ ____
   [AU 504.14–.17]
   c. The financial statements of the plan contain supplemental schedules relating to the Employee Retirement Income Security Act of 1974 (ERISA) and DOL regulations? ____ ____ ____
   [AAG 13.08–.18]

Yes | No | N/A

Practice Tip

The guide includes additional auditor reports with respect to "change in trustee," "financial statements of a trust established under a plan," and "inadequate procedures to value investments."
[AAG 13.31, 13.33, and 13.38]

Explanatory Paragraphs

10. If the opinion is based in part on the report of another auditor:
    a. Does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of other auditors?
    b. Does the opinion paragraph include a reference to the report of the other auditor?
    [AU 508.11*a* and .12–.13]
11. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule?
    [AU 508.11*b* and .15]
12. If there is substantial doubt about the plan's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited:
    a. Does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion?
    b. Is that conclusion expressed through the use of the phrase "substantial doubt about its (the plan's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern?
    [AU 508.11*c* and 341.12]

Practice Tip

During the audit of an employee benefit plan, the auditor may become aware that the plan sponsor may not be able to continue as a going concern. Although the employee benefit plan's going concern assessment is not automatically affected by the plan sponsor's financial adversities, the auditor should address whether those difficulties pose any imminently potential impact on the plan.
[AAG 5.126]

In evaluating whether there is substantial doubt about the plan's ability to continue as a going concern, the auditor's evaluation is based on his or her knowledge of relevant conditions that exist at or have occurred prior to *the date of the auditor's report*. If, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the plan's ability to continue as a going concern for a reasonable period of time remains, the audit report should include an explanatory paragraph to reflect that conclusion.

(continued)

	Yes	No	N/A

In a going concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See AU section 311, *Planning and Supervision* (AICPA, *Professional Standards*, vol. 1), for an example.
[AU 341.13]

	Yes	No	N/A
13. **For audits of issuers, such as 11-K audits,** prior to the report release date, among other matters, has the auditor obtained sufficient evidence to support the representations in the auditor's reports? [PCAOB Auditing Standard No. 3 par. 15 (AU-P 339.15)]	____	____	____
14. **For audits of nonissuers and audits of issuers, such as 11-K audits,** is the report dated no earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the auditor's opinion on the financial statements? [AU 530.01 and .05; PCAOB Auditing Standard No. 5 par. 89 (AU-P 320.89)]	____	____	____

Practice Tips

Changes in Accounting Estimates

Paragraph .15 of AU section 420, *Consistency of Application of Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1), clarifies that the change in an accounting estimate that does not include a change in accounting principle does not require an explanatory paragraph in the auditor's report. However, an accounting change of this type having a material effect on the financial statements may require disclosure in a note to the financial statements.

Changes in Classification

Paragraph .17 of AU section 420 clarifies that changes in classification from the prior year's financial statements are usually not of sufficient importance to necessitate disclosure; however, material changes in classification should be indicated and explained in the financial statements or notes.

Error Corrections

Paragraph .16 of AU section 420 states that the correction of an error in previously issued financial statements resulting from mathematical mistakes, oversight, or misuse of facts that existed at the time the financial statements were originally prepared does not involve the consistency standard if no element of accounting principles or their application is included. Accordingly, the independent auditor need not recognize the correction in his or her report. However, if the independent auditor had previously reported on the financial statements containing the error, the auditor has concluded, based on the considerations in paragraph .05 of AU section 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (AICPA, *Professional Standards*, vol. 1), that action should be taken to prevent future reliance on his or her report, and the issuance of financial statements accompanied by the auditor's report for a subsequent period is imminent, the auditor should disclose the revision in such statements instead of reissuing the earlier statements.

Notes for audits of issuers only [11-k filings with the SEC only] Certain circumstances, although not affecting the auditor's unqualified opinion, may require that the auditor add explanatory language to the standard report as described in paragraphs .11–.19 of AU-P section 508, *Reports on Audited Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Standards).

Other circumstances may require a departure from an unqualified opinion, either in the form of a qualified opinion, an adverse opinion, or a disclaimed opinion as described in paragraphs .20–.63 of AU-P section 508.

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(continued)

	Yes	No	N/A

In January 2008, the PCAOB adopted Auditing Standard No. 6, *Evaluating Consistency of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Standards, AU-P sec. 420), and an accompanying set of amendments to the PCAOB's interim auditing standards. Among other significant provisions, the new standard and related amendments update the auditor's responsibilities to evaluate and report on the consistency of an entity's financial statements and align the auditor's responsibilities with FASB Statement No. 154, *Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*.

One significant difference in terminology between FASB Statement No. 154 and Auditing Standard No. 6 (AU-P sec. 420) is the use of the term *error* in the FASB standard whereas the PCAOB standard uses the term *misstatement* and specifically states that the meaning is the same for purposes of the PCAOB auditing standards. Auditing Standard No. 6 (AU-P sec. 420) also establishes that the auditor's report should indicate whether an adjustment to previously issued financial statements results from a change in accounting principle or the correction of a misstatement.

Auditing Standard No. 6 (AU-P sec. 420) contains numerous amendments to AU-P section 508 and other interim PCAOB auditing standards. The SEC approved Auditing Standard No. 6 (AU-P sec. 420) in its Release No. 34-58555 dated September 16, 2008. The new standard and related amendments are effective November 15, 2008. If Auditing Standard No. 6 (AU-P sec. 420) is applicable to issuers' financial statements, answer questions 16–17; otherwise, skip questions 16 and 17. For more information and for the full text of the auditing standard, refer to the PCAOB website at www.pcaob.org. Also refer to the SEC website at www.sec.gov.

15. **(Audits of nonissuers and for filings with the DOL only)** If there has been a material change between periods in accounting principles or in the method of their application, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in accounting principle that is inseparable from the effect of a change in estimate, that has a material effect on the comparability of the reporting entity's financial statements:

    a. Does the report include an explanatory paragraph, following the opinion paragraph, that refers to the change? ____ ____ ____

    b. Does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? ____ ____ ____
    [AU 508.05–.06 and .12–.13]

    c. If the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (***Note:*** A change in the reporting entity resulting from a transaction or event does not require that an explanatory paragraph about consistency be included in the auditor's report.) ____ ____ ____
    [AU 420.08]

Practice Tip

Changes in the format of presentation of accumulated benefit information or a change in the date as of which such information is presented does not require the auditor to add an explanatory paragraph to his or her report.
[AU 9420.64–.65; AAG 13.25]

Yes | No | N/A

16. **(Audits of issuers only [11-K filings with the SEC only])** If there has been a change in accounting principle that has a material effect on the financial statements, including a change in the method of applying an accounting principle, a change in estimate effected by a change in accounting principle, and a change in classification that represents a change in accounting principle, and meets the four criteria established in paragraph 7 of PCAOB Auditing Standard No. 6 (AU-P sec. 420 par. .07):

    a. Does the report include an explanatory paragraph, following the opinion paragraph, in the year of the change and in subsequent years until the new accounting principle is applied in all periods presented? ____ ____ ____

    b. Does the explanatory paragraph identify the nature of the change and include a reference to the note disclosure describing the change? ____ ____ ____

    c. If the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? ____ ____ ____
    [PCAOB Auditing Standard No. 6 par. 4–8 and 11 (AU-P 420 par. .04–.08 and .11)]

17. **(Audits of issuers only [11-K filings with the SEC only])** If there has been a correction of a material misstatement in previously issued financial statements, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in classification that represents the correction of a material misstatement, does the auditor's report contain an explanatory paragraph, following the opinion paragraph, that includes:

    a. A statement that the previously issued financial statements have been restated for the correction of a misstatement in the respective period? ____ ____ ____

    b. A reference to the entity's disclosure of the correction of the misstatement? ____ ____ ____
    [PCAOB Auditing Standard No. 6 par. 5 and 9–11 (AU-P 420.05 and .09–.11)]

18. In an updated report on the individual financial statements of one or more prior periods presented on a comparative basis with those of the current period, if the opinion is different from the opinion previously expressed on the financial statements of a prior period:

    a. Does the report include an explanatory paragraph, preceding the opinion paragraph, that discloses all of the substantive reasons for the different opinion? ____ ____ ____

    b. Does the explanatory paragraph disclose:

        i. The date of the auditor's previous report? ____ ____ ____

        ii. The type of opinion previously expressed? ____ ____ ____

	Yes	No	N/A
iii. The circumstances or events that caused the auditor to express a different opinion?	____	____	____
iv. That the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? [AU 508.11*e* and .68–.69]	____	____	____
19. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented:			
a. Does the introductory paragraph of the report indicate:			
i. That the financial statements of the prior period were audited by another auditor?	____	____	____
ii. The date of the predecessor auditor's report?	____	____	____
iii. The type of report issued by the predecessor auditor?	____	____	____
iv. If the report was other than a standard report, the substantive reasons therefor, including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification?	____	____	____
b. If the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? [AU 508.11*e* and .72–.74]	____	____	____
20. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if:			
a. The auditor wishes to clarify that an audit performed in accordance with generally accepted auditing standards does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the Sarbanes-Oxley Act is applicable? [AU 9508.85–.88]	____	____	____

Note: Common Practice—Interpretation No. 17 of AU section 508 provides an example report.

	Yes	No	N/A
b. The audit is conducted in accordance with both GAAS and the PCAOB's auditing standards as illustrated by Interpretation No. 18 of AU section 508? [AU 9508.89–.92]	____	____	____

Note: Common Practice—Interpretation No. 18 of AU section 508 provides an example report.

	Yes	No	N/A
21. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if the prior period's financial statements are audited by a predecessor auditor who has ceased operations? [AU 9508.60–.75]	____	____	____
22. If selected quarterly financial data required by SEC Regulation S-K has been omitted or has not been reviewed, does the report include an explanatory paragraph stating that fact? [AU 508.11*f*]	____	____	____
23. If supplementary information required by U.S. GAAP has been omitted, the presentation of such information departs materially from prescribed guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubt about whether the supplementary information conforms to prescribed guidelines, does the report include an additional paragraph stating that fact? [AU 508.11*g* and 558A.08]	____	____	____
24. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if there is a material change between periods in accounting principles or in the method of their application? [AU 508.16–.18]	____	____	____
25. If the audit also was conducted in accordance with ISAs, in their entirety, does the auditor's report indicate that the audit was also conducted in accordance with another set of auditing standards? [AU 9508.56–.59]	____	____	____
26. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [AU 508.11*h* and 550A.04]	____	____	____

Note: In February 2010, the AICPA issued Statement on Auditing Standard (SAS) No. 118, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 550). SAS No. 118 supersedes the requirements and guidance in AU section 550A, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1) and, along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*, vol. 1, AU sec. 551), supersedes the requirements and guidance in AU section 551A, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1). SAS No. 118 addresses the auditor's responsibility in relation to other information in documents containing audited financial statements and the auditor's report thereon. Question 27 should be answered for au-

(continued)

	Yes	*No*	*N/A*

dits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted.

This checklist has been updated to include the reporting requirements of SAS No. 118.

27. Although the auditor is not required to reference the other information in the auditor's report on the financial statements, has the auditor included an explanatory paragraph disclaiming an opinion on the other information (***Common Practice***)? ____ ____ ____
[AU 550.A2]

Practice Tip

Other information is financial and nonfinancial information (other than financial statements and the auditor's report thereon) that is included in a document containing audited financial statements and the auditor's report thereon, excluding required supplementary information.
[AU 550.05 fn 1]

28. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the matter being emphasized disclosed in the financial statements and is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation?" ____ ____ ____
[AU 508.11 and .19; AU 9410.18; AU 9342.03]

29. If the decision has been made to terminate a plan:

    a. Is the auditor's report modified by the addition of an explanatory paragraph that states that the plan is being terminated and that the financial statements (including the benefit information disclosures presented) have been prepared on a liquidation basis? ____ ____ ____
    [AAG 13.41]

    b. If the financial statements are presented along with the financial statements for a period prior to the adoption of the liquidation basis, does the explanatory paragraph state that the plan has changed the basis of accounting used to determine the amounts at which assets, liabilities, and benefit information are presented from the ongoing plan basis to a liquidation basis? ____ ____ ____
    [AAG 13.41; AU 9508.35]

Practice Tip

DOL Regulations Title 29, *Labor*, of CFR Part 2520, requires that the auditor separately identify any exceptions to his or her report that are the result of DOL regulations.

	Yes	No	N/A

Departures From Unqualified Opinions

30. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? ____ ____ ____
[AU 508.22]

31. If a qualified opinion is to be expressed because of a scope limitation:
   a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph? ____ ____ ____
   b. Does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of*? ____ ____ ____
   c. Is the situation described and referred to in both the scope and opinion paragraphs? ____ ____ ____
   d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not the scope limitation itself? ____ ____ ____
   [AU 508.22–.32 and AU 318.76]

Practice Tip

Scope limitations can be imposed by the client or by circumstances such as the timing of the auditor's work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records. Sufficient appropriate audit evidence includes, among other things, management having asserted responsibility for the financial statements. As provided in TIS section 9100.06, the auditor will need to have the signed management representation letter in hand prior to releasing the auditor's report because management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion.

In circumstances in which the auditor is unable to obtain sufficient appropriate audit evidence to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements, the auditor should consider the need to express a qualified opinion or to disclaim an opinion because of a scope limitation.

It also includes situations in which the auditor's only evidence of the existence or valuation of (*a*) investments without readily determinable fair value, or (*b*) interests held in trust by a third-party trustee, is receiving confirmation from a third party for those assets.

In circumstances in which the auditor is unable to audit the existence or measurement of interests in investments in securities and interests in trusts, the auditor should consider whether that scope limitation requires the auditor to either qualify his or her opinion or to disclaim an opinion, as discussed in paragraphs .22–.26 of AU section 508, AU section 9328 paragraphs .01–.04, and AU section 9332 paragraphs .01–.04 (AICPA, *Professional Standards*, vol. 1).

Notes: For further guidance, see the AICPA practice aid *Alternative Investments—Audit Considerations (A practice aid for auditors)*. This practice aid addresses challenges associated with auditing investments that do not have a readily determinable fair value (that is, that are not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Automated Quotations System [NASDAQ]).

(continued)

	Yes	No	N/A

Alternative investments can present challenges with respect to obtaining sufficient appropriate audit evidence in support of the existence and valuation assertions, because of the lack of a readily determinable fair value for these investments and the limited investment information generally provided by fund managers.

If a plan auditor concludes that information about the nature of the services provided by a service organization that are part of the plan's information system, and the service organization's controls over those services, is not available to obtain a sufficient understanding of internal control to plan the audit, it would be considered a scope limitation.
[AU 324.10]

Consult the AU Topical Index in AICPA *Professional Standards* under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

32. Is a qualified opinion or disclaimer of opinion expressed if the auditor's understanding of internal control raises doubts about the auditability of an entity's financial statements, such as:
    a. Concerns about the integrity of an entity's management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted? ____ ____ ____
    b. Concerns about the condition and reliability of an entity's records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements? ____ ____ ____
    [AU 314.109]
33. If, in the auditor's judgment, the two-way communication between the auditor and those charged with governance as described in AU section 380, *The Auditor's Communication With Those Charged With Governance* (AICPA, *Professional Standards*, vol. 1), is not adequate and the situation cannot be resolved, thereby prohibiting the auditor from obtaining all the audit evidence required to form an opinion on the financial statements, has the auditor considered the following:
    a. Modifying the audit opinion on the basis of the scope limitation? ____ ____ ____
    b. Obtaining legal advice about the consequences of different courses of action? ____ ____ ____
    c. Communicating with an appropriate third party (for example, a regulator)? ____ ____ ____
    d. Withdrawing from the engagement? ____ ____ ____
    [AU 380.63]
34. If, in the auditor's judgment, significant difficulties in dealing with management, such as those described in AU section 380, have been encountered, has the auditor considered modifying the audit opinion on the basis of the scope limitation? ____ ____ ____
    [AU 380.39]

	Yes	No	N/A
35. If an opinion is disclaimed because of a scope limitation:			
a. Are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?	_____	_____	_____
b. Does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
c. Does the report avoid identifying procedures that were performed?	_____	_____	_____
d. Is the scope paragraph omitted?	_____	_____	_____
e. If there are reservations about fair presentation of the financial statements in conformity with U.S. GAAP, are they described in the report? [AU 508.62–63]	_____	_____	_____

Practice Tip

Question 35 does not apply to limited scope audits pursuant to DOL Regulations 29 CFR 2520.103-8. In these situations, see question 39 and AAG paragraph 13.26.

	Yes	No	N/A
36. If the financial statements are materially affected by a departure from U.S. GAAP (including inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has the auditor issued a qualified opinion or an adverse opinion?[1] [AU 508.35]	_____	_____	_____
37. If a qualified opinion is to be expressed because of a U.S. GAAP departure:			
a. Are all of the substantive reasons that have led to the conclusion that there is a departure from U.S. GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. Does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of* and a reference to the explanatory paragraph?	_____	_____	_____
c. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so? [AU 508.37–.38]	_____	_____	_____
38. If an adverse opinion is to be expressed because of a U.S. GAAP departure:			
a. Are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____

[1] The auditor should express a qualified or an adverse opinion if the auditor concludes that (*a*) a matter involving a risk or an uncertainty is not adequately disclosed, (*b*) the accounting principles used cause the financial statements to be materially misstated when the inability to make a reasonable estimate raises questions about the appropriateness of the accounting principles used, and (*c*) management's estimate is unreasonable and that its effect is to cause the financial statements to be materially misstated. [AU 508.46–.49]

	Yes	No	N/A
b. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. State that the financial statements do not present fairly the net assets available for benefits or changes in net assets in conformity with U.S. GAAP? [AU 508.58–.59]	_____	_____	_____
39. If a limited scope audit is performed pursuant to DOL Regulations 29 CFR 2520.103-8, is a disclaimer of opinion expressed? [AAG 13.26–.30]	_____	_____	_____

Practice Tip

If the auditor is unable to obtain sufficient appropriate audit evidence regarding other noninvestment related information or investment information not covered by the certification, then the form of the limited scope report permitted pursuant to DOL Regulations 29 CFR 2520.103-8 may not be appropriate. Also, it likely will not be appropriate for the auditor to opine on the form and content of the supplemental schedules as presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. See AU section 508 for reporting guidance.

Consult the AU Topical Index in AICPA *Professional Standards* under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of U.S. GAAP departures that could result in either a qualified or adverse opinion.

	Yes	No	N/A
40. If the plan presents supplementary information in the financial statements, does the auditor's report			
a. state that the audit is conducted for the purpose of forming an opinion on the financial statements as a whole?	_____	_____	_____
b. state that the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____	_____
c. include either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the financial statements as a whole or a disclaimer of opinion (depending on whether the information was subjected to the auditing procedures applied in the audit of the financial statements)?	_____	_____	_____

Note: In February 2010, the AICPA issued SAS No. 119, which supersedes AU section 551A. This SAS addresses the auditor's responsibility when engaged to report on whether supplementary information is fairly stated in all material repects in relation to financial statements as a whole. The following additional questions should be answered for audits of plans for periods beginning on or after December 15, 2010. Early application is permitted.

Yes No N/A

Practice Tip

Supplementary information is defined as 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. Such information may be presented in a document containing the audited financial statements or separate from the financial statements. For example, the supplemental schedules required by ERISA to be attached to the Form 5500 are considered supplementary information.
[AU section 551.04]

d. report on the supplementary information in an explanatory paragraph? ____ ____ ____

e. state that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S GAAS? ____ ____ ____

f. state that the supplementary information is the responsibility of the plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements? ____ ____ ____

g. state that in the auditor's opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole? ____ ____ ____
[AU 551.09; AAG 13.10]

41. If the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, does the auditor's report on the supplementary information state that, because of the significance of the matter disclosed in the auditor's report, it is inappropriate to and the auditor does not express an opinion on the supplementary information? ____ ____ ____
[AU 551.11]

42. If the auditor concludes that the supplementary information is materially misstated in relation to the financial statement as a whole, the auditor should discuss the matter with management and propose appropriate revision of the supplementary information. If management does not revise the supplementary information, has the auditor modified the auditor's opinion on the supplementary information and described the misstatement in the auditor's report? ____ ____ ____
[AU 551.13]

Note: In February 2010, the AICPA issued SAS No. 120, *Required Supplementary Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 558), which supersedes AU section 558A, *Required Supplementary Information* (AICPA, *Professional Standards*, vol. 1). SAS No. 120 addresses

(continued)

	Yes	No	N/A

the auditor's responsibilities with respect to information that a designated accounting standard setter requires to accompany an entity's basic financial statements. Questions 43–45 relate to SAS No. 120 and should be answered for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted.

Practice Tip

Required supplementary information is information that a designated accounting standard setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standard 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.
[AU 558.04]

	Yes	No	N/A
43. If the financial statements include required supplementary information, does the auditor's report contain an explanatory paragraph that includes language for the circumstances described in paragraph .07 of AU section 558, as applicable? [AU 558.07]	____	____	____
44. If some or all of the required supplementary information is presented, does the explanatory paragraph described in question 43 include the elements contained in paragraph .08 of AU section 558? [AU 558.08]	____	____	____
45. If all of the required supplementary information is omitted, does the explanatory paragraph include the elements contained in paragraph .09 of AU section 558? [AU 558.09]	____	____	____

Note: Auditors are required to communicate control deficiencies identified during an audit that are *significant deficiencies* or *material weaknesses* as defined by AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1), including significant deficiencies or material weaknesses that were communicated in previous audits and have not yet been remediated. Those control deficiencies must be communicated in writing to management and those charged with governance. In May 2006, the ASB issued SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1). The statement supersedes SAS No. 60 of the same name and was effective for audits of financial statements for periods ending on or after December 15, 2006. Then, in October 2008, the ASB issued SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325). SAS No. 115 supersedes SAS No. 112 of the same title and was issued to eliminate differences within the AICPA's Audit and Attest Standards. SAS No. 115 is effec-

(continued)

	Yes	No	N/A
tive for audits of financial statements for periods ending on or after December 15, 2009. Earlier implementation is permitted. This checklist has been updated with the guidance in SAS No. 115.			
46. Is the reporting form, content, and timing of AU section 325 paragraphs .17–.26 followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements? [AU 325.22–.29]	_____	_____	_____
47. Auditor's report requirements under DOL regulations:			
a. Is the auditor's report dated and manually signed?	_____	_____	_____
b. Does it indicate the city and state where issued?	_____	_____	_____
c. Does it identify the statements and schedules covered? [AAG A.50*a* fn 15]	_____	_____	_____
d. Does it disclose any omitted auditing procedures deemed necessary by the accountant and the reasons for their omission?	_____	_____	_____
e. State clearly the auditor's opinion of the financial statements and schedules covered by the report and the accounting principles and practices reflected therein?	_____	_____	_____
f. State clearly the consistency of the application of the accounting principles between the current year and the preceding year or as to any changes in such principles which have a material effect on the financial statements? [AAG A.50*a*; DOL Regulations 29 CFR 2520]	_____	_____	_____
g. State clearly any matters to which the auditor takes exception, the exception, and to the extent practical, the effect of such matters on the related financial statements? [29 CFR 2520.103-1(iv)]	_____	_____	_____
i. Are the exceptions, if any, further identified as (1) those that are the result of DOL regulations, and (2) all others? [AAG A.50*a*; DOL Regulations 29 CFR 2520.103-1(iv)]	_____	_____	_____

Practice Tip

Present DOL regulations permit, but do not require, financial statements included in the annual report on Form 5500 to be prepared on a basis of accounting other than U.S. GAAP. A common example of the use of a basis other than U.S. GAAP is financial statements prepared on the modified cash basis of accounting for filing with the DOL. Reporting on financial statements prepared in conformity with an other comprehensive basis of accounting (OCBOA) is addressed in AU section 623, *Special Reports* (AICPA, *Professional Standards*, vol. 1). See questions 36–45 of FSP section 6200 in *Checklists and Illustrative Financial Statements for Corporations* for the reporting requirements on OCBOA financial statements.
[AAG 13.21]

(continued)

	Yes	No	N/A

AU section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1), provides guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, what elements to include in that report.

FSP Section 7400

Illustrative Financial Statements and Auditor's Reports

.01 This appendix illustrates certain applications of the requirements of Financial Accounting Standards Board (FASB) *Accounting Standards Codification™* (ASC) 960, *Plan Accounting—Defined Benefit Pension Plans*, that are applicable for the annual financial statements of a hypothetical plan, the C&H Company Pension Plan. It does not illustrate other requirements of FASB ASC 960 as well as other FASB ASC topics that might be applicable in circumstances other than those assumed for the C&H Company Pension Plan. The formats presented and the wording of the accompanying notes are illustrative and are not necessarily the only possible presentation. Further, the circumstances assumed for the C&H Company Pension Plan are designed to facilitate illustration of many of the requirements of FASB ASC 960. Therefore, the notes to the illustrative financial statements probably are more extensive than would be expected for a typical plan. In addition, the illustrative financial statements in this section have been amended to conform to FASB ASC 820, *Fair Value Measurements and Disclosures*.*

Note that FASB ASC 820 disclosures are limited to the financial instruments contained within this specific example. It is recommended that users consult all the illustrative financial statements within appendixes D, E, and F of the AICPA Audit and Accounting Guide *Employee Benefit Plans* (the guide) for FASB ASC 820 examples for differing types of financial instruments.

The illustrative financial statements in this section are reproduced from the guide with conforming changes as of March 1, 2010.

.02 Included are illustrations of the following alternatives (an end-of-year versus beginning-of-year benefit information date) permitted by paragraphs 1–8 of FASB ASC 960-20-45.

.03 This section also illustrates certain applications of the provisions of FASB ASC 960 that apply for the annual financial statements of a hypothetical defined benefit pension plan that has been amended to include a 401(h) account.

.04 This section does not illustrate other provisions of FASB ASC 960 that might apply in circumstances other than those assumed in this section. It also does not illustrate other provisions of FASB ASC 960 as well as other FASB ASC topics that might apply in circumstances other than those assumed in the illustration. The formats presented and the wording of accompanying notes are only illustrative and are not necessarily the only possible presentations.

.05 Although U.S. generally accepted accounting principles (GAAP) do not require comparative financial statements unless the beginning-of-year benefit information is used, the Employee Retirement Income Security Act of 1974 (ERISA) requires a comparative statement of net assets available for benefits. The illustrative financial statements are intended to comply with the requirements of ERISA.

.06 ERISA and U.S. Department of Labor (DOL) regulations require that certain information be included in supplemental schedules, which are not required under U.S. GAAP, and reported on by the independent auditor. See appendix A of the guide for further discussion of the ERISA and DOL requirements.

* The illustrative financial statements and footnote disclosures included in this appendix have been updated to reflect the Financial Accounting Standards Board (FASB) *Accounting Standards Codification™* (ASC) references. However, in FASB's notice to constituents, it suggests the use of plain English in financial statement footnotes to describe broad FASB ASC topic references. They suggest a reference similar to "as required by the *Derivatives and Hedging* Topic of the FASB Accounting Standards Codification." Entities might consider revising their financial statement references to reflect this plain English referencing, rather than the use of specific FASB ASC references. For specific information on FASB ASC and its effect on these illustrative financial statements, please see the preface to the AICPA Audit and Accounting Guide *Employee Benefit Plans* (the guide) and section 7000 of this checklist.

Illustration of Auditor's Report on Financial Statements of a Defined Benefit Plan Assuming End-of-Year Benefit Information Date

Independent Auditor's Report

[*Addressee*]

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits of C&H Company Pension Plan as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 20X2. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. [*Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.*][1] An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial status of the Plan as of December 31, 20X2 and 20X1, and the changes in its financial status for the year ended December 31, 20X2, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.[2]

[*Signature of Firm*]

[*City and State*]

[*Date*][3]

[AAG 13.04 and 13.10–.11]

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[1] This optional language may be added to the auditor's standard report to clarify that an audit performed in accordance with generally accepted auditing standards (GAAS) does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the act is applicable. If this optional language is added then the remainder of the paragraph should read as follows:

> An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

See Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .85–.88), issued in June 2004.

[2] This paragraph on the supplemental schedules required by the Employee Retirement Income Security Act of 1974 (ERISA) and Department of Labor (DOL) regulations may also be shown separately in the auditor-submitted document.

[3] The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion (paragraph .01 of AU section 530, *Dating the Independent Auditor's Report* [AICPA, *Professional Standards*, vol. 1]).

.07

Illustration of Auditor's Report on Financial Statements of a Defined Benefit Plan Assuming Beginning-of-Year Benefit Information Date

Independent Auditor's Report

[*Addressee*]

We have audited the accompanying statements of net assets available for benefits of C&H Company Pension Plan as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 20X1, and the related statement of changes in accumulated plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. [*Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.*][4] An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of December 31, 20X2, and changes therein for the year then ended and its financial status as of December 31, 20X1, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.[5]

[*Signature of Firm*]

[*City and State*]

[*Date*]

[AAG 13.05 and 13.10–.11]

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[4] This optional language may be added to the auditor's standard report to clarify that an audit performed in accordance with GAAS does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the act is applicable. If this optional language is added then the remainder of the paragraph should read as follows:

> An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

See Interpretation No. 17 of AU section 508.

[5] This paragraph on the supplemental schedules required by ERISA and DOL regulations may also be shown separately in the auditor-submitted document.

.08

Illustration of Auditor's Report on Financial Statements—Limited-Scope Audits Under DOL Regulations[†]

Independent Auditor's Report

[*Addressee*]

We were engaged to audit the accompanying statements of net assets available for benefits of C&H Company Pension Plan as of December 31, 20X1 and 20X0, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X1, and the supplemental schedules of (1) Schedule H, line 4i—Schedule of Assets Held (At End of Year), and (2) Schedule H, line 4j—Schedule of Reportable Transactions as of or for the year ended December 31, 20X1. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee (or custodian) of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee (or custodian) holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee (or custodian) as of December 31, 20X1 and 20X0 and for the year ended December 31, 20X1, that the information provided to the plan administrator by the trustee (or custodian) is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee (or custodian) have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[*Signature of Firm*]

[*City and State*]

[*Date*]

[AAG 13.26]

[†] This illustration assumes that information regarding accumulated plan benefits and changes therein is included in the notes to the financial statements. If the plan's financial statements are prepared on the cash basis or a modified cash basis of accounting, the auditor's report should also include a paragraph that states the basis of presentation and refers to the note in the financial statements that describes the basis and states that the basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles. Paragraph 13.22 of the guide provides an illustration of the wording of such paragraph.

.09 ***Change in Trustee.*** The following illustrates an auditor's report reflecting a change in trustee for a pension plan.

Report of Independent Certified Public Accountants

[*Addressee*]

We were engaged to audit the accompanying statements of net assets available for benefits and of accumulated plan benefits of C&H Company Pension Plan as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 20X2, and the supplemental schedules of (1) Schedule H, line 4i—Schedule of Assets (Held at End of Year) as of December 31, 20X2, and (2) Schedule H, line 4j—Schedule of Reportable Transactions for the year ended December 31, 20X2. These financial statements and schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note X, which was certified by the ABC Bank and XYZ Trust Company, the trustees of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that XYZ Trust Company held the Plan's investment assets and executed investment transactions from July 1, 20X2 to December 31, 20X2, and that ABC Bank held the Plan's investment assets and executed investment transactions as of December 31, 20X1 and for the period January 1, 20X1 to June 30, 20X2. The plan administrator has obtained certifications from the trustees as of and for the years ended December 31, 20X2 and 20X1, that the information provided to the plan administrator by the trustees is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the investment information certified by the trustees, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[*Signature of Firm*]

[*City and State*]

[*Date*][6]

[AAG 13.31]

[6] The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion (AICPA, *Professional Standards*, vol. 1, AU sec. 530 par. .01).

The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

.10

C&H COMPANY PENSION PLAN

Statements of Net Assets Available for Benefits

[End-of-year benefit information date]

	December 31,	
	20X1	*20X0*
Assets		
Investments, at fair value (notes E, F, G, and H):		
Plan interest in C&H master trust	$2,250,000	$1,860,000
C&H Company common stock	690,000	880,000
Guaranteed investment contract with insurance company	1,000,000	890,000
Corporate bonds	3,500,000	3,670,000
U.S. government securities	350,000	270,000
Mortgages	480,000	460,000
Real estate	270,000	240,000
Total investments	8,540,000	8,270,000
Receivables		
Employer's contribution	40,000	35,000
Securities sold	310,000	175,000
Accrued interest and dividends	77,000	76,000
Total receivables	427,000	286,000
Cash	200,000	90,000
Total assets	9,167,000	8,646,000
Liabilities		
Due to broker for securities purchased	—	400,000
Accounts payable	70,000	60,000
Accrued expenses	85,000	40,000
Total liabilities	155,000	500,000
Net assets available for benefits	$9,012,000	$8,146,000

The accompanying notes are an integral part of the financial statements.

.11

C&H COMPANY PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

[End-of-year benefit information date]

	Year Ended December 31, 20X1
Investment income:	
Net appreciation in fair value of investments (note E)	$ 278,000
Interest	325,000
Dividends	5,000
	608,000
Less investment expenses	39,000
	569,000
Plan interest in C&H master trust investment income (note G)	129,000
	698,000
Contributions (note C):	
Employer	780,000
Employees	450,000
	1,230,000
Total additions	1,928,000
Benefits paid directly to participants	740,000
Purchases of annuity contracts (note H)	257,000
	997,000
Administrative expenses	65,000
Total deductions	1,062,000
Net increase	866,000
Net assets available for benefits:	
Beginning of year	8,146,000
End of year	$9,012,000

The accompanying notes are an integral part of the financial statements.

Note: Pursuant to FASB Statement No. 102, *Statement of Cash Flows—Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale—an amendment of FASB Statement No. 95*, a statement of cash flows is not required for defined benefit pension plans covered by FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*. However, plans are encouraged to include a statement of cash flows with their annual financial statements when that statement would provide relevant information about the ability of the plan to meet future obligations (for example, when the plan invests in assets that are not highly liquid). [FASB ASC 230-10-15-4]

.12

C&H COMPANY PENSION PLAN

Statement of Accumulated Plan Benefits

[End-of-year benefit information date]

	December 31,	
	20X1	*20X0*
Actuarial present value of accumulated plan benefits (notes B and C)		
Vested benefits:		
Participants currently receiving payments	$3,040,000	$2,950,000
Other participants	8,120,000	6,530,000
	11,160,000	9,480,000
Nonvested benefits	2,720,000	2,400,000
Total actuarial present value of accumulated plan benefits	$13,880,000	$11,880,000

The accompanying notes are an integral part of the financial statements.

.13

C&H COMPANY PENSION PLAN

Statement of Changes in Accumulated Plan Benefits

[End-of-Year benefit information date]

	Year Ended December 31, 20X1
Actuarial present value of accumulated plan benefits at beginning of year	$11,880,000
Increase (decrease) during the year attributable to:	
Plan amendment (note I)	2,410,000
Change in actuarial assumptions (note B)	(1,050,500)
Benefits accumulated	895,000
Increase for interest due to the decrease in the discount period (note B)	742,500
Benefits paid	(997,000)
Net increase	2,000,000
Actuarial present value of accumulated plan benefits at end of year	$13,880,000

The accompanying notes are an integral part of the financial statements.

.14

C&H COMPANY PENSION PLAN
Notes to Financial Statements[7]

A. Description of Plan

The following brief description of the C&H Company Pension Plan (plan) is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

1. *General*. The plan is a defined benefit pension plan covering substantially all employees of C&H Company (company). It is subject to the provisions of ERISA.
2. *Pension Benefits*. Employees with 5 or more years of service are entitled to annual pension benefits beginning at normal retirement age (65) equal to 1 percent of their final 5-year average annual compensation for each year of service. The plan permits early retirement at ages 55–64. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. If employees terminate before rendering 5 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the company's contributions. Employees may elect to receive the value of their accumulated plan benefits as a lump-sum distribution upon retirement or termination, or they may elect to receive their benefits as a life annuity payable monthly from retirement. For each employee electing a life annuity, payments will not be less than the greater of (*a*) the employee's accumulated contributions plus interest or (*b*) an annuity for 5 years.
3. *Death and Disability Benefits*. If an active employee dies at age 55 or older, a death benefit equal to the value of the employee's accumulated pension benefits is paid to the employee's beneficiary. Active employees who become totally disabled receive annual disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled. Disability benefits are paid until normal retirement age at which time disabled participants begin receiving normal retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as at the time they became disabled.

B. Summary of Accounting Policies

The following are the significant accounting policies followed by the plan:

1. *Basis of Accounting*. The accompanying financial statements are prepared on the accrual basis of accounting.
2. *Use of Estimates.* The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.
3. *Investment Valuation and Income Recognition*. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note F for a discussion of fair value measurements.

   Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

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[7] The notes are for the accompanying illustrative financial statements that use an end-of-year benefit information date. Modifications necessary to accompany the illustrative financial statements that use a beginning-of-year benefit information date are presented in brackets.

4. *Actuarial Present Value of Accumulated Plan Benefits*. Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (*a*) retired or terminated employees or their beneficiaries, (*b*) beneficiaries of employees who have died, and (*c*) present employees or their beneficiaries. Benefits under the plan are based on employees' compensation during their last five years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances—retirement, death, disability, and termination of employment—are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

   The actuarial present value of accumulated plan benefits is determined by an actuary from the AAA Company and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 20X1 [20X0] and 20X0 were (*a*) life expectancy of participants (the RP 2000 Combined Mortality Table was used), (*b*) retirement age assumptions (the assumed average retirement age was 60), and (*c*) investment return. The 20X1 [20X0] and 20X0 valuations included assumed average rates of return of 7 percent [6.25 percent] and 6.25 percent, respectively, including a reduction of .2 percent to reflect anticipated administrative expenses associated with providing benefits. The foregoing actuarial assumptions are based on the presumption that the plan will continue. Were the plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

5. *Payment of Benefits*. Benefit payments to participants are recorded upon distribution.

6. *Subsequent Events*. The plan has evaluated subsequent events through [*insert date*], the date the financial statements were available to be issued.

C. Funding Policy

As a condition of participation, employees are required to contribute 3 percent of their salary to the plan. Present employees' accumulated contributions at December 31, 20X1 and 20X0 were $2,575,000 and $2,325,000, respectively, including interest credit on an interest rate of 5 percent compounded annually. The company's funding policy is to make annual contributions to the plan in amounts that are estimated to remain a constant percentage of employees' compensation each year (approximately 5 percent for 20X1 [and 20X0]), such that, when combined with employees' contributions, all employees' benefits will be fully provided for by the time they retire. Beginning in 20X2, the company's contribution is expected to increase to approximately 6 percent to provide for the increase in benefits attributable to the plan amendment effective July, 20X1 (note H). The company's contributions for 20X1 [and 20X0] exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intention to do so, the company has the right under the plan to discontinue its contributions at any time and to terminate the plan subject to the provisions set forth in ERISA.

D. Plan Termination

In the event the plan terminates, the net assets of the plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

1. Benefits attributable to employee contributions, taking into account those paid out before termination.

2. Annuity benefits that former employees or their beneficiaries have been receiving for at least

three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.

3. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed subsequently).
4. All other vested benefits (that is, vested benefits not insured by the PBGC).
5. All nonvested benefits.

Benefits to be provided via contracts under which National (note H) is obligated to pay the benefits would be excluded for allocation purposes.

Certain benefits under the plan are insured by the PBGC if the plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the plan are guaranteed at the level in effect on the date of the plan's termination. However, a statutory ceiling exists, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. For plan terminations occurring during 20X2 that ceiling is $X,XXX per month. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward. Benefit improvements attributable to the plan amendment effective July 1, 20X1 (note I) may not be fully guaranteed even though total benefit entitlements fall below the aforementioned ceilings. For example, none of the improvement would be guaranteed if the plan were to terminate before July 1, 20X2. After that date, the PBGC would guarantee 20 percent of any benefit improvements that resulted in benefits below the ceiling, with an additional 20 percent guaranteed each year the plan continued beyond July 1, 20X2. If the amount of the benefit increase below the ceiling is also less than $100, $20 of the increase (rather than 20 percent) becomes guaranteed by the PBGC each year following the effective date of the amendment. As a result, only the primary ceiling would be applicable after July 1, 20X6.

Whether all participants receive their benefits should the plan terminate at some future time will depend on the sufficiency, at that time, of the plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

E. Investments

The following table presents the fair values of investments.[‡] Investments that represent 5 percent or more of the plan's net assets are separately identified.

	December 31,	
	20X1	*20X0*
C&H Company common stock, 25,000 shares	$ 690,000	$ 880,000
U.S. government securities	350,000	270,000
Corporate bonds	3,500,000	3,670,000
Plan interest in C&H master trust	2,250,000	1,860,000
Investment contract with National Insurance Company #8041A, 8.0% (note H)	1,000,000	890,000
Mortgages	480,000	460,000
Real estate	270,000	240,000
	$8,540,000	$8,270,000

During 20X1 [and 20X0], the plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $278,000 [and $41,000, respectively,] as follows:

Net Appreciation (Depreciation) in Fair Value

	Year Ended December 31,	
	20X1	*20X0*
C&H Company common stock	$208,000	$(59,000)
U.S. government securities	20,000	40,000
Corporate bonds	(40,000)	60,000
Guaranteed investment contract with insurance company	40,000	100,000
Mortgages	100,000	(90,000)
Real estate	(50,000)	(10,000)
	$278,000	$41,000

F. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

(continued)

[‡] See note F for discussion of fair value measurements.

Level 2	Inputs to the valuation methodology include • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 20X1 and 20X0.

Note: Information contained herein for fair value disclosures is based upon information for the Illustration of Financial Statements: Defined Benefit Pension (C&H Company Pension Plan) previously presented. This illustrative disclosure is not representative of all types of investment securities and does not represent the classification for every instance of such investment securities. It should not be assumed that these methodologies are the only appropriate methodologies for these types of assets. As stated in FASB ASC 820-10-35-5, "The principle (or most advantageous) market (and thus, market participants) should be considered from the perspective of the reporting entity, thereby allowing for differences between and among entities with different activities." Plan sponsors will have to evaluate the appropriate classification for each type of investment securities based upon the plan's portfolio and actual fair valuation techniques used.

C&H Company common stock: Valued at the closing price reported on the New York Stock Exchange.

Guaranteed investment contract with the National Insurance Company (National): Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer (See note H). Funds under the investment contract that have been allocated and applied to purchase annuities (that is, National is obligated to pay the related pension benefits) are excluded from the plan's assets.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

U.S. government securities: Valued at the closing price reported in the active market in which the individual security is traded.

Mortgages: Valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments.

Real estate: Valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 20X1 and 20X0. The following table does not include the plan's interest in the C&H master trust because that information is presented in a separate table (See note G):

Practice Tip

The following table illustrates certain disclosure requirements of FASB ASC 820. The disclosures illustrated describe the nature and risks of securities as required by FASB ASC 820-10-50 and are included for illustrative purposes and are NOT intended to represent the ONLY way to disclose such information.

In addition, in January 2010, FASB issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU No. 2010-06 amends the disclosure requirements of FASB ASC 820 including amendments regarding the level of disaggregation for each class of assets and liabilities. The illustrative financial statements in this section have not been amended to conform to ASU No. 2010-06. These financial statements will be amended closer to its effective date.

See the FASB website at www.fasb.org for further information regarding the requirements and effective date of ASU No. 2010-06.

	Assets at Fair Value as of December 31, 20X1			
	Level 1	*Level 2*	*Level 3*	*Total*
C&H Company common stock	$690,000	—	—	$690,000
Guaranteed investment contract with National Insurance Company	—	—	1,000,000	1,000,000
Corporate bonds:				
Aaa credit rating	1,000,000	—	—	1,000,000
Aa credit rating	—	2,000,000	—	2,000,000
A credit rating	—	—	500,000	500,000
Total corporate bonds	1,000,000	2,000,000	500,000	3,500,000
U.S. government securities	350,000	—	—	350,000
Mortgages	—	480,000	—	480,000
Real Estate	—	—	270,000	270,000
Total assets, excluding plan interest in C&H master trust, at fair value	**$2,040,000**	**$2,480,000**	**$1,770,000**	**$6,290,000**

	Assets at Fair Value as of December 31, 20X0			
	Level 1	*Level 2*	*Level 3*	*Total*
C&H Company common stock	$880,000	—	—	$880,000
Guaranteed investment contract with National Insurance Company	—	—	890,000	890,000
Corporate bonds:				
Aaa credit rating	1,200,000	—	—	1,200,000
Aa credit rating	—	$2,250,000	—	2,250,000
A credit rating	—	—	220,000	220,000
Total corporate bonds	1,200,000	2,250,000	220,000	3,670,000
U.S. government securities	270,000	—	—	270,000
Mortgages	—	460,000	—	460,000
Real Estate	—	—	240,000	240,000
Total assets, excluding plan interest in C&H master trust, at fair value	**$2,350,000**	**$2,710,000**	**$1,350,000**	**$6,4190,000**

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended December 31, 20X1.

	Level 3 Assets			
	Guaranteed Investment Contract With National Insurance Company	*Corporate Bonds*	*Real Estate*	*Total*
Balance, beginning of year	$890,000	$220,000	$240,000	$1,350,000
Realized gains/(losses)	—	100,000	25,000	125,000
Unrealized gains/(losses) relating to instruments still held at the reporting date	40,000	(30,000)	(75,000)	(65,000)
Purchases, sales, issuances, and settlements (net)	70,000	210,000	80,000	360,000
Balance, end of year	**$1,000,000**	**$500,000**	**$270,000**	**$1,770,000**
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$40,000	$(30,000)	$(75,000)	$(65,000)

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation in fair value of investments in the "Statement of Changes in Net Assets Available for Benefits."

G. Interest in C&H Master Trust

A portion of the plan's investments are in the master trust, which was established for the investment of assets of the plan and several other C&H Company sponsored retirement plans. Each participating retirement plan has an undivided interest in the master trust. The assets of the master trust are held by GLC Trust Company (Trustee).

The value of the plan's interest in the C&H master trust is based on the beginning of year value of the plan's interest in the trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. At December 31, 20X1 and 20X0, the plan's interest in the net assets of the master trust was approximately 9 percent and 11 percent, respectively. Investment income and administrative expenses relating to the master trust are allocated to the individual plans based upon average monthly balances invested by each plan.

The following table presents the assets, including investments, of the master trust.

	December 31,	
	20X1	*20X0*
Common stocks	$11,900,000	$8,800,000
Corporate bonds	11,800,000	6,700,000
U.S. government securities	867,000	750,000
	24,567,000	16,250,000
Receivable for securities sold	433,000	659,091
Total assets, C&H master trust	$25,000,000	$16,909,091
Plan interest in C&H master trust	$2,250,000	$1,860,000

Investment income for the master trust is as follows:

	Year Ended December 31,	
	20X1	*20X0*
Investment income:		
Net appreciation in fair value of investments:		
Common stocks	$ 300,000	$ 200,000
Corporate bonds	200,000	200,000
U.S. government securities	300,000	200,000
	800,000	600,000
Interest	400,000	300,000
Dividends	230,000	300,000
	$1,430,000	$1,200,000

The closing prices reported in the active markets in which the securities are traded are used to value the investments in the master trust. The following table sets forth by level, within the fair value hierarchy, the master trust's assets at fair value as of December 31, 20X1 and 20X0:

Practice Tips

The assets of the master trust are classified within level 1 of the fair value hierarchy due to the fact that they are valued using quoted market prices. Note that this is not representative of all master trusts. Accordingly, other master trusts may hold assets that are also classified within levels 2 and 3 of the fair value hierarchy. Presentation in the footnotes to the financial statements should be made accordingly.

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The following table illustrates certain disclosure requirements of FASB ASC 820. The disclosures illustrated describe the nature and risks of securities as required by FASB ASC 820-10-50 and are included for illustrative purposes and are NOT intended to represent the ONLY way to disclose such information.

In addition, in January 2010, FASB issued ASU No. 2010-06. ASU No. 2010-06 amends the disclosure requirements of FASB ASC 820 including amendments regarding the level of disaggregation for each class of assets and liabilities. The illustrative financial statements in this appendix have not been amended to conform to ASU No. 2010-06. These financial statements will be amended closer to its effective date.

(continued)

See the FASB website at www.fasb.org for further information regarding the requirements and effective date of ASU No. 2010-06.

	Assets at Fair Value as of December 31, 20X1			
	Level 1	*Level 2*	*Level 3*	*Total*
Common stocks:				
Energy	$5,500,000	—	—	$5,500,000
Health care	3,750,000	—	—	3,750,000
Information technology	1,250,000	—	—	1,250,000
Consumer goods	900,000	—	—	900,000
Utilities	500,000	—	—	500,000
Total common stocks	$11,900,000	—	—	$11,900,000
Corporate bonds	11,800,000	—	—	11,800,000
U.S. government securities	867,000	—	—	867,000
Total assets at fair value	**$24,567,000**			**$24,567,000**

	Assets at Fair Value as of December 31, 20X0			
	Level 1	*Level 2*	*Level 3*	*Total*
Common stocks:				
Energy	$3,750,000	—	—	$3,750,000
Health care	3,000,000	—	—	3,000,000
Information technology	1,000,000	—	—	1,000,000
Consumer goods	750,000	—	—	750,000
Utilities	300,000	—	—	300,000
Total common stocks	$8,800,000	—	—	$8,800,000
Corporate bonds	6,700,000	—	—	6,700,000
U.S. government securities	750,000	—	—	750,000
Total assets at fair value	**$16,250,000**			**$16,250,000**

H. Contract With Insurance Company

In 20W8, the company entered into an investment contract with National under which the plan deposits a minimum of $100,000 a year. National maintains the contributions in an unallocated fund to which it adds interest at a rate of 8 percent. The interest rate is guaranteed through 20X3 but is subject to change for each succeeding 5-year period. When changed, the new rate applies only to funds deposited from the date of change. At the direction of the plan's administrator, a single premium to buy an annuity for a retiring employee is withdrawn by National from the unallocated fund. Purchased annuities are contracts under which National is obligated to pay benefits to named employees or their beneficiaries. The premium rates for such annuities to be purchased in the future and maximum administration expense charges against the fund are also guaranteed by National on a 5-year basis.

The annuity contracts provide for periodic dividends at National's discretion on the basis of its experience under the contracts. Such dividends received by the plan for the year(s) ended December 31, 20X1 [and 20X0] were $25,000 [and $24,000, respectively]. In reporting changes in net assets, those dividends have been netted against amounts paid to National for the purchase of annuity contracts.

I. Plan Amendment

Effective July 1, 20X1, the plan was amended to increase future annual pension benefits from 1 1/4 percent to 1 1/2 percent of final 5-year average annual compensation for each year of service, including service rendered before the effective date. The retroactive effect of the plan amendment, an increase in the actuarial present value of accumulated plan benefits of $2,410,000, was accounted for in the year ended December 31, 20X1. (The actuarial present value of accumulated plan benefits at December 31, 20X0 do not reflect the effect of that plan amendment. The plan's actuary estimates that the amendment's retroactive effect on the actuarial present value of accumulated plan benefits at December 31, 20X0 was an increase of approximately $1,750,000, of which approximately $1,300,000 represents an increase in vested benefits.)

J. Tax Status

The IRS has determined and informed the company by a letter dated June 30, 20XX, that the plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan has been amended since receiving the determination letter. However, the plan administrator and the plan's tax counsel believe that the plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

K. Risks and Uncertainties

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

L. Related-Party Transactions

Certain plan investments are shares of C&H Company common stock. The plan held 25,000 shares of C&H Company common stock at December 31, 20X1 and 20X0, valued at $690,000 and $880,000, respectively. During the years ended December 31, 20X1 and 20X0, purchases of shares by the plan totaled $1,100,000 and $500,000, respectively, and sales of shares by the plan totaled $1,498,000 and $750,000, respectively. This investment and transactions in this investment qualify as party-in-interest transactions which are exempt from the prohibited transaction rules of ERISA.

Note: Paragraphs .15–.17 illustrate certain applications of the provision of FASB ASC 960 that apply for the annual financial statements of a hypothetical defined benefit pension plan that has been amended to include a 401(h) account. The following illustrative defined benefit pension plan financial statements are not representative of a complete set of financial statements and notes thereto.

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C&H COMPANY PENSION PLAN

Statement of Net Assets Available for Pension Benefits

	December 31,	
	20X1	*20X0*
Assets		
Investments, at fair value (note A):		
Plan interest in C&H master trust	$2,000,000	$1,660,000
C&H Company common stock	600,000	800,000
Guaranteed investment contract with insurance company	850,000	800,000
Corporate bonds	3,000,000	3,170,000
U.S. government securities	300,000	200,000
Mortgages	480,000	460,000
Money market fund	270,000	240,000
Total investments	7,500,000	7,330,000
Net assets held in 401(h) account (note I)[8]	1,072,000	966,000
Receivables:		
Employer's contribution	20,000	10,000
Securities sold	310,000	175,000
Accrued interest and dividends	70,000	70,000
Total receivables	400,000	255,000
Cash	180,000	80,000
Total assets	9,152,000	8,631,000
Liabilities		
Due to broker for securities purchased	—	400,000
Accounts payable	70,000	60,000
Accrued expenses	70,000	25,000
Amounts related to obligation of 401(h) account	1,072,000	966,000
Total liabilities	1,212,000	1,451,000
Net assets available for pension benefits	$7,940,000	$7,180,000

The accompanying notes are an integral part of the financial statements.

[8] Any assets held for investment purposes in the 401(h) account should be shown on Schedule H, line 4i—Schedule of Assets (Held at End of Year), and Schedule H, line 4j—Schedule of Reportable Transactions, for the pension plan.

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C&H COMPANY PENSION PLAN

Statement of Changes in Net Assets Available for Pension Benefits

	Year Ended December 31, 20X1
Investment income:	
Net appreciation in fair value of investments	$ 233,000
Interest	293,000
Dividends	4,000
	530,000
Less investment expenses	30,000
	500,000
Plan interest in C&H master trust investment income (note G)	117,000
	617,000
Contributions (note C):	
Employer	740,000
Employees	450,000
Total additions	1,190,000
	1,807,000
Benefits paid directly to participants	740,000
Purchases of annuity contracts (note H)	257,000
	997,000
Administrative expenses	50,000
Total deductions	1,047,000
Net increase	760,000
Net assets available for pension benefits:	
Beginning of year	7,180,000
End of year	$7,940,000

The accompanying notes are an integral part of the financial statements.

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C&H COMPANY PENSION PLAN
Notes to Financial Statements

A. 401(h) Account

Effective January 1, 20X0, the plan was amended to include a medical-benefit component in addition to the normal retirement benefits to fund a portion of the postretirement obligations for retirees and their beneficiaries in accordance with Section 401(h) of the IRC. A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component (401(h) account). In accordance with IRC Section 401(h), the plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Any assets transferred to the 401(h) account from the defined benefit pension plan in a qualified transfer of excess pension plan assets (and any income allocable thereto) that are not used during the plan year must be transferred out of the account to the pension plan. The related obligations for health benefits are not included in this plan's obligations in the statement of accumulated plan benefits but are reflected as obligations in the financial statements of the health and welfare benefit plan. Plan participants do not contribute to the 401(h) account. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the Plan Sponsor. Certain of the plan's net assets are restricted to fund a portion of postretirement health benefits for retirees and their beneficiaries in accordance with IRC Section 401(h).

B. Reconciliation of Financial Statements to Form 5500[9]

The following is a reconciliation of net assets available for pension benefits per the financial statements to the Form 5500:

	December 31,	
	20X1	*20X0*
Net assets available for pension benefits per the financial statements	$7,940,000	$7,180,000
Net assets held in 401(h) account included as assets in Form 5500	1,072,000	966,000
Net assets available for benefits per the Form 5500	$9,012,000	$8,146,000

The net assets of the 401(h) account included in Form 5500 are not available to pay pension benefits but can be used only to pay retiree health benefits.

The following is a reconciliation of the changes in net assets per the financial statements to the Form 5500:

	For the Year Ended December 31, 20X1		
	Amounts per Financial Statements	*401(h) Account*	*Amounts per Form 5500*
Net appreciation in fair value of investments	$233,000	$10,800	$243,800
Interest income	293,000	80,200	373,200
Employer contributions	740,000	40,000	780,000
Benefits paid to retirees	740,000	10,000	750,000
Administrative expenses	50,000	15,000	65,000

[9] The reconciliation of amounts reported in the plan's financial statements to amounts reported in Form 5500 is required by ERISA.

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