

Cannavaro.com is a website design company whose year end was 31 December 20X4. The audit is almost complete and the financial statements are due to be signed shortly. Profit before tax for the year is \$3.8 million and revenue is \$11.2 million.

The company has only required an audit for the last two years and the board of directors has asked your firm to provide more detail in relation to the form and content of the auditor's report.

During the audit it has come to light that a key customer, Pirlo Co, with a receivables balance at the year end of \$285,000, has just notified Cannavaro.com that they are experiencing cash flow difficulties and so are unable to make any payments for the foreseeable future. The finance director has notified the audit team that he will write this balance off as an irrecoverable debt in the 20X5 financial statements.

To explain to the board the content of the audit report, the audit partner has asked you to provide details as to why certain elements are included within an unmodified report.

Which of the following explains the purpose of the ADDRESSEE element of the unmodified audit report in line with ISA 700 Forming an Opinion and Reporting on Financial Statements?

- A.** It demonstrates the point at which sufficient appropriate evidence has been obtained
- B.** It clarifies who may rely on the opinion included within the report
- C.** It explains the role and remit of the audit
- D.** It sets out the location where the auditor practises