Exercise 02

1) Type the following paragraphs into the word document.

   Auditor's risk and its components Auditor's risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Auditor's risk is a function of two main components being; the risks of material misstatement and detection risk.

   Detection is the risk that the procedures performed by the auditor to reduce auditor's risk to an acceptably low level will not detect a misstatement which exists and which could be material, either individually or when aggregated with other misstatements. Detection risk is affected by sampling and non-sampling risk.

   Risk of material misstatement is made up of two components; inherent risk and control risk. Inherent risk is the susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement which could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. Control risk is the risk that a misstatement which could occur in an assertion about a class of transaction, account balance or disclosure and which could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's internal control.

   i. Format the heading 'Auditor's risk and its components' to paragraph style 'Heading 4' and center the heading

   ii. Using cut and paste, move paragraph two to the end of the document

   iii. Insert a heading above paragraph two – Risks of material misstatement – and make the heading bold and center

   iv. Insert a heading above paragraph three – Detection risk – and make the heading bold and center

   v. Insert bullet points to create a numbered list against risk of material misstatement and inherent risk in the first paragraph

   vi. Audit risk has been incorrectly referred to as auditor's risk throughout, perform a 'find and replace' to correct this error

   vii. Add a water mark to the document "Confidential".

   viii. Add a border for the page.