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To: Comments
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Subject: [EXT]: Comment on PCAOB release no. 2022-009 Dec 20,2022

Comment on Proposed auditing standard- The auditor's use of confirmation, and other proposed Amendments to PCAOB Standards.

PCAOB Released no. 2022-009

Dec 20, 2022

PCAOB Rulemaking

Docket Matter No. 028

To the Secretary,

The new proposed standard, AS 2310 has largely considered the required amendments.

The aspects of the confirmation of recoverable and the difficulty faced by the auditors in auditor's use of confirmation has been describe in generic to the confirmation from the related parties. The confirmation process and receiving of the confirmation from related party is required to be detailed in the exposure draft.

Related parties are not defined in detail, with regard to the relationship of the person having substantial interest in the ownership or in the management of the company (reporting entity) whose financial statements are being audited. As per the accounting standard, related party is a person or entity that is related to the entity preparing the financial statement (reporting entity). A person or a closed member of the person's family is specified as a related party. ASC 850 covers transaction and relationship with the related party and it applies to all the entities.

1. The related party includes, affiliates of the entity, entities for which investments in their securities would be required, absent the election of the fair value options. The trust benefits, principles owners, management of entities and members of their immediate family and the parties that can significantly influence the other to an extend that one or more of their transacting parties might be prevented from fully pursuing its own separate investment. Immediate family is limited to the spouse, parents, stepparents, foster parents, father-in-law, mother-in-law, children, step children, foster children, son-in-law, daughter-in-law, grandparents, grand-children, brothers, sisters, aunts, uncles,

niece, nephew, first cousin (children of the aunt or uncle) is a long list of related parties. Keeping in view related party definition beside the immediate family there is other factor of control and management and ownership. As such there is no rules and regulations addressing related parties that have been issued by the SEC impact ASC definition of related party. Auditors are to rely upon the declaration given by the persons or directors of their interest in the parties who are related to them. There are transaction which has been taking place among the related parties though not considered by the auditor management as related parties and there is no evidence with the auditor's regarding the related parties other than the declaration given by the person interested.

2. In such cases the recoverable or payable amount towards related party stands outstanding (sometime for a period more than they become bad for non-payable) and thus, such transaction have a significant impact on the financial statements and sometime the risk assessment for not being fully known resulting to auditor's response to risk of material misstatements. Keeping on view above the standards requires to specify and simplify the related parties transaction.

Regards,

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