Case 1 - Exercise 2

King and Company
PRO FORMA AUDITOR'S REPORT

To: [Insert appropriate recipients here]:

We have audited the accompanying balance sheet of [insert company name here] as of [insert balance sheet date here], and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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. 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 audit provides a reasonable basis for our opinion.

[if qualification, insert reasons here]

In our opinion, [insert qualification (if any) here], the aforementioned financial statements present fairly, in all material respects, the financial position of the [insert company name here] at [insert balance sheet date here], and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

[if explanatory paragraph needed, insert here]

King and Company (signed), Certified Public Accountants
Date: [insert last day of audit fieldwork here]