

Learning Objectives

- Identify why materiality is important for an audit of financial statements.
- Make a preliminary judgment about what amounts to consider material.
- Identify the audit risk model and its components.
- Recognize the impact of engagement risk on acceptable audit risk.
- Recognize the relationship of risks to audit evidence.

Section 1 Audit Risk and Materiality Introduction

- The Definition of Materiality
- How to Apply Materiality
- Preliminary Assessment
- Factors Affecting the Preliminary Judgement
- Materiality Evaluation
- The Importance of Certain Misstatements
- Materiality Example
- Estimating Misstatements

Section 2 Assessing the Risk of Material Misstatements

- What is the Audit Risk Model?
- What is Planned Detection Risk?
- What is Inherent Risk?
- What is Control Risk?
- Audit Risk that is Acceptable
- Risk Factors in the Audit Risk Model
- Deciding Acceptable Risk
- What is Engagement Risk?
- Controlling Acceptable Audit Risk
- Users that Rely on Financial Statements
- Problems After the Report
- Management Integrity
- Audit Risk Decision
- The Inclusion of Inherent Risk
- Factors of Inherent Risk
- Population Makeup
- Fraudulent Reporting
- Evaluating Information
- Inherent Risk Assessment
- Responding to Risk
- Assessing for Each Cycle
- Associating Risk with Different Objectives
- Measuring Model Components
- Worksheet Example
- From Materiality and Risk to Evidence