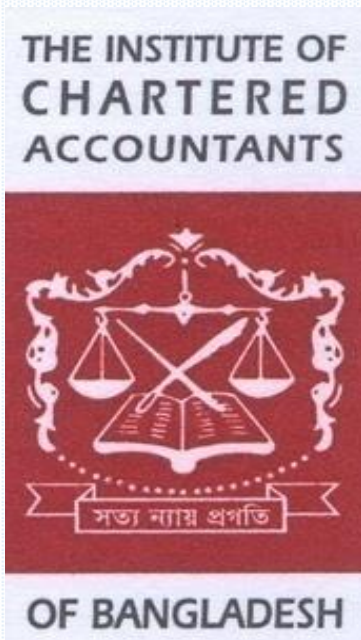


Presentation on Related party transactions



Presented by:

○ **Jahidul Ahasan ACA**

Topics Covered

- **Key points**
- **Audit objectives**
- **Audit Procedures**

Related parties

- A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').
- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control of the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

Related parties

- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties

In the context of this Standard, the following are not related parties:

- a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- b) two joint ventures simply because they share joint control of a joint venture.
- c) (i) providers of finance, (ii) trade unions, (iii) public utilities, and (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

Audit objectives

- **Presentation and Disclosure:** To ensure that all related party transactions are properly disclosed in the financial statements in accordance with the applicable financial reporting framework.
- **Accuracy:** To ensure that the related party transactions are accurately recorded in the financial statements, including the correct amount, classification, and timing.
- **Completeness:** To ensure that all related party transactions have been included in the financial statements and that no material related party transactions have been omitted.

Audit procedures for related party transactions

- Obtained understanding of identification of related parties, recording process and disclosures
- Obtain and Review schedule of related parties
- Review the accounting records for large or unusual transactions with related parties
- Third party confirmation of transactions and balances
- Verify movements on the loan account for each director and other connected person

Q&A?